



**Goldlion**<sup>®</sup>  
**ANNUAL REPORT**  
**2016** 年報

金利來集團有限公司  
GOLDLION HOLDINGS LIMITED  
股份代號: STOCK CODE: 00533

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# CORPORATE INFORMATION

## DIRECTORS

### Chairman:

Dr. the Hon. Tsang Hin Chi G.B.M.

### Deputy Chairman and Chief Executive Officer:

Mr. Tsang Chi Ming, Ricky

### 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

## 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

## SOLICITORS

Woo, Kwan, Lee & Lo

## AUDITOR

PricewaterhouseCoopers

*Certified Public Accountants*

*Hong Kong*

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Standard Chartered Bank (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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Goldlion Holdings Centre

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Siu Lek Yuen

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# FINANCIAL HIGHLIGHTS



## FINANCIAL POSITION

As at 31st December 2016, cash and bank balances held by the Group amounted to approximately HK\$1,202,223,000, which was HK\$9,448,000 lower than the balance at the end of last year, mainly due to the devaluation of RMB. During the year, the Group recorded a net cash inflow from operating activities of HK\$242,747,000 and received interest income of HK\$28,334,000. However, the Group also paid dividends of HK\$201,333,000, purchased fixed assets of HK\$28,354,000 and recorded decrease in cash and bank balances from foreign exchange rate changes of HK\$45,424,000. As at 31st December 2016, the Group did not have any bank loans or overdrafts.

The Group conducted the business mainly in the China Mainland market through its PRC subsidiaries. Most of the relevant transactions were denominated in RMB and transactions involving foreign currencies were minimal. These PRC subsidiaries paid dividends in RMB to the Hong Kong holding companies regularly which in turn placed them as bank deposits in Hong Kong. As at 31st December 2016, 58% and 40.6% of the Group's cash and bank balances were in RMB and Hong Kong dollar respectively, compared with those of 72.6% and 25.6% at the end of last year. During the year, the Group converted a major part of its RMB bank deposits kept in Hong Kong into Hong Kong dollar to reduce the exchange risk resulting from the fluctuation of RMB.

As at 31st December 2016, the Group's current assets and current liabilities were HK\$1,653,896,000 and HK\$340,419,000 respectively, with a current ratio at 4.9. Total current liabilities were 9.3% of the average capital and reserves attributable to owners of the Company of HK\$3,654,365,000.

As at 31st December 2016, the Group did not have any material contingent liabilities or capital commitments and had not charged any of the Group's assets.





# CHAIRMAN'S STATEMENT



**Dr. the Hon. Tsang Hin Chi, G.B.M.,**  
*Chairman of the Group*

## GROUP RESULTS

### Turnover and gross profit

During the year under review, the Group recorded a total turnover of HK\$1,472,264,000, representing a year-on-year drop of 2%. The decrease was mainly related to the devaluation of the Renminbi ("RMB") during the year and the weak performance of our Singapore apparel operation.

Gross profit for the year was HK\$863,356,000, representing a decrease by 5% from HK\$905,524,000 of last year. Overall gross profit margin was 58.6%, down by about 1.4 percentage points from 60% of last year. Gross profit margin for our apparel business in China Mainland was 51.8%, representing a drop of 2.8 percentage points. This was mainly due to the provision for impairment of inventories in China of HK\$18,031,000 for the year against a reversal of impairment of HK\$27,420,000 in last year. If the above impact was excluded, the gross profit margin for the Mainland operation would be 1.3 percentage points higher which was mainly due to less discounted sales during the year.

### Operating expenses and operating profit

Selling and marketing costs for the year increased slightly by 1% to HK\$405,976,000. Despite the RMB devaluation for about 5% comparing with last year, the costs have not decreased significantly. This was due to the sales growth of our e-commerce operation in China which caused the increases in relevant commission expenses. Besides, a provision for onerous contract of HK\$8,769,000 was made for certain loss-making shops in Singapore. Percentage of selling and marketing costs to the overall turnover for the year was 27.6%, slightly higher than 26.5% of last year.

Administrative expenses of the Group during the year were HK\$176,597,000, decreased by 18.9% from HK\$217,657,000 of last year. Apart from the decrease in the relevant expenses in China resulted from the RMB devaluation during the year, the drop was also due to the decrease in exchange loss for the year of HK\$21,185,000.

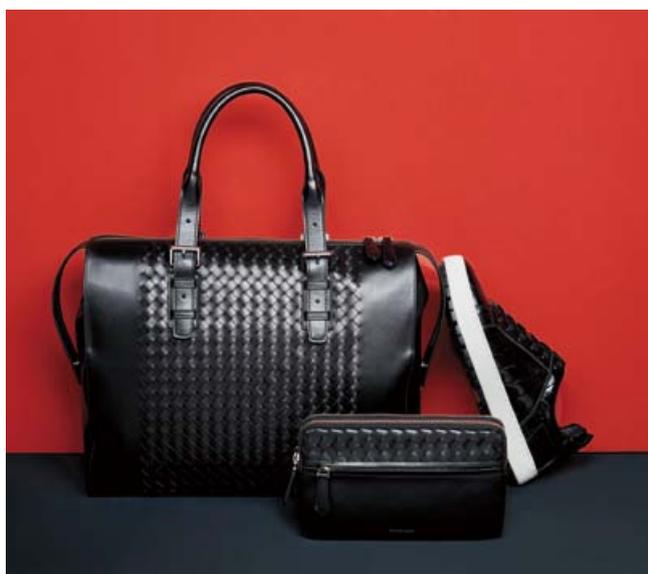
# CHAIRMAN'S STATEMENT

During the year, the Group recorded fair value gains on investment properties of HK\$171,342,000, compared with HK\$169,135,000 of last year.

Operating profit for the year amounted to HK\$452,125,000 which marked a decrease of 1% from HK\$456,934,000 of last year. The operating profit margin was approximately 30.7% which was broadly comparable to 30.3% of last year.

## Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year was HK\$388,844,000, decreased by 3% from HK\$401,872,000 of last year. Profit for the year would be HK\$238,021,000 if fair value gains after tax on investment properties of HK\$150,823,000 were excluded. Such profit marked a decrease of 4% from HK\$247,212,000 of last year if the fair value gains after tax on investment properties of HK\$154,660,000 were excluded. The profit would mark a decrease of 11% if effects on exchange loss for the year of HK\$7,231,000 (HK\$28,416,000 for last year) were also excluded.



## FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 13.0 HK cents per share (2015: 14.0 HK cents per share) for the year ended 31st December 2016, totalling HK\$127,675,000 (2015: HK\$137,496,000). Subject to the shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on or about 6th June 2017 to shareholders whose names appear on the Register of Members as at 26th May 2017.

# CHAIRMAN'S STATEMENT

## BUSINESS REVIEW

### Apparel Business

#### China Mainland and Hong Kong SAR Markets

The year under review saw an economic slowdown, decrease in GDP growth, a devalued RMB and persistently damp consumer sentiment in China Mainland, dealing a blow to especially the apparel business.

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. For the year as a whole, overall turnover amounted to HK\$1,105,287,000, which is comparable with that of last year. In terms of RMB and hence excluding the implication of devaluation, there was in fact an increase of approximately 5%, which is largely attributable to e-commerce operation.

Regarding our wholesaling operation, with business conditions remaining to be difficult in the generally slow menswear market, the Group's distributors tended to be conservative when placing orders on our 2016 products. Coupled with a higher inventory return and exchange ratio beginning with our 2016 fall and winter collections, this resulted in a decrease of about 11% in RMB in sales to our distributors.

As for self-operated retail shops, 15 in Chongqing were taken over from our local distributor for self-operation in May last year, 6 in Shanghai were closed successively since the middle of last year whereas 4 in Wuhan were transferred to our local distributor in August this year. All in all, sales of self-operated retail shops (excluding factory outlets) registered an annual decrease of approximately 3% in RMB. In terms of comparable store sales, Guangzhou was comparable with last year, Shanghai rose by about 6% due to the rationalization of shop portfolio while Beijing dropped by about 3%.

Owing to smaller discounts and a higher proportion of special selected items on offer, sales of our factory outlets achieved a year-on-year increase of approximately 5%. When compared with last year, its overall performance has improved due to the higher gross profit margin of special selected items and the greater operating efficiency.

At the end of the year, the Group had approximately 950 retail outlets (including factory outlets) in China, among which 96 were self-operated. The total number of retail outlets was about 70 less than that at the end of last year mainly owing to closure of some under-performing outlets. The Group will continue to review the performance of its outlets to ensure a cost-effective operation.

During the year under review, e-commerce remained to be the main driving force of the Group's sales growth. The Group's e-commerce operation was mainly for the clearance of off-season inventories in the past. As off-season inventories suitable for the business kept declining after years of clearance, the Group shifted its focus to the sales of special selected items during the year. The proportion of special selected items sold increased to approximately 85% for the year. The rapid growth of e-commerce in the China Mainland market and the relatively high salability of special selected items have brought about an increase of 111% in RMB in relevant sales during the year. The share of e-commerce in the Group's Mainland apparel sales also rose to about 19% accordingly.

Despite devaluation of the RMB, the Group's overall inventory balance at the end of the year was higher than last year. This was mainly because of the special selected items for factory outlets and e-commerce as well as the higher return and exchange ratio for wholesale distribution.

During the year, the Group continued to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. Since the middle of last year, the Group has successively granted licenses for e-distribution of such products to those licensees as well. Inclusive of recognition of e-commerce turnover license fees, licensing income for the year registered a growth of approximately 6% over last year to HK\$99,686,000. In the second half of the year, the Group placed a strategic investment of RMB5,000,000 for a 10% shareholding in our leather goods licensees' company. Such investment has been classified as "available-for-sale financial assets" in the balance sheet.

# CHAIRMAN'S STATEMENT

## Singapore and Malaysia Markets

To enhance our brand image in the increasingly competitive menswear market in recent years, a series of operational adjustments were introduced to the Group's Singapore operation starting from the second half of last year. Apart from less discounted sales, several redefined shops specializing in more stylish products were opened to cater for a more elitist clientele. However, such measures were not well received by local customers during the year and led to the loss in sales. Sales performance was further seriously impacted by the weak retail market and declining purchasing power. For the year as a whole, overall sales of the Group's Singapore and Malaysia operation amounted to HK\$77,475,000, representing a decrease of approximately 30% when compared with last year.

Sales of comparable retail outlets decreased year-on-year by about 17% in local currency. At the end of the year, there were a total of 11 Goldlion shops and 22 counters in Singapore, or up by 1 shop when compared with that at the end of last year. Over in Malaysia, the number of counters was 19, or down by 2 when compared with that at the end of last year.

In response to the stagnant business, the Group has taken steps to restructure the local management team, readjust the business strategies, and stabilize the operation in second half of the year. Since it was too soon for the effects to be realized, an operating loss of HK\$26,023,000 was recorded for our Singapore and Malaysia operation for the year. Such loss included the onerous contract obligation for leases and impairment losses for decoration of some loss-making shops amounting to approximately HK\$8,769,000 (classified under selling and marketing costs) and HK\$2,945,000 (classified under administrative expenses) respectively. Last year's operating loss for the Singapore and Malaysia markets was HK\$5,417,000.

## Property Investment and Development

The Group's investment property portfolio had no significant changes since the end of last year and business has continued to remain stable during the year. Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK\$171,342,000. These included the respective gains of HK\$61,692,000 and HK\$69,114,000 from our main investment properties, Goldlion Digital Network Centre in Guangzhou and Goldlion Holdings Centre in Hong Kong. Such growth mainly reflected the rental performance of these properties and overall property markets. The fair value gains for last year were HK\$169,135,000.

Rental income and building management fees for the year amounted to HK\$151,672,000 and HK\$38,144,000 respectively, representing a year-on-year decrease of around 4% in total. This was mainly attributable to the devaluation of the RMB and in turn lower income upon currency conversion. Furthermore, under China Mainland's new tax reform policy that came into effect in May, Business Tax (previously charged to expenses) has been replaced with Value Added Tax (deducted directly from income), resulting in a reduction in income. However, such a change has no significant impact on overall profit.

Leasing of Goldlion Digital Network Centre in Tianhe, Guangzhou, was stable and occupancy rate was maintained at around 93%, slightly lower than that of last year. The drop was mainly due to a gap between leases for some of the premises in the sluggish Chinese economy. The replacement of Business Tax by Value Added Tax was also a factor contributing to the year-on-year decrease of approximately 4% in rental income and building management fees in RMB.

In Shenyang, leasing of Goldlion Commercial Building continued to grow steadily with overall occupancy rate maintained at 100%. With a higher amount of turnover rental received from a major tenant having satisfactory business performance, rental income and building management fees in RMB for the year increased by approximately 6% over last year.

In Hong Kong, on account of higher rental terms under new leases, total rental income and building management fees of the Group's local properties increased year-on-year by approximately 5%. The growth was mainly attributable to the Group's Goldlion Holdings Centre in Shatin.

Regarding the piece of land with a site area of approximately 75,949 square meters in Meixian, Meizhou, the project is still at the initial planning phase owing to resettlement delays. Caution will be exercised when executing the development plan.

# CHAIRMAN'S STATEMENT

## PROSPECTS

In face of economic uncertainties worldwide in 2017, China Mainland's difficult and challenging business environment is expected to stay for some time to come. The worst, however, is probably behind us.

In anticipation of wholesaling stabilizing and to ensure sustained development, the Group is dedicated to providing better quality, faster moving and competitive products for the China Mainland market. The Group will continue to monitor performance of our distributors and provide appropriate assistance whenever necessary. However, the Group would not rule out the possibility of any takeover in case individual distributors are not performing up to par. Besides, at the Group's Mainland 2017 fall and winter collections sales fair held in early March, initial figures show that the order amount was in a single digit growth from the corresponding season last year, indicating stronger confidence among the distributors. The goods ordered will be delivered during the second half of the coming year.

Since there is not yet any obvious sign that the apparel market is picking up, the Group's business of self-operated retail shops and factory outlets is likely to remain stable in the coming year. Benefitting from the continuous boom in online shopping, e-commerce sales are expected to continue achieving remarkable growth. Another promising source of growth in overall sales is China Mainland's huge demand for made-to-order corporate uniforms, a market that the Group is poised to tap.

In Singapore, the Group will continue to rationalize its business strategies and to streamline its management for greater operational cost-effectiveness. Furthermore, the Group is currently considering adjusting certain low-performing shops so as to cut losses.

As for property investment, rental adjustment for offices will probably remain under pressure. The Group will continue to enhance the leasing potential of the properties on hand for maintaining a steady growth in rental income.

Regarding the revitalization application of the Shatin Goldlion Holdings Centre in Hong Kong, the Group has recently accepted the basic terms of waiver for revitalization land use offered by the Lands Department in January 2017. Hence, all major governmental application procedures have basically been completed. The Group will proceed to plan in detail the scale and timetable of the project in light of general market conditions, the property's current leasing position and other relevant considerations.

Also in Hong Kong, the whole block of property at No. 3 Yuk Yat Street, To Kwa Wan, was previously leased to a local listed company under a long lease. However, the lease has been expired in January 2017. The Group had taken back the property and is scheduling for a renovation plan. As the property is expected to be available for lease after the completion of the renovation in the second half of the year, rental income in the first half of the year will be slightly affected.

As for the piece of land in Meizhou, the Group will commence works when appropriate based on the development plan.

## ACKNOWLEDGEMENT

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

**Dr. Tsang Hin Chi**

*Chairman*

Hong Kong, 20th March 2017

# SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2016

## INVESTMENT PROPERTIES

Property	Description	Lot Number	Type	Lease term
<b>Hong Kong</b>				
1. 1st to 6th floors, Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories	The property, with a gross floor area of 23,077 sq.m., comprises the 1st, 2nd, 3rd, 4th, 5th and 6th floors of a 8-storey factory/warehouse. The building was completed in 1989.	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
2. No. 3 Yuk Yat Street, To Kwa Wan, Kowloon	The property comprises a modified 12-storey building completed in 1971. The property has a total gross floor area of 7,028 sq.m..	Kowloon Inland Lot No. 9676	Industrial/ Office	The property is held for a term of 75 years from 17th November 1969 renewable for a further term of 75 years.
3. Unit A on 5th floor, Unit D on 6th floor, Units A and B on 7th floor, Units A, B, C and D on 14th floor, together with car parking S18 on the ground floor, Ming Wah Industrial Building, 13-33 Wang Lung Street, Tsuen Wan, New Territories	The property comprises units on the 5th, 6th and 7th floor, and the 14th floor together with a car parking space on the ground floor of a 24-storey industrial building completed in 1976. The property has a total gross floor area of 3,238 sq.m..	81/1024th shares of and in Tsuen Wan Town Lot No. 134	Industrial	The property is held for a term of 99 years from 1st July 1898 and renewed to 30th June 2047.
4. Unit B on 3rd floor, Acro Industrial Building, 19 Yuk Yat Street, To Kwa Wan, Kowloon	The property comprises a workshop unit on the third floor of a 12-storey plus basement industrial building completed in 1978. The property has a gross floor area of 536 sq.m..	58/1184th shares of and in Kowloon Inland Lot No. 9681	Industrial	The property is held for a term of 75 years from 23rd March 1970 and renewable for a further term of 75 years.

# SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2016

## INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
<b>China Mainland</b>				
5. Units 01 to 07 and Units 10 to 11 on Level 1, Levels 2 to 3, Units 01 to 05 and Units 07 to 12 on Level 4, Level 5, Level 7, Units 01 to 07 and Units 09 to 12 on Level 8, Level 9, Unit 01 and Units 03 to 12 on Level 10, Level 11, Unit 01 and Units 03 to 12 on Level 12, Level 13, Units 02 to 05 and Units 08 to 12 on Level 14, Level 15, Unit 01 and Units 03 to 12 on Level 16, Units 07 to 12 on Level 17, Units 03 to 12 on Level 18, Levels 19 to 28, the car parking spaces in the basement levels 1 to 3 and the mezzanine level of the building, Goldlion Digital Network Centre, 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 48,055 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, 186-190 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 2016

## INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
<b>China Mainland</b> <i>(continued)</i>				
7. Unit 07 on Level 24 and Units 07 and 08 on Level 26, 577 Tianhe North Road, Units 07 and 08 on Level 25, Unit 07 on Level 26 and Unit 07 on Level 28, 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province	The property comprises 7 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 659 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, Jianguan Bigfang Dai Dao, Meizhou Ze, Guangdong Province	The property comprises units in a commercial podium built in 2008. The property has a gross floor area of 4,392 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, Qunli Dai 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.
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.

# SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2016

## PROPERTIES HELD FOR OWN USE

Property	Description	Lot Number	Type	Lease term
<b>Hong Kong</b>				
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.
<b>China Mainland</b>				
2. Units 07 and 08 on Level 28, 577 Tianhe North Road, Unit 07 on Level 27 and Unit 08 on Level 28, 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province	The property comprises 4 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 372 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, Unit 06 on Level 4, Level 6, Units 06 and 07 on Level 14, Level 29 and Unit W07 in the mezzanine level of basement, Goldlion Digital Network Centre, 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 4,802 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 2016

## PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
<b>China Mainland</b> <i>(continued)</i>				
5. Yuan Village Warehouse, 36 & 38 Keyun Road, Tianhe District, Guangzhou, Guangdong Province	The property is a 6-storey factory building built in 1998. The property has a gross floor area of 14,540 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 Dai 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. Unit D1-601 and 602, Unit D2-501 and 601, Unit C20 on Level 3 and car parking D2-103 and 107, Goldlion Fashion Walk, Jiangnan Binfang Dai 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.
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.

# SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2016

## PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
<b>Singapore</b>				
10. Units 01 to 03 on Level 2 and Units 01 to 03 on Level 4, Goldlion Building 161 Kampong Ampat,	The property comprises 6 units of a 6-storey industrial and warehouse building. The property has a gross floor area of 2,523 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 2016

## PROPERTY UNDER DEVELOPMENT HELD FOR SALE

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CORPORATE RESPONSIBILITY – MAKING A POSITIVE DIFFERENCE

The Group strives to be a good corporate citizen. We leverage the Group's strengths and resources to make a positive difference to the environment, our communities and our people.

We aim to contribute in meaningful ways – supporting our communities through worthwhile causes, creating rewarding careers and developments for our employees, and investing our time and energy to help protect the environment.

Our passion for helping others is strong and deep. We channel this passion of ours towards championing good causes that improve the lives of others, especially those who are underprivileged or disadvantaged.

We are honored to present to shareholders and other stakeholders the achievements we have made in 2016 with respect to environmental protection, employee development, community investment and other ESG areas through this inaugural Environmental, Social and Governance Report.

Moving forward, we plan to join hands with our employees, business partners, customers, and fellow citizens in the communities where we operate to create new platforms that generate goodness for the environment and society.

## A. ENVIRONMENTAL

We care about our planet. We are committed to help build a cleaner, better environment for ourselves and for our future generations to live in. In the future, we will continue to plan, develop and implement programs that benefit the environment.

### I. EMISSIONS

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

#### **Reducing Emissions**

The Group has complied with government laws and regulations pertaining to the emission of chemicals and other substances in the countries where it has business operations. It is our aim to reduce the amount of chemicals and other substances that we emit into the environment. Going forward, we will continue to work hard and smart to minimize the amount of chemicals and other substances that we emit into the air, land and waterways.

#### **Stringent Controls over Wastewater Treatment and Discharge**

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

Nowadays, clean, usable water is still scarce in many parts of the world, especially in China Mainland. With this in mind, we focus our efforts on helping protect the lakes, rivers, streams and other water resources from pollution. In doing so, we take great care in monitoring the state of the Group's wastewater. We are committed to treating our wastewater efficiently and effectively to ensure the treated water we discharge into the natural environment is well within the government's specified parameters.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(continued)*

### II. USE OF RESOURCES

#### **Energy Consumption Management**

##### *Energy-Saving Programs*

We have developed and implemented the following energy-saving programs in our workplace. The objective of our energy-saving programs is twofold: 1) to protect the environment and 2) to 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.

(i) Turning Off the Air-conditioners During Non-essential Hours of the Day

It is our Group's practice to turn off the air-conditioning systems in certain work areas during non-essential hours of the workday to save energy. This entails switching off the air-conditioners during lunchtime and after work. The importance of carrying out this practice has been communicated to employees.

(ii) Turning Off the Lights During Non-essential Hours

To save energy, we encourage our employees to turn off the lights in their workspace during non-essential hours such as at lunchtime, after work and on weekends when no one is in the office.

(iii) Turning Off Idling Equipment at the End of the Day

It is our practice to turn off idling equipment at the end of the workday. This includes turning off sewing machines, photocopiers and computers at the end of the workday. We have posted up notices in our employees' common areas to remind them about following this practice. Moreover, the supervisor of each department has also communicated the importance of this energy-saving initiative to our employees.

(iv) Using Energy-efficient Lighting

We use energy-efficient light bulbs and tubes in our offices and manufacturing facilities. Energy-saving fluorescent tubes have been installed in many parts of our factories and offices. Additionally, we have started to use higher quality, long lasting and highly energy-efficient LED light bulbs in many parts of the workplace. Although the switch to LED lighting required a bigger initial investment, we believe that this move will pay off over the long run because of the cost savings we are able to reap by utilizing LED energy-saving lighting. Another benefit that LED lighting provides us is that LED lights emit less heat into our work areas and thus, lead to a more comfortable working environment for our employees.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(continued)*

### II. USE OF RESOURCES *(continued)*

#### **Water Consumption Management**

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

#### *Educating our Employees on Water Conservation*

We have educated our employees on water conservation. We have also provided our employees suggestions on how they can help with conserving water in the workplace. Furthermore, we have even encouraged our employees to come up with their own ideas on how they can help the Group use less water.

### III. THE ENVIRONMENT AND NATURAL RESOURCES

#### **Reuse and Recycle Programs**

We aim to minimize our impact on the environment and have established reuse and recycling programs to encourage employees to reuse items found in the workplace as much as practical. The goal of our paper recycling program is to reduce the amount of paper that the Group consumes on an annual basis.

#### *a. Encouraging Employees to Reuse*

There are many things at our offices and factories that can be reused, e.g. plastic bags and paper bags. We encourage our employees to reuse plastic and paper bags as many times as practicable instead of treating them as waste. We also encourage our employees to reuse office papers and the blank side of used papers.

#### *b. Paper Recycling Program*

We have put in place a paper recycling program in our workplace. The goal of this program is to reduce the total amount of paper that we use on an annual basis. Through this program, we encourage employees to recycle recyclable papers such as copier paper, notebook paper, envelopes, newspapers, magazines, file folders, paper drinking cups, paper drinking boxes, as well as product packaging cardboards and papers. We have placed paper recycling containers in various parts of the workplace for collecting recyclable paper materials from our employees.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL

### I. EMPLOYMENT AND LABOUR PRACTICES

#### **Employment**

##### *Providing Employees a Rewarding Career*

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

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

#### (i) 2016 Employment Statistics

At 31st December 2016, the Group's workforce comprised about 1,850 employees, of which 75% were female and 25% were male. With respect to the geographical location of the Group's employees, about 85% of the Group's employees were in China Mainland, about 2% were in Hong Kong and the remaining 13% were in Singapore and Malaysia. All of them were aged 18 or older.

#### (ii) Employee Turnover Rate by Geographical Region and Gender

In 2016, the Group's employee turnover rate was approximately 30%. During the year, the total employee turnover in China Mainland and Hong Kong remained stable. In Singapore, the total employee turnover during the year was relatively high mainly due to the operational and organizational changes that occurred during the year. Looking at the employee turnover breakdown based on gender, in 2016, about 70% of the Group's total employee turnover was female employee turnover while the remaining 30% was male employee turnover.

#### (iii) Maintaining a Good Work-Life Balance

One of our goals is to maintain a good work-life balance for our employees. We provide most of our employees a 5-day work week and a total of 40 hours of work per week. A good work-life balance requires adequate resting time and social activities. As such, we organize fun-filled activities for our employees such as lunar new year parties, cooking contests, sports tournaments and field trips to picturesque and interesting places.

#### (iv) Employee Remuneration

The Group has a fair and consistent employee remuneration policy. We offer our employees competitive pay and 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 suits 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) Employee Advancement

The Group rewards high performance employees with attractive career advancement opportunities. For employees that qualify for an advancement, we strive to provide them with a new job that not only comes with added responsibilities, but also the chance to deepen and broaden their work experience. For new job postings or when vacancies arise, we believe in providing our employees preferential consideration.

#### (vi) Promoting Diversity in the Workplace

Diversity in the workplace is essential for the growth of the Group. Looking at the big picture, when we hire people that are different from ourselves, we bring to our organization new ideas and other positive attributes that lead us to greater success. Given our positive view on diversity, we promote diversity in our workplace. We reward employees based on merit and performance. When it comes to hiring new employees or internal promotions, we do not discriminate based on factors such as the person's race, gender or sexual orientation.

#### **Health and Safety**

The Group complies with the relevant laws and regulations of the countries where it has business operations with respect to health and safety.

The health and safety of our employees have always been our top priorities. 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 training. To promote good health to our employees, we have organized and implemented employee programs that are centered on physical exercise and maintaining a healthy diet. We also provide preventive measures for our employees through our employee physical examination program and oral care seminars.

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

##### (iii) Sports and Fitness

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(continued)*

### I. EMPLOYMENT AND LABOUR PRACTICES *(continued)*

#### **Health and Safety** *(continued)*

##### a. *Health Measures Adopted by the Group (continued)*

###### (iv) Promoting a Healthy Diet & Oral Care Seminars

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.

Another initiative of ours is holding in-house oral care seminars to educate our employees on oral care awareness. These seminars are taught by an accredited practicing dentist who is qualified to brief our employees on how to maintain good oral health and hygiene.

##### b. *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 – Fire safety procedures, who to call and what to do in case of fire
- What to do in case of an accident
- Avoiding accidents – How to avoid electric shock and other accidents at work
- What to do in case of an emergency – Topics include how to deal with heat strokes, fainting, flooding, severe burns and other types of emergency

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

To provide our employees a safe working environment, we carry out regular examinations and maintenance work on our production equipment. By checking the production equipment on a regular basis, we make sure they are in good working condition.

We also carry out maintenance work on our office equipment on a regular basis. For example, a professional air-conditioning cleaning company cleans our air-conditioners at least once a year. The windows of our offices are also checked regularly to ensure that our windows operate properly.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(continued)*

### I. EMPLOYMENT AND LABOUR PRACTICES *(continued)*

#### Health and Safety *(continued)*

##### b. Safety Measures Adopted by the Group *(continued)*

###### (iv) Health & Safety – 2016 Statistics

In 2016, there were no work-related fatalities in the Group.

In 2016, there were a total of 3 accidents that occurred at the Group and a total of 3 employees were injured. As a result of these injuries, the Group incurred a total of 14 lost days of work. The 3 employees who were injured in the above mentioned accidents have since fully recovered from their injuries.

#### Development and Training

##### a. Learning Culture

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

Well-trained employees translate to a strong workforce, a 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. We strategically choose subjects that are needed by our employees. For managerial employees, the training focuses on supervisory subjects whereas for non-managerial employees, operational subjects are offered.

##### b. Internal & External Training

We provide in-house training as well as training at external educational institutes to our managerial and non-managerial employees.

###### (i) In-house Training

###### — Lunch & Learn

Since 2015, we have held certain in-house "lunch & learn" training programs for our employees. The purpose is to provide employees a convenient way to learn work-related topics during their lunch hour. So far, the programs have been taught by the Group's senior executives. The topics cover leadership, communication skills, time management performance, project management and problem solving. A simple lunch is provided. Employees who are keen about enhancing their work-related skills and knowledge are encouraged to participate.

###### — E-Learning Program

We find ways for our employees to learn that are highly relevant to them. Learning from the comfort of the employee's home is one of the strategies that we have implemented to give our employees more learning opportunities.

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(continued)*

### I. EMPLOYMENT AND LABOUR PRACTICES *(continued)*

#### **Development and Training** *(continued)*

##### *b. Internal & External Training (continued)*

###### (ii) Training at External Educational Institutes

To supplement our in-house training, we encourage our employees to obtain professional training at external educational institutes. For qualifying employees who have submitted their application for external training and have been approved by the Group, the Group will provide them an educational subsidy to fund their external training.

###### (iii) Other External Training

We offer an array of courses to employees that are taught by reputable, professional educational institutes. These courses include Maximizing Project Performance, Effective Communication and Time Management.

##### *c. New Employee Orientation Program*

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

We provide our new staff with a half-day briefing course. Topics that are taught in this briefing course include corporate information, office rules and regulations, appraisal system and career development opportunities.

The supervisor will provide support and feedback to the new staff to ensure their quick adaptation to their new working environment.

##### *d. Employee Training in 2016*

In 2016, 88% of our total workforce received training. Each employee that underwent training in 2016 accumulated approximately 12.1 hours of training.

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

In 2016, 87% of our male employees and 89% of our female employees received training from the Group.

In 2016, 86% of our managerial employees and 89% of our non-managerial employees received training from the Group.

###### (ii) Average Training Hours

The average training hours completed per male employee in 2016 were 13.8 hours and the average training hours completed per female employee were 11.5 hours.

With respect to the 2016 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 18.9 hours and 11.6 hours respectively. The training hours mentioned above include both traditional classroom training hours and online self-study training hours.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(continued)*

### I. EMPLOYMENT AND LABOUR PRACTICES *(continued)*

#### **Labour Standards**

##### *Screening Process to Ensure All Employees are of Legal Working Age*

The Group has an employment screening process that ensures all of its employees are of legal working age. At the job application stage, our staff verifies the age of the job applicant to make sure he or she is of legal working age in our relevant countries. Only the job applicants that have attained the legal working age are allowed to proceed with applying for a job with the Group.

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.

In 2016, all of the employees of the Group were aged 18 or older.

As a responsible organization, the Group has observed and obeyed the labour laws and regulations of the countries where it operates. The Group is cognizant of what constitutes forced labour and has confirmed that the Group has never had any occurrences of forced labour.

### 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.

##### *a. Choosing the Right Suppliers*

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

##### *(i) Social and Environmental Considerations*

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(continued)*

### II. OPERATING PRACTICES *(continued)*

#### **Supply Chain Management** *(continued)*

##### a. *Choosing the Right Suppliers (continued)*

###### (ii) Monitoring Suppliers

We carry out in-depth interviews with potential suppliers and conduct site visits of their factories and other company facilities prior to engaging potential suppliers to become an official supplier of the Group. For companies that are on our suppliers list, we continue to monitor them on a regular basis via face-to-face meetings, interviews and other communications in addition to on-site inspections. These are some of the steps we take to monitor our suppliers closely to ensure they meet our standards and criteria.

##### b. *Our Criteria – High Quality Raw Materials*

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

##### c. *Number of Suppliers by Geographical Region*

In 2016, the Group had a total of 93 suppliers of which 82 were suppliers from China Mainland and Hong Kong and 11 were suppliers from Southeast Asia.

#### **Product Responsibility**

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

##### a. *Product Quality and Safety*

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

###### (i) Product Quality Management

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

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(continued)*

### II. OPERATING PRACTICES *(continued)*

#### **Product Responsibility** *(continued)*

##### a. *Product Quality and Safety (continued)*

###### (ii) Product Safety & Customer Feedback

The Group is intensely focused on product safety. Due to our stringent controls over product safety, the Group has maintained a strong track record in product safety. In 2016, the Group had zero product recalls due to safety and health reasons.

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

##### b. *After-sales Service for Customers*

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

###### (i) Handling Product Complaints

In 2016, the Group had only received a minimal number of complaints related to its products or services.

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

###### (ii) Handling Product Returns

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

##### c. *Protecting the Group's Intellectual Property Rights*

The Group's intellectual property is one of its most valuable assets. As such, we rigorously protect our trademarks and other intellectual property rights. Our work in this area is supported by our in-house legal team and the appropriate external legal services. The major actions that we have taken to protect the Group's rights included trademark opposition, legal proceedings against trademark infringement and strong action against counterfeits. Furthermore, when drafting commercial contracts with our business associates, protection of the Group's intellectual property rights is always emphasized and remains one of our most serious considerations.

# 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 the personal information and other data of our customers are well protected and are only used for the intended purpose.

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

#### **Anti-corruption**

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

In 2016, there were no instigated legal cases regarding corrupt practices brought against the Group or its employees.

##### *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 immediately 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) Channels 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 protective measures. The policy outlines the step-by-step procedures that the whistleblower should take to report a case to the Group. The Group's whistleblowing policy is reviewed and updated regularly by the Group's Board of Directors.

#### **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 give back to society. We are wholeheartedly dedicated to supporting causes that have a positive impact on our communities. We are passionate about lending a helping hand to make a real difference in the lives of those who are less fortunate.

Our strategic approach to community investment calls for investing our time, energy and resources wisely and efficiently. As a responsible listed enterprise, the Group engages in community investment activities that do not compromise the interests of shareholders. In the past, we have contributed to good causes through donations, sponsorships and volunteer work.

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

##### *b. Community Investment Activities in 2016*

In 2016, the Group carried out the following community investment activities:

Donation to the Needy in Qiannan Prefecture, Guizhou Province, China – In 2016, the Group donated its apparel to the poor living in the Qiannan prefecture of China.

Career Training at Lingnan (University) College, Sun Yat-sen University – Senior executives of the Group provided career guidance and training to over 300 graduating students of Lingnan (University) College, Sun Yat-sen University, a school of economics and management in China. Our executives provided the students with a half-day training session on China's garment industry as well as briefed the students on the garment manufacturing business.

Dragon Boat Sponsorship – In March 2016, the Group sponsored the dragon boat team of Tai Po District Dragon Boat Management Committee of Tai Po District, New Territories, Hong Kong by providing this organization with a cash sponsorship fee.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(continued)*

### II. OPERATING PRACTICES *(continued)*

#### **Community Investment** *(continued)*

##### *c. The Group's Community Investment Focus Areas*

The Group's focus is on four areas of community investment – Education, Sports, Spaceflight and Helping the Less Fortunate. These are the same areas of focus that the Group's founder and Chairman Dr. Tsang Hin Chi has personally contributed to in the past through his own charitable donations. Dr. Tsang Hin Chi applied part of the returns he received from his investment in the Group toward his chosen areas of charity.

- (i) **Education:** We believe education is the key to our country's economic and social development. Dr. Tsang Hin Chi, through his Tsang Hin Chi Education Foundation, has supported education in China Mainland for over 20 years. Dr. Tsang has consistently donated to fund the building of new teaching facilities in certain locations in China Mainland. Dr. Tsang has also helped the outstanding students of China Mainland that are less fortunate. In this regard, the Tsang Hin Chi Outstanding University Student Award Scheme has provided financial aid to outstanding university students who are underprivileged or live in difficult circumstances to enable them to pursue or continue with their academic studies. Dr. Tsang's support of China's educational system also extends to teachers. This is exemplified by the Tsang Hin Chi Outstanding Teacher Program, which awards outstanding teachers for excellence in teaching.
- (ii) **Sports:** We support sports in China Mainland. Dr. Tsang Hin Chi is a long-time supporter of sports and has personally donated to support sports in China Mainland. To this end, Dr. Tsang's Tsang Hin Chi Sports Foundation has traditionally awarded Chinese Olympic medalists for their outstanding sportsmanship. The Group wishes to carry on the spirit of its founder by supporting sports in the future. Given the enormous health benefits derived through participating in sports, the Group is passionate about encouraging its employees, business associates as well as fellow citizens living in its communities to participate in sports.
- (iii) **Spaceflight:** We support the development of China's space industry. To this end, Dr. Tsang Hin Chi has established the Tsang Hin Chi Manned Space Foundation, which has provided monetary awards to Chinese scientists and astronauts who have made significant contributions to China's space industry.
- (iv) **Helping Disadvantaged Groups:** We wish to improve the quality of life of those who are less fortunate by making donations to them or helping them in other ways. To this end, we have helped disadvantaged communities as well as disaster-stricken communities by donating clothing and money to those communities from time to time.

# 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").

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 seven members in total including three executive Directors, a non-executive Director and three independent non-executive Directors. Non-executive Directors provide the Board with diversified expertise and experience. The Board believes that the presence of independent non-executive Directors can provide sufficient checks and balances that safeguard the interests of shareholders and the Group as a whole.

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

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

Biographical details of the Directors are set out on pages 48 to 49. Dr. Tsang Hin Chi is the spouse of Madam Wong Lei Kuan. Mr. Tsang Chi Ming, Ricky is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan. Save as disclosed above, 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 regularly reviews businesses and performance of the Group.

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

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

### Board Meetings

The Board meets regularly and as and when required. In the year under review, four regular full Board meetings had been held at approximately quarterly intervals. 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 2016 are set out below:

	Attendance (%)	
<b>Executive Directors</b>		
Dr. Tsang Hin Chi	(4/4)	100%
Mr. Tsang Chi Ming, Ricky	(4/4)	100%
Madam Wong Lei Kuan	(3/4)	75%
<b>Non-executive Director</b>		
Mr. Ng Ming Wah, Charles	(4/4)	100%
<b>Independent Non-executive Directors</b>		
Dr. Lau Yue Sun	(4/4)	100%
Mr. Li Ka Fai, David	(4/4)	100%
Mr. Nguyen, Van Tu Peter	(4/4)	100%

# CORPORATE GOVERNANCE REPORT

## **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**

The roles of Chairman and Chief Executive Officer of the Company are separated and are not performed by the same individual. Currently, Dr. Tsang Hin Chi is the Chairman of the Board and Mr. Tsang Chi Ming, Ricky, his son, serves as the Company's Chief Executive Officer.

There are clear and written delineation of the responsibilities and functions between the Chairman and the Chief Executive Officer. The Chairman focuses on the Group's strategic development and provides leadership to the Board. He also ensures that good corporate governance practices and procedures are established and all Directors are properly briefed on issues arising at the Board meetings and receive, in a timely manner, adequate information which is accurate, clear, complete and reliable.

The Chief Executive Officer is being assisted by senior management of the Group in assuming his executive duties and responsibility for the Group's day-to-day operation and the effective implementation of corporate strategy and policies, and is answerable to the Board.

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

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(continued)*

### Appointments, Re-election and Removal of Directors

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

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

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

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

The Nomination Committee held one meeting during the year to discuss 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. Ng Ming Wah, Charles	(1/1)	100%
Mr. Nguyen, Van Tu Peter	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(continued)*

### Training and Support for Directors

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

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

	Type of trainings
<b>Executive Directors</b>	
Dr. Tsang Hin Chi	B
Mr. Tsang Chi Ming, Ricky	A, B
Madam Wong Lei Kuan	B
<b>Non-executive Director</b>	
Mr. Ng Ming Wah, Charles	A, B
<b>Independent Non-executive Directors</b>	
Dr. Lau Yue Sun	A, B
Mr. Li Ka Fai, David	A, B
Mr. Nguyen, Van Tu Peter	A, B

A: attending seminars and/or conferences

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

### Compliance with Model Code

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

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

# 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 state of affairs of the Group and the results for the corresponding period, as well as price-sensitive announcements and other financial disclosures as required. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. In preparing the financial statements for the year, the Directors have:

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

### Audit Committee

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT *(continued)*

### Audit Committee *(continued)*

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

Members	Attendance (%)	
Mr. Li Ka Fai, David (Chairman)	(5/5)	100%
Mr. Nguyen, Van Tu Peter (Deputy Chairman)	(5/5)	100%
Dr. Lau Yue Sun	(5/5)	100%
Mr. Ng Ming Wah, Charles	(5/5)	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.

With an aim to assess the nature and degree of risks faced the Group, the Group has engaged a professional consulting firm to provide consultancy services regarding the formulation of risk management strategy, setting up of risk management structure, preparing the "Risk Management Operating Manual" and conducting risk assessment during the year.

### Risk Management Strategy

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

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

# CORPORATE GOVERNANCE REPORT

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

#### Risk Management Coordinator (Head of Internal Audit Department)

- Organizing and coordinating departments and business units of the Group for the promotion of risk management functions;
- Taking responsibility for the management of risks at Group level and proposing respective controlling measures;
- Promoting the risk management culture of the Group and various risk control and assessment duties.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

### Risk Management Structure *(continued)*

#### Management of Subsidiaries and Business Units

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

### Risk Management Process

During the year, the Group has finalized the "Risk Management Operating 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 risk indicators highlighted, responsible risk owners are required to reassess the existing remedial action plans 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. The Internal Audit Department facilitates 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.

During the year, the Group coordinated the management of all major business units to walk through the risk management cycle. As a result of the above mentioned cycle, the Group identified the following three major risks:

1. Strategic planning and execution – setting of appropriate operational strategies that can adapt to the rapid changing and dynamic business environment;
2. Market competition – gaining competitive edge in intense competitive marketing environment;
3. Human resources – recruitment and retention of talents and respective succession plans.

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.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

### Internal Controls

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

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

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

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

The Group's Internal Audit Department plays a major role in monitoring the internal control of the Group. The Department conducts systematic reviews of the Group's risk management and internal control systems by using a risk-based audit approach and reviews the effectiveness of the Group's system of internal control against the 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 controlling system. The Department summarizes audit findings and control weaknesses and reports to the Audit Committee on a regular basis.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

### Internal Controls *(continued)*

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

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 year. This annual review also considered the adequacy of resources, staff qualifications and experience, training programs and budgets of the Group's accounting, internal audit and financial reporting function.

### 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 pages 56 to 60.

During the year, total auditors' remuneration in relation to statutory audit work of the Group amounted to HK\$3,757,000, of which a sum of HK\$3,290,000 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	3,290,000
Tax consulting services	365,100
Other consulting services	219,500
<b>Total</b>	<b>3,874,600</b>

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS *(continued)*

The 2016 annual general meeting was held on 20th May 2016. The attendance records of the Directors at the meeting were as follows:

	<b>Attended/ held</b>
<b>Executive Directors</b>	
Dr. Tsang Hin Chi	1/1
Mr. Tsang Chi Ming, Ricky	1/1
Madam Wong Lei Kuan	0/1
<b>Non-executive Director</b>	
Mr. Ng Ming Wah, Charles	1/1
<b>Independent Non-executive Directors</b>	
Dr. Lau Yue Sun	1/1
Mr. Li Ka Fai, David	1/1
Mr. Nguyen, Van Tu Peter	1/1

### Convening a General Meeting on Requisition by Shareholders

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

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

In order to bring the Articles of Association in line with the Companies Ordinance, a special resolution for the adoption of the new Articles of Association was proposed and passed by shareholders at the 2016 annual general meeting held on 20th May 2016. 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 2016.

## 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 10 to the financial statements.

An analysis of the Group’s performance for the year by geographical 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 63.

The Directors declared an interim dividend of 6.5 HK cents (2015: 7.0 HK cents) per ordinary share, totalling HK\$63,837,000 (2015: HK\$68,748,000), which was paid on 20th September 2016.

The Directors recommend the payment of a final dividend of 13.0 HK cents (2015: 14.0 HK cents) per ordinary share totalling HK\$127,675,000 (2015: HK\$137,496,000) in respect of the year ended 31st December 2016. Subject to the shareholders’ approval at the Annual General Meeting to be held on 19th May 2017, the final dividend will be paid on or about 6th June 2017 to shareholders whose names appear on the register of members as at 26th May 2017.

## BUSINESS REVIEW

The business review of the Group for the year ended 31st December 2016 is set out in the section headed “Chairman’s Statement” on pages 6 to 10.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$20,000 (2015: HK\$3,709,000).

## PRINCIPAL PROPERTIES

Details of the principal properties of the Group held for investment, own use and development purposes at 31st December 2016 are set out on pages 11 to 17.

## SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31st December 2016 are set out in note 16 to the financial statements.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2016, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$276,916,000 (2015: HK\$482,195,000).

# 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 120.

## DIRECTORS

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

### Executive Directors:

Dr. TSANG Hin Chi  
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, Dr. TSANG Hin Chi, Dr. LAU Yue Sun, 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, Dr. TSANG Hin Chi, 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. 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

**Dr. the Honourable Tsang Hin Chi**, G.B.M., aged 83, is Chairman and a founder of the Group. Dr. Tsang holds an Honorary Doctorate degree from the Sun Yat-sen University in the People's Republic of China (the "PRC"), and an Honorary Doctorate degree in Social Science from the Hong Kong Polytechnic University. He is an honorary citizen of Beijing, Harbin, Shenyang, Dalian and Guangzhou. Dr. Tsang is concurrently honorary vice chairman of the All-China Federation of Industry & Commerce, ex-officio life honorary chairman of the Chinese General Chamber of Commerce, and committee member to several Hong Kong and Mainland trade associations. Other public offices he holds include honorary director of the Tsang Hin Chi Education Foundation under the Ministry of Education of the PRC, honorary director of the Tsang Hin Chi Manned Space Foundation, honorary director of the Tsang Hin Chi Sports Foundation, deputy managing director of the Jinan University, and life honorary chairman of the Jiaying University in Guangdong. Previously, he served as a member of the Standing Committee in the National People's Congress of the PRC from the Eighth through the Tenth session. He is the spouse of Madam Wong Lei Kuan and father of Mr. Tsang Chi Ming, Ricky, both are executive Directors of the Group.

**Mr. Tsang Chi Ming, Ricky**, aged 50, is Deputy Chairman and Chief Executive Officer of the Company overseeing the operations and development of the Group. Mr. Tsang joined the Group in 1989 and was appointed as an executive Director in May 2001. He 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 Guangzhou Federation of Industry & Commerce, vice chairman of the Chinese General Chamber of Commerce, chairman of Hong Kong Guangdong Youth Association, executive chairman of Hong Kong Hakka Associations, executive chairman of Hong Kong Federation of Meizhou Associations, chairman of Hong Kong Meizhou General Chamber of Commerce, Associate Chairman of New Territories General Chamber of Commerce, vice president of Centum Charitas Foundation and an honorary citizen of Guangzhou and Meizhou. He is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, executive Directors of the Group.

**Madam Wong Lei Kuan**, aged 79, 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 committee member of the Chinese General Chamber of Commerce and honorary chairman of Ladies' Sub-Committee. She is executive director of the China Women's Development Fund and director of the China Council for the Promotion of Peaceful National Reunification. Besides, Madam Wong has served as a member of the C.P.P.C.C. Guangdong of the PRC from the Seventh through the Ninth session. She is the spouse of Dr. Tsang Hin Chi and mother of Mr. Tsang Chi Ming, Ricky, both are executive Directors of the Group.

### Non-executive Director

**Mr. Ng Ming Wah, Charles**, aged 67, was appointed to the Board in July 1992. Mr. Ng graduated from Loughborough University in England in 1972 with a B.Sc. degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies (London Business School) in England in 1974 with a M.Sc. degree in Business Studies. Mr. Ng has over 40 years of experience in corporate finance and investment banking. He is a director of Somerley Capital Limited, the principal business of which is the provision of corporate financial advisory services. During the last three years, Mr. Ng was an independent non-executive director of China Aircraft Leasing Group Holdings Limited (stock code: 1848) and retired in May 2016. In addition, Mr. Ng is a member of the board of Governors of Hong Kong Arts Centre.

# REPORT OF THE DIRECTORS

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

### Independent Non-executive Directors

**Dr. Lau Yue Sun**, B.B.S., aged 76, 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, a 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 an independent non-executive director of Mega Medical Technology Limited (formerly known as Wing Lee Holdings Limited and Wing Tai Investment Holdings Limited) (stock code: 876) from February 2001 to June 2014. Dr. Lau was appointed to the Board in December 1994.

**Mr. Li Ka Fai, David**, aged 62, is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is a fellow of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, U.K., The Institute of Chartered Secretaries and Administrators, U.K. as well as The Institute of Chartered Accountants in England and Wales. Mr. Li is an independent non-executive director and chairman of the audit committee of each of Shanghai Industrial Urban Development Group Limited (stock code: 563) and Wai Yuen Tong Medicine Holdings Limited (stock code 897). He is also an independent non-executive director, chairman of the audit committee, member of the nomination committee and member of the remuneration committee of each of China-Hongkong Photo Products Holdings Limited (stock code: 1123) and Cosmopolitan International Holdings Limited (stock code: 120), an independent non-executive director, member of the audit committee, member of the nomination committee and chairman of the remuneration committee of China Merchants Port Holdings Company Limited (stock code: 144) and an independent non-executive director, member of the audit committee and member of the remuneration committee of AVIC International Holding (HK) Limited (stock code: 232). Mr. Li was appointed to the Board in August 2010.

**Mr. Nguyen, Van Tu Peter**, S.B.S., aged 73, 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 Integrated Waste Solutions Group Holdings Limited (stock code: 923), Combest Holdings Limited (stock code: 8190), Greenheart Group Limited (stock code: 94) and Pacific Andes International Holdings Limited (stock code: 1174). During the last three years, he was an independent non-executive director of IPE Group Limited (stock code: 929) and retired in May 2016. Mr. Nguyen was appointed to the Board in September 2012.

# REPORT OF THE DIRECTORS

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

### Senior Management

**Mr. Tsang Wing Hong**, aged 54, 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 Group Chief Executive Officer and assists in discharging executive duties relating to the supervision and management of the day-to-day operations. Mr. Tsang graduated from the University of Birmingham in the United Kingdom with a Bachelor's Degree in Mathematics in 1986 and obtained his MBA Degree from the Kellogg School of Management at Northwestern University and the Hong Kong University of Science and Technology EMBA Program in 2008. In addition, He has completed executive programs in leading universities including Harvard University, INSEAD and TsingHua University. Mr. Tsang has over 25 years of experience in retail management, sales and marketing management, and operational management. He was a member of the Retail Industry Training Advisory Committee under the Education Bureau of the Hong Kong SAR Government from September 2010 to December 2014. Prior to joining the Company, Mr. Tsang spent 8 years with the Hong Kong Jockey Club (the "Club"). He was the Club's Head of Betting Services (Off-course) from May 2004 to March 2009 and the Head of Betting Services (Cashbet) from April 2009 to March 2012 respectively. Before that, Mr. Tsang worked in Hong Kong Telecommunications Limited (and subsequently PCCW Limited) for 10 years, where he held several general manager positions before he was made the director of retail and direct sales.

**Mr. Kam Yiu Kwok**, aged 54, joined the Group in 1999 as an accounting manager. He was appointed as Secretary of the Company in 2000 and as Chief Financial Officer of the Group in 2010. Mr. Kam takes full responsibility for the Group's financial management, investor relations and company secretarial functions. He has extensive experience in accounting and finance, and is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

**Mr. Tsang Pui Yuen**, aged 49, 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 55, graduated with an Executive Master of Business Administration Degree. Mr. Tu is a qualified accountant in China Mainland and has more than 25 years of experience in finance. He has extensive experience in working with large enterprises and listed companies in China Mainland. He joined the Group in 2000 and is now the chief financial officer of the Group's operations in China Mainland in charge of various financial matters of our Mainland operation.

**Ms. Zhou Yan Ling**, aged 44, joined the Group in February 2013 as the human resources director of our China Mainland operation. Ms. Zhou graduated from Nankai University in the PRC with a Bachelor's Degree in Physical Electronics and obtained a Master's Degree in Business Administration from the Sun Yat-sen University in the PRC. She has over 15 years of experience in human resources. Prior to joining the Group, Ms. Zhou held senior human resources positions from multinational corporations, including P&G and Novartis China.

# REPORT OF THE DIRECTORS

## SHARE OPTIONS

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

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

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

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVES' 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 2016, 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 2016

Directors		Number of shares held			Total	Percentage to total issued share capital
		Personal interests	Family interests (Note 1)	Other interests (Note 2)		
Tsang Hin Chi	Long position	–	1,210,000	613,034,750	614,244,750	62.54%
	Short position	–	–	–	–	–
Tsang Chi Ming, Ricky	Long position	1,404,000	–	613,034,750	614,438,750	62.56%
	Short position	–	–	–	–	–
Wong Lei Kuan	Long position	1,210,000	–	613,034,750	614,244,750	62.54%
	Short position	–	–	–	–	–

Notes:

- Madam Wong Lei Kuan is the spouse of Dr. Tsang Hin Chi. Her shareholding disclosed under the heading "Personal interests" in the above table is the family interest of Dr. Tsang Hin Chi.
- The shareholdings disclosed by Dr. Tsang Hin Chi, 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 2016, 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 2016 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 2016, 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 position	613,034,750	62.42%
		Short position	–	–
Top Grade Holdings Limited (Note)	Ordinary shares	Long position	613,034,750	62.42%
		Short position	–	–
Silver Disk Limited (Note)	Ordinary shares	Long position	160,616,000	16.35%
		Short position	–	–
Tsang Hin Chi Charities (Management) Limited	Ordinary shares	Long position	53,880,750	5.49%
		Short position	–	–
FMR LLC	Ordinary shares	Long position	49,350,900	5.02%
		Short position	–	–

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 25th January 2013, 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 30th March 2015, for 2 years commencing from 1st February 2015. During the year, the Group received HK\$517,000 from CHKDAM as rental and building management fee income under the leases. Mr. Tsang Chi Hung has an indirect beneficial interest in CHKDAM as he is a major shareholder of the holding company of CHKDAM. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.
- (c) On 24th June 2013, the Group, as lessor, entered into a lease with Guangzhou World Trade Center Club Company Limited ("GWTCCL"), as lessee, in respect of a business centre and facilities therein located at Goldlion Digital Network Centre, Guangzhou. The lease was amended subsequently on 1st July 2014, with a reduced leased area. On 13th July 2015, the lease was renewed for a term of 3 years commencing from 15th July 2015. During the year, the Group received HK\$1,020,000 from GWTCCL as rental and building management fee income under the leases. Mr. Tsang Chi Hung has an indirect beneficial interest in GWTCCL as he is a major shareholder of the holding company of GWTCCL. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

## 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 2016 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 less than 30% of its inventories from its five largest suppliers, and sold less than 30% of its goods to its five largest customers.

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 32 to 45.

## AUDITOR

The financial statements for the year ended 31st December 2016 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

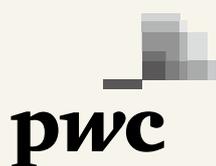
On behalf of the Board

**Dr. Tsang Hin Chi**

*Chairman*

Hong Kong, 20th March 2017

# INDEPENDENT AUDITOR'S REPORT



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 61 to 119, which comprise:

- the consolidated balance sheet as at 31st December 2016;
- 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 2016, 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 ("HKSA") 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
<p><b>Carrying value of inventory</b></p> <p><b>Refer to Note 12 to the consolidated financial statements</b></p> <p>The Group held inventory of HK\$212 million as at 31st December 2016. 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.</p>	<p>We examined the basis of the methodology with respect to inventory provision and evaluated, amongst others, the outcome of management's estimations in prior year, analysis and assessment made by management with respect to slow moving and obsolete inventory. We also evaluated the assumptions and estimates applied by management to determine the provisioning percentages applicable to individual ageing category of inventory by testing the accuracy of historical information involved, comparing with current year and historical sales trends of similar products and performing sensitivity analysis on changes of major assumptions of future sales, such as sales margin.</p> <p>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 realisable value using the ageing profile of the inventory as at 31st December 2016 and the provision percentages determined by management.</p> <p>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.</p>

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Valuation of investment properties</b></p> <p><b>Refer to Note 8 to the consolidated financial statements</b></p> <p>The Group held investment properties of HK\$2,484 million as at 31st December 2016 which were stated at fair values. The fair value gains from the investment properties for the year ended 31st December 2016 approximates to HK\$171 million. We focused on this area because the aggregate carrying amounts represented approximately 67% of net assets of the Group as at 31st December 2016 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 an independent professional valuer. The valuer adopted the income approach which largely used unobservable inputs such as rental values and gross reversionary yields.</p>	<p>We assessed the competency, capability and objectivity of the independent external valuer by considering their qualifications, relevant experience and relationship with the Group.</p> <p>We involved our internal valuation specialist in our discussion with the external valuer 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.</p> <p>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.</p>

## 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.

# INDEPENDENT AUDITOR'S REPORT

## 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, 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.

# INDEPENDENT AUDITOR'S REPORT

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 20th March 2017

# CONSOLIDATED BALANCE SHEET

As at 31st December 2016

	Note	As at 31st December 2016 HK\$'000	As at 31st December 2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	6	42,549	30,894
Property, plant and equipment	7	165,745	184,110
Investment properties	8	2,484,052	2,395,188
Available-for-sale financial assets	9	5,600	–
Deferred income tax assets	19	56,136	60,659
		<b>2,754,082</b>	2,670,851
<b>Current assets</b>			
Property under development held for sale	11	122,982	127,155
Inventories	12	211,537	200,890
Trade receivables	14	72,574	82,491
Prepayments, deposits and other receivables	14	44,324	48,804
Tax recoverable		256	1,020
Bank deposits	15	970,502	974,930
Cash and cash equivalents	15	231,721	236,741
		<b>1,653,896</b>	1,672,031
<b>Total assets</b>		<b>4,407,978</b>	4,342,882
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	16	1,101,358	1,101,358
Other reserves	17	2,588,770	2,517,243
<b>Total equity</b>		<b>3,690,128</b>	3,618,601

# CONSOLIDATED BALANCE SHEET

As at 31st December 2016

	Note	As at 31st December 2016 HK\$'000	As at 31st December 2015 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables and accruals		<b>5,235</b>	165
Deferred income tax liabilities	19	<b>372,196</b>	360,300
		<b>377,431</b>	360,465
<b>Current liabilities</b>			
Trade payables	18	<b>33,124</b>	23,954
Other payables and accruals		<b>289,678</b>	325,435
Current income tax liabilities		<b>17,617</b>	14,427
		<b>340,419</b>	363,816
<b>Total liabilities</b>		<b>717,850</b>	724,281
<b>Total equity and liabilities</b>		<b>4,407,978</b>	4,342,882

On behalf of the Board

**Dr. Tsang Hin Chi***Chairman***Mr. Tsang Chi Ming, Ricky***Deputy Chairman and Chief Executive Officer*

The notes on pages 67 to 119 are an integral part of these consolidated financial statements.

# CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Turnover	5	<b>1,472,264</b>	1,509,640
Cost of sales	21	<b>(608,908)</b>	(604,116)
<b>Gross profit</b>		<b>863,356</b>	905,524
Other gains	20	<b>171,342</b>	169,135
Selling and marketing costs	21	<b>(405,976)</b>	(400,068)
Administrative expenses	21	<b>(176,597)</b>	(217,657)
<b>Operating profit</b>		<b>452,125</b>	456,934
Interest income		<b>24,599</b>	35,439
<b>Profit before income tax</b>		<b>476,724</b>	492,373
Income tax expense	26	<b>(87,880)</b>	(90,501)
<b>Profit for the year attributable to owners of the Company</b>		<b>388,844</b>	401,872
		<b>HK cents</b>	HK cents
Earnings per share for profit attributable to owners of the Company during the year			
– Basic and diluted	28	<b>39.59</b>	40.92

The notes on pages 67 to 119 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2016

	2016 HK\$'000	2015 HK\$'000
<b>Profit for the year</b>	<b>388,844</b>	401,872
<b>Other comprehensive income</b>		
<i>Item 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	–	1,939
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>(115,984)</b>	(133,959)
<b>Other comprehensive income for the year</b>	<b>(115,984)</b>	(132,020)
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>272,860</b>	269,852

The notes on pages 67 to 119 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2016

	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>Balance at 1st January 2015</b>	1,101,358	428,439	2,044,838	3,574,635
<b>Comprehensive income</b>				
Profit for the year	-	-	401,872	401,872
<b>Other comprehensive income</b>				
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment	-	1,939	-	1,939
Currency translation differences	-	(133,959)	-	(133,959)
Total other comprehensive income for the year	-	(132,020)	-	(132,020)
<b>Total comprehensive income for the year</b>	-	(132,020)	401,872	269,852
Appropriation to reserves	-	11,666	(11,666)	-
Final dividend relating to 2014	-	-	(157,138)	(157,138)
Interim dividend relating to 2015	-	-	(68,748)	(68,748)
<b>Total transactions with owners in their capacity as owners</b>	-	11,666	(237,552)	(225,886)
<b>Balance at 31st December 2015</b>	1,101,358	308,085	2,209,158	3,618,601
<b>Balance at 1st January 2016</b>	<b>1,101,358</b>	<b>308,085</b>	<b>2,209,158</b>	<b>3,618,601</b>
<b>Comprehensive income</b>				
Profit for the year	-	-	<b>388,844</b>	<b>388,844</b>
<b>Other comprehensive income</b>				
Currency translation differences	-	<b>(115,984)</b>	-	<b>(115,984)</b>
<b>Total comprehensive income for the year</b>	-	<b>(115,984)</b>	<b>388,844</b>	<b>272,860</b>
Final dividend relating to 2015	-	-	<b>(137,496)</b>	<b>(137,496)</b>
Interim dividend relating to 2016	-	-	<b>(63,837)</b>	<b>(63,837)</b>
<b>Total transactions with owners in their capacity as owners</b>	-	-	<b>(201,333)</b>	<b>(201,333)</b>
<b>Balance at 31st December 2016</b>	<b>1,101,358</b>	<b>192,101</b>	<b>2,396,669</b>	<b>3,690,128</b>

The notes on pages 67 to 119 are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	<b>293,962</b>	325,519
Income tax paid		<b>(51,215)</b>	(96,227)
Net cash generated from operating activities		<b>242,747</b>	229,292
<b>Cash flows from investing activities</b>			
Purchases of land use rights	6	<b>(15,357)</b>	(8,260)
Purchases of property, plant and equipment	7	<b>(11,608)</b>	(8,529)
Additions to investment properties	8	<b>(1,389)</b>	(1,419)
Additions to available-for-sale financial assets	9	<b>(5,600)</b>	–
Proceeds from disposals of property, plant and equipment	29(a)	<b>182</b>	1,602
Increase in bank deposits with maturity over 3 months		<b>(20,761)</b>	(127,295)
Interest received		<b>28,334</b>	34,096
Net cash used in investing activities		<b>(26,199)</b>	(109,805)
<b>Cash flows from financing activities</b>			
Dividends paid to owners of the Company		<b>(201,333)</b>	(225,886)
Net cash used in financing activities		<b>(201,333)</b>	(225,886)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>15,215</b>	(106,399)
<b>Cash and cash equivalents at 1st January</b>		<b>236,741</b>	357,651
<b>Effect of foreign exchange rate changes</b>		<b>(20,235)</b>	(14,511)
<b>Cash and cash equivalents at 31st December</b>		<b>231,721</b>	236,741

The notes on pages 67 to 119 are an integral part of these consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 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 20th March 2017.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and principal accounting policies applied 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.

### 2.1 Basis of preparation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(continued)*

### 2.1 Basis of preparation *(continued)*

#### (a) Amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1st January 2016:

- Amendment to HKAS 1, "Disclosure initiative". This amendment clarifies guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Amendments to HKAS 16 and HKAS 38, "Clarification of acceptable methods of depreciation and amortization". This amendment clarifies depreciation of an item of property, plant and equipment and amortization of an intangible asset based on revenue generated by using the asset is inappropriate.
- Amendments from annual improvements to HKFRSs – 2014 Cycle, on HKFRS 5, "Non-current assets held for sale and discontinued operations", HKFRS 7, "Financial instruments: Disclosures", HKAS 19, "Employee benefits" and HKAS 34, "Interim financial reporting".

The amendments do not have a significant impact on the Group's consolidated financial statements.

#### (b) The following new and amended standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2016, but are not currently relevant to the Group

HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(continued)*

### 2.1 Basis of preparation *(continued)*

- (c) **The following new and amended standards have been issued but are not effective for the financial year beginning 1st January 2016 and have not been early adopted**

		<b>Effective for accounting periods beginning on or after</b>
HKAS 7 (Amendment)	Statement of cash flows	1st January 2017
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealized losses	1st January 2017
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1st January 2018
HKFRS 9	Financial instruments	1st January 2018
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 15	Revenue from contracts with customers	1st January 2018
HKFRS 16	Leases	1st January 2019

The Group plans to adopt the above new standards and amendments when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and financial statements presentation will result.

### 2.2 Subsidiaries

A subsidiary is an entity (including a structured entity) 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Intra-group 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. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(continued)*

### 2.3 Segment reporting

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

### 2.4 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the group 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 prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

#### (c) Group companies

The results and financial position of all the group entities (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 are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

### 2.4 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 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.

### 2.5 Property, plant and equipment

Land and buildings comprise mainly factories, retail outlets and offices other than investment properties as mentioned in note 2.7. 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. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 2.8).

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(continued)*

### 2.6 Land use rights

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

### 2.7 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.

### 2.8 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 flows (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

### 2.9 Property under development held for sale

Property under development is stated at the lower of cost and net realizable value. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion based on prevailing marketing conditions.

Development cost of property primarily comprises land use rights, construction costs and professional fees incurred during the development period.

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

### 2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

### 2.11 Financial assets

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

#### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet (notes 2.12 and 2.13).

#### (b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognized on the 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 investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(continued)*

### 2.11 Financial assets *(continued)*

Both loans and receivables and available-for-sale financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of profit or loss as “gains and losses from investment securities”.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognized in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

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

The Group assesses at the end of reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered an indication that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that equity security previously recognised in the consolidated income statement – is reclassified from equity to the consolidated income statement. Such impairment losses are not reversed through the consolidated income statement where there is subsequent increase in the fair value of the equity securities. In the case of loans and receivables, the impairment policy is set out in note 2.12.

### 2.12 Trade and other receivables

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(continued)*

### 2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

### 2.14 Share capital

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

### 2.15 Trade payables

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

### 2.16 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its 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 recognized, 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, the 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 substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(continued)*

### 2.16 Current and deferred income tax *(continued)*

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income 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.

### 2.17 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 2016

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(continued)*

### 2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### **(a) Sales of goods – wholesale**

Sales of goods are recognized when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

#### **(b) Sales of goods – retail**

Sales of goods are recognized when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is stated without deduction of credit card fees payable for the transaction. Such fees are included in selling and marketing costs.

#### **(c) Sales of properties**

Revenue from sales of properties is recognized when a group entity has delivered the relevant properties to the purchaser and collectibility of related receivable is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under current liabilities.

#### **(d) Gross rental income from investment properties**

Gross rental income from investment properties is recognized on a straight-line basis over the periods of the respective leases.

#### **(e) Licensing income and building management fee**

Licensing income and building management fee income are recognized on an accrual basis in accordance with the substance of the relevant agreements.

### 2.19 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(continued)*

### 2.20 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use rights, are charged to the income statement on a straight-line basis over the period of the lease.

### 2.21 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 2016, if Hong Kong dollar had weakened/strengthened by 5% against Renminbi with all other variables held constant, post-tax profit for the year would have been HK\$2,567,000 (2015: HK\$15,643,000) 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 a 4% 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 2016

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. Impairment provisions are made for losses that have been incurred at the balance sheet date.

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

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

As at 31st December 2016, the financial assets of the Group that are exposed to credit risk and their maximum exposures are as follows:

	As at 31st December 2016		As at 31st December 2015	
	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	<b>72,574</b>	<b>72,574</b>	82,491	82,491
Deposits and other receivables	<b>26,333</b>	<b>26,333</b>	35,220	35,220
Bank deposits and cash and cash equivalents	<b>1,202,223</b>	<b>1,202,108</b>	1,211,671	1,211,603

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 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. In addition, banking facilities have been put in place for contingency purposes. As at 31st December 2016, the Group's total available banking facilities amounted to HK\$18,900,000 (2015: HK\$19,600,000).

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

	2016 HK\$'000	2015 HK\$'000
Trade payables and other payables Less than 1 year	<b>93,950</b>	86,611

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### 4.1 Critical accounting estimates and assumptions

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

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

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

**(b) Estimate of fair value of investment properties**

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

**(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) Provision for sales return**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 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 2016

## 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:

	2016					
	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	1,204,973	77,475	189,816	1,472,264	-	1,472,264
Inter-segment sales	-	-	7,075	7,075	(7,075)	-
	1,204,973	77,475	196,891	1,479,339	(7,075)	1,472,264
Segment results	260,690	(26,023)	292,108	526,775		526,775
Unallocated costs						(50,051)
Profit before income tax						476,724
Income tax expense						(87,880)
Profit for the year						388,844
Interest income	4,374	116	7,526	12,016	12,583	24,599
Depreciation of property, plant and equipment	12,180	3,156	7,770	23,106	-	23,106
Amortization of land use rights	1,420	-	663	2,083	-	2,083
Impairment of property, plant and equipment	-	2,945	-	2,945	-	2,945
Provision for onerous contract	-	8,769	-	8,769	-	8,769
Reportable segment assets:						
Property, plant and equipment	74,859	15,974	69,147	159,980	5,765	165,745
Investment properties	-	-	2,484,052	2,484,052	-	2,484,052
Deferred income tax assets	-	-	-	-	56,136	56,136
Property under development held for sale	-	-	122,982	122,982	-	122,982
Inventories	181,475	30,062	-	211,537	-	211,537
Bank deposits and cash and cash equivalents	254,854	16,912	490,515	762,281	439,942	1,202,223
Others	116,175	14,486	27,473	158,134	7,169	165,303
Reportable segment liabilities:						
Trade payables	24,218	7,915	991	33,124	-	33,124
Other payables and accruals	204,259	12,574	53,773	270,606	24,307	294,913
Current income tax liabilities	-	-	-	-	17,617	17,617
Deferred income tax liabilities	-	-	-	-	372,196	372,196
Capital expenditure	21,642	3,004	3,708	28,354	-	28,354

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 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)*

	2015					
	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	1,200,770	110,490	198,380	1,509,640	-	1,509,640
Inter-segment sales	-	-	7,696	7,696	(7,696)	-
	1,200,770	110,490	206,076	1,517,336	(7,696)	1,509,640
Segment results	278,583	(5,417)	297,209	570,375		570,375
Unallocated costs						(78,002)
Profit before income tax						492,373
Income tax expense						(90,501)
Profit for the year						401,872
Interest income	10,863	105	12,808	23,776	11,663	35,439
Depreciation of property, plant and equipment	14,054	2,672	8,667	25,393	-	25,393
Amortization of land use rights	1,287	-	673	1,960	-	1,960
Reportable segment assets:						
Property, plant and equipment	84,685	19,668	75,582	179,935	4,175	184,110
Investment properties	-	-	2,395,188	2,395,188	-	2,395,188
Deferred income tax assets	-	-	-	-	60,659	60,659
Property under development held for sale	-	-	127,155	127,155	-	127,155
Inventories	163,811	37,079	-	200,890	-	200,890
Bank deposits and cash and cash equivalents	217,367	21,810	416,322	655,499	556,172	1,211,671
Others	114,043	18,147	28,814	161,004	2,205	163,209
Reportable segment liabilities:						
Trade payables	18,093	5,682	179	23,954	-	23,954
Other payables and accruals	236,856	7,076	57,084	301,016	24,584	325,600
Current income tax liabilities	-	-	-	-	14,427	14,427
Deferred income tax liabilities	-	-	-	-	360,300	360,300
Capital expenditure	14,121	2,363	1,724	18,208	-	18,208

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 2016

5 OPERATING SEGMENTS *(continued)*

## (b) Geographical information

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

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
China Mainland	<b>1,342,333</b>	1,349,100
Hong Kong SAR	<b>52,456</b>	50,050
Singapore and Malaysia	<b>77,475</b>	110,490
	<b>1,472,264</b>	1,509,640

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

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
China Mainland	<b>1,730,714</b>	1,728,952
Hong Kong SAR	<b>951,258</b>	861,572
Singapore and Malaysia	<b>15,974</b>	19,668
	<b>2,697,946</b>	2,610,192

## (c) Information about major customers

In 2016 and 2015, 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 2016

## 5 OPERATING SEGMENTS *(continued)*

### (d) Analysis of turnover by category

	2016 HK\$'000	2015 HK\$'000
Sales of goods	<b>1,182,762</b>	1,217,166
Gross rental income from investment properties	<b>151,672</b>	156,673
Building management fees	<b>38,144</b>	41,707
Licensing income	<b>99,686</b>	94,094
	<b>1,472,264</b>	1,509,640

## 6 LAND USE RIGHTS

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

	2016 HK\$'000	2015 HK\$'000
At 1st January	<b>30,894</b>	29,026
Exchange differences	<b>(1,619)</b>	(1,012)
Additions	<b>15,357</b>	8,260
Transfer to investment properties	–	(3,420)
Amortization of prepaid operating lease payment (note 21)	<b>(2,083)</b>	(1,960)
At 31st December	<b>42,549</b>	30,894

Amortization expense of HK\$2,083,000 (2015: HK\$1,960,000) has been included in administrative expenses.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 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
<b>At 1st January 2015</b>						
Cost	319,689	59,195	95,750	46,606	34,466	555,706
Accumulated depreciation	(151,761)	(58,841)	(73,268)	(39,579)	(23,425)	(346,874)
Net book amount	167,928	354	22,482	7,027	11,041	208,832
<b>Year ended 31st December 2015</b>						
Opening net book amount	167,928	354	22,482	7,027	11,041	208,832
Additions	2,924	35	2,781	2,320	469	8,529
Disposals	–	–	(196)	(72)	(1,258)	(1,526)
Transfer to investment properties	(300)	–	–	–	–	(300)
Depreciation	(12,930)	(165)	(5,696)	(3,165)	(3,437)	(25,393)
Exchange differences	(3,973)	(14)	(1,244)	(289)	(512)	(6,032)
Closing net book amount	153,649	210	18,127	5,821	6,303	184,110
<b>At 31st December 2015</b>						
Cost	311,319	55,656	92,825	45,001	30,396	535,197
Accumulated depreciation	(157,670)	(55,446)	(74,698)	(39,180)	(24,093)	(351,087)
Net book amount	153,649	210	18,127	5,821	6,303	184,110
<b>Year ended 31st December 2016</b>						
Opening net book amount	<b>153,649</b>	<b>210</b>	<b>18,127</b>	<b>5,821</b>	<b>6,303</b>	<b>184,110</b>
Additions	<b>2,679</b>	<b>122</b>	<b>4,897</b>	<b>1,262</b>	<b>2,648</b>	<b>11,608</b>
Disposals	–	–	<b>(3)</b>	<b>(1)</b>	<b>(5)</b>	<b>(9)</b>
Reclassification	–	–	<b>62</b>	<b>(62)</b>	–	–
Impairment charge	–	–	<b>(2,945)</b>	–	–	<b>(2,945)</b>
Depreciation	<b>(12,431)</b>	<b>(214)</b>	<b>(5,544)</b>	<b>(2,094)</b>	<b>(2,823)</b>	<b>(23,106)</b>
Exchange differences	<b>(2,656)</b>	<b>(7)</b>	<b>(794)</b>	<b>(245)</b>	<b>(211)</b>	<b>(3,913)</b>
Closing net book amount	<b>141,241</b>	<b>111</b>	<b>13,800</b>	<b>4,681</b>	<b>5,912</b>	<b>165,745</b>
<b>At 31st December 2016</b>						
Cost	<b>305,598</b>	<b>52,912</b>	<b>93,956</b>	<b>44,021</b>	<b>28,825</b>	<b>525,312</b>
Accumulated depreciation	<b>(164,357)</b>	<b>(52,801)</b>	<b>(80,156)</b>	<b>(39,340)</b>	<b>(22,913)</b>	<b>(359,567)</b>
Net book amount	<b>141,241</b>	<b>111</b>	<b>13,800</b>	<b>4,681</b>	<b>5,912</b>	<b>165,745</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 7 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation expense of HK\$1,757,000 (2015: HK\$2,178,000) has been expensed in cost of sales, HK\$966,000 (2015: HK\$592,000) in selling and marketing costs and HK\$20,383,000 (2015: HK\$22,623,000) in administrative expenses.

The management has reviewed the carrying values of the property, plant and equipment and impairment charge of HK\$2,945,000 (2015: Nil) was made and included in administrative expenses. The recoverable amounts of the assets were determined on the value-in-use basis.

## 8 INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
At 1st January	<b>2,395,188</b>	2,317,794
Additions	<b>1,389</b>	1,419
Transfer from land use rights, and property, plant and equipment	–	5,659
Fair value gains (note 20)	<b>171,342</b>	169,135
Exchange differences	<b>(83,867)</b>	(98,819)
At 31st December	<b>2,484,052</b>	2,395,188

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

	2016 HK\$'000	2015 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	<b>169,000</b>	152,000
Leases of between 10 to 50 years	<b>736,300</b>	663,550
Outside Hong Kong, held on:		
Leases of over 50 years	<b>22,176</b>	20,893
Leases of between 10 to 50 years	<b>1,556,576</b>	1,558,745
	<b>2,484,052</b>	2,395,188

The periods of operating leases whereby the Group leases out its investment properties range from 1 month to 108 months.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 8 INVESTMENT PROPERTIES (continued)

An independent valuation of the Group's investment properties was performed by the independent professional valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and S.H. Ng & Co., Ltd., to determine the fair value of the investment properties as at 31st December 2016 and 2015 respectively. The fair value gains were included in "Other gains" in income statement (note 20). The following table analyzes the investment properties carried at fair value, by valuation method.

## Fair value hierarchy

Description	Fair value measurements at 31st December 2016 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	–	–	<b>905,300</b>
– China Mainland	–	–	<b>1,578,752</b>

## Fair value hierarchy

Description	Fair value measurements at 31st December 2015 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	–	–	815,550
– China Mainland	–	10,856	1,568,782

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. During the year ended 31st December 2016, the Group transferred investment property of HK\$10,856,000 from Level 2 into Level 3 due to more reliable information becoming available upon entering lease agreements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 8 INVESTMENT PROPERTIES *(continued)*

### Fair value measurements using significant unobservable inputs (Level 3)

	Hong Kong HK\$'000	China Mainland HK\$'000	Total HK\$'000
At 1st January 2016	<b>815,550</b>	<b>1,568,782</b>	<b>2,384,332</b>
Additions	<b>486</b>	<b>903</b>	<b>1,389</b>
Transfer into Level 3	-	<b>10,856</b>	<b>10,856</b>
Fair value gains	<b>89,264</b>	<b>82,078</b>	<b>171,342</b>
Exchange differences	-	<b>(83,867)</b>	<b>(83,867)</b>
At 31st December 2016	<b>905,300</b>	<b>1,578,752</b>	<b>2,484,052</b>

	Hong Kong HK\$'000	China Mainland HK\$'000	Total HK\$'000
At 1st January 2015	703,600	1,602,648	2,306,248
Additions	717	702	1,419
Transfer from land use rights, and property, plant and equipment	-	5,659	5,659
Fair value gains	111,233	57,902	169,135
Exchange differences	-	(98,129)	(98,129)
At 31st December 2015	815,550	1,568,782	2,384,332

### Valuation techniques

The valuations were based on income capitalization approach (term and reversionary method) 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).

As at 31st December 2015, the valuation of the commercial units located in Harbin, China Mainland, was determined by using the sale comparison approach (Level 2 approach). Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 8 INVESTMENT PROPERTIES (continued)

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

Description	Fair value at 31st December 2016 HK\$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	<b>1,578,752</b>	Income approach (term and reversionary method)	Rental value	RMB36-660/m <sup>2</sup>	The higher the assumed 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	<b>905,300</b>	Income approach (term and reversionary method)	Rental value	HK\$80-136/m <sup>2</sup>	The higher the assumed rental value, the higher the fair value
			Gross reversionary yield	4.5% to 5% p.a.	The higher the assumed reversionary yield, the lower the fair value

Description	Fair value at 31st December 2015 HK\$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	1,568,782	Income approach (term and reversionary method)	Rental value	RMB50-600/m <sup>2</sup>	The higher the assumed rental value, the higher the fair value
			Gross reversionary yield	3.15% to 9% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	815,550	Income approach (term and reversionary method)	Rental value	HK\$80-140/m <sup>2</sup>	The higher the assumed rental value, the higher the fair value
			Gross reversionary yield	4.5% to 5.75% p.a.	The higher the assumed reversionary yield, the lower the fair value

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK\$'000	2015 HK\$'000
At 1st January	–	–
Additions	5,600	–
At 31st December	5,600	–

The valuation falls within level 3 of the fair value measurement hierarchy. The Group's available-for-sale financial assets are unquoted and denominated in Renminbi.

## 10 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	
				2016	2015
Goldlion (China) Limited <sup>(2)</sup>	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US\$18,000,000	100%	100%
Goldlion Clothes Making Company Limited <sup>(2)</sup>	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%

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 10 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	
				2016	2015
Goldlion Group (BVI) Limited <sup>(1)</sup>	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 <sup>(2)</sup>	PRC Limited liability company	Property holding in the PRC	HK\$10,000,000	100%	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Investment holding in the British Virgin Islands	50,000 ordinary shares of US\$1 each	100%	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK\$1 each and 59,999,998 redeemable shares of HK\$1 each	100%	100%
Meizhou Silver Dip Property Management Limited <sup>(2)</sup>	PRC Limited liability company	Property management in the PRC	RMB595,000	100%	100%
Shenyang Goldlion Commercial Mansion Limited <sup>(2)</sup>	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 <sup>(2)</sup>	PRC Limited liability company	Property holding and development in the PRC	HK\$50,000,000	100%	100%

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 10 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	
				2016	2015
Guangzhou Silver Dip Property Management Company Limited <sup>(1)</sup>	PRC Limited liability company	Property management in the PRC	HK\$1,000,000	100%	100%
Shenyang Silver Dip Property Management Company Limited <sup>(2)</sup>	PRC Limited liability company	Property management in the PRC	HK\$1,000,000	100%	100%
Guangzhou Goldlion City Properties Company Limited <sup>(2)</sup>	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%
Guangzhou Goldlion E-commerce Company Limited <sup>(2)</sup>	PRC Limited liability company	Distribution of garments in the PRC	HK\$1,000,000	100%	100%
Meizhou Goldlion Leather Investment Company Limited <sup>(2)</sup>	PRC Limited liability company	Investment holding in the PRC	RMB5,100,000	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 2016

## 11 PROPERTY UNDER DEVELOPMENT HELD FOR SALE

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

	2016 HK\$'000	2015 HK\$'000
Land use rights	<b>118,417</b>	122,819
Development costs	<b>4,565</b>	4,336
	<b>122,982</b>	127,155

The property under development held for sale is located in Meixian Area, China Mainland. Under the said Land Use Rights Grant Contract entered between the Meixian Bureau of Land and the Group on 24th January 2014, the delay in commencing construction works of the project after 18th June 2014 may be subject to a penalty. Due to the fact that handover of the land has been delayed and after taking into account of an independent legal advice, the Directors are of the view that the imposition of a penalty by the relevant authority is remote.

The amount of property under development held for sale expected to be completed and realized within the Group's normal operating cycle is HK\$122,982,000 (2015: HK\$127,155,000).

## 12 INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Raw materials	<b>3,794</b>	1,125
Work in progress	<b>18,639</b>	11,078
Finished goods	<b>189,104</b>	188,687
	<b>211,537</b>	200,890

The cost of inventories recognized as expense and included in cost of sales amounted to HK\$548,698,000 (2015: HK\$581,879,000) (note 21).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 13 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2016 HK\$'000	2015 HK\$'000
<b>Financial assets – Loans and receivables, at amortized cost</b>		
Trade receivables (note 14)	<b>72,574</b>	82,491
Deposits and other receivables (note 14)	<b>26,333</b>	35,220
Bank deposits and cash and cash equivalents (note 15)	<b>1,202,223</b>	1,211,671
	<b>1,301,130</b>	1,329,382
<b>Financial assets – Available-for-sale, at fair value</b>		
Available-for-sale financial assets (note 9)	<b>5,600</b>	–
Total	<b>1,306,730</b>	1,329,382
<b>Financial liabilities, at amortized cost</b>		
Trade payables (note 18)	<b>33,124</b>	23,954
Other payables	<b>60,826</b>	62,657
Total	<b>93,950</b>	86,611

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	72,574	82,521
Less: provision for impairment	-	(30)
Trade receivables – net	72,574	82,491
Purchase deposits (note)	12,132	8,888
Prepayments	5,859	4,696
General deposits	8,319	7,221
Interest receivable	9,288	13,023
VAT recoverable	2,905	9,603
Others	5,821	5,373
Total of prepayments, deposits and other receivables	44,324	48,804

Note: Purchase deposits represent the amounts paid by the Group in advance to suppliers mainly for the apparel operation in its ordinary course of business.

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

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

The Group's sales are on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 31st December 2016, an ageing analysis of the trade receivables based on invoice date was as follows:

	2016 HK\$'000	2015 HK\$'000
1–30 days	63,534	60,564
31–90 days	5,539	12,371
Over 90 days	3,501	9,586
	72,574	82,521

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

As of 31st December 2016, trade receivables of HK\$16,557,000 (2015: HK\$21,529,000) were past due but not considered impaired. The ageing analysis of these trade receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
Overdue less than or up to 3 months	13,388	17,815
Overdue over 3 months and up to 6 months	1,778	1,755
Overdue over 6 months	1,391	1,959
	<b>16,557</b>	21,529

As of 31st December 2016, there were no impaired trade receivables (2015: HK\$30,000). The individually impaired receivables mainly related to distributors and department stores. An ageing analysis of these receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
Overdue over 6 months	–	30

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

	2016 HK\$'000	2015 HK\$'000
Renminbi	95,298	109,136
Singapore dollar	14,486	18,147
Hong Kong dollar	7,114	4,012
	<b>116,898</b>	131,295

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

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

Movements on the provision for impairment of trade receivables are as follows:

	2016 HK\$'000	2015 HK\$'000
At 1st January	30	819
Receivables written off during the year as uncollectible	-	(596)
Unused amounts reversed	(28)	(144)
Exchange differences	(2)	(49)
At 31st December	-	30

The provision for impaired receivables was included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

## 15 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2016 HK\$'000	2015 HK\$'000
Cash at bank and in hand	142,002	116,241
Bank deposits with maturity less than 3 months	89,719	120,500
Cash and cash equivalents as stated in the consolidated cash flow statement	231,721	236,741
Bank deposits with maturity over 3 months	970,502	974,930
Bank deposits and cash and cash equivalents as stated in the balance sheet	1,202,223	1,211,671
Maximum exposure to credit risk	1,202,108	1,211,603

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 15 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:

	2016 HK\$'000	2015 HK\$'000
Renminbi	<b>697,549</b>	880,055
Singapore dollar	<b>16,912</b>	21,811
Hong Kong dollar	<b>487,762</b>	309,805
	<b>1,202,223</b>	1,211,671

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

## 16 SHARE CAPITAL

	2016		2015	
	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	<b>982,114</b>	<b>1,101,358</b>	982,114	1,101,358

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 17 RESERVES

	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Other reserves <sup>(i)</sup> HK\$'000	Exchange reserve HK\$'000	Sub-total HK\$'000	Retained earnings HK\$'000	Total reserves HK\$'000
Balance at 1st January 2016	(34,204)	8,221	99,393	234,675	308,085	2,209,158	2,517,243
Profit for the year	-	-	-	-	-	388,844	388,844
Currency translation differences	-	-	-	(115,984)	(115,984)	-	(115,984)
Total comprehensive income	-	-	-	(115,984)	(115,984)	388,844	272,860
2015 final dividend paid	-	-	-	-	-	(137,496)	(137,496)
2016 interim dividend paid	-	-	-	-	-	(63,837)	(63,837)
Balance at 31st December 2016	(34,204)	8,221	99,393	118,691	192,101	2,396,669	2,588,770
Representing:							
Reserves	(34,204)	8,221	99,393	118,691	192,101	2,268,994	2,461,095
2016 final dividend proposed	-	-	-	-	-	127,675	127,675
	(34,204)	8,221	99,393	118,691	192,101	2,396,669	2,588,770

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 17 RESERVES (continued)

	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Other reserves <sup>(i)</sup> HK\$'000	Exchange reserve HK\$'000	Sub-total HK\$'000	Retained earnings HK\$'000	Total reserves HK\$'000
Balance at 1st January 2015	(34,204)	6,282	87,727	368,634	428,439	2,044,838	2,473,277
Profit for the year	-	-	-	-	-	401,872	401,872
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment	-	1,939	-	-	1,939	-	1,939
Currency translation differences	-	-	-	(133,959)	(133,959)	-	(133,959)
Total comprehensive income	-	1,939	-	(133,959)	(132,020)	401,872	269,852
Appropriation of reserves	-	-	11,666	-	11,666	(11,666)	-
2014 final dividend paid	-	-	-	-	-	(157,138)	(157,138)
2015 interim dividend paid	-	-	-	-	-	(68,748)	(68,748)
Balance at 31st December 2015	(34,204)	8,221	99,393	234,675	308,085	2,209,158	2,517,243
Representing:							
Reserves	(34,204)	8,221	99,393	234,675	308,085	2,071,662	2,379,747
2015 final dividend proposed	-	-	-	-	-	137,496	137,496
	(34,204)	8,221	99,393	234,675	308,085	2,209,158	2,517,243

- (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 2016

## 18 TRADE PAYABLES

At 31st December 2016, the ageing analysis of the trade payables based on invoice date was as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
1–30 days	<b>25,230</b>	18,882
31–90 days	<b>6,111</b>	3,739
Over 90 days	<b>1,783</b>	1,333
	<b>33,124</b>	23,954

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

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Renminbi	<b>25,186</b>	18,251
Singapore dollar	<b>7,915</b>	5,681
Hong Kong dollar	<b>23</b>	22
	<b>33,124</b>	23,954

## 19 DEFERRED INCOME TAX

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

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	<b>(29,910)</b>	(27,184)
– Deferred income tax assets to be recovered within 12 months	<b>(26,226)</b>	(33,475)
	<b>(56,136)</b>	(60,659)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	<b>372,196</b>	360,300
	<b>372,196</b>	360,300
Deferred income tax liabilities (net)	<b>316,060</b>	299,641

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 19 DEFERRED INCOME TAX (continued)

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

	2016 HK\$'000	2015 HK\$'000
At 1st January	<b>299,641</b>	300,570
Deferred taxation charged to consolidated income statement (note 26)	<b>32,712</b>	17,341
Exchange differences	<b>(16,293)</b>	(18,270)
At 31st December	<b>316,060</b>	299,641

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\$768,496,000 (2015: HK\$727,391,000), of which HK\$489,184,000 (2015: HK\$470,450,000), HK\$45,890,000 (2015: HK\$43,046,000) and HK\$21,835,000 (2015: HK\$2,111,000) are subject to agreement by the Inland Revenue Department in Hong Kong and the relevant tax authorities in the PRC and Singapore, respectively, to carry forward against future taxable income. HK\$722,605,000 of unrecognized tax losses (2015: HK\$684,346,000) have no expiry date and the remaining losses will expire at various dates up to and including 2021.

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		Fair values gains		Dividend		Others		Total	
	depreciation				withholding tax					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	<b>123,843</b>	123,199	<b>222,645</b>	221,397	<b>21,422</b>	37,533	<b>8,982</b>	11,495	<b>376,892</b>	393,624
Exchange differences	<b>(6,843)</b>	(7,909)	<b>(11,962)</b>	(13,485)	<b>(1,328)</b>	(1,389)	<b>(70)</b>	(609)	<b>(20,203)</b>	(23,392)
Charged/(credited) to consolidated income statement	<b>7,335</b>	8,553	<b>20,728</b>	14,733	<b>5,595</b>	3,624	<b>(1,373)</b>	(1,904)	<b>32,285</b>	25,006
Released upon distributions of dividends	-	-	-	-	-	(18,346)	-	-	-	(18,346)
At 31st December	<b>124,335</b>	123,843	<b>231,411</b>	222,645	<b>25,689</b>	21,422	<b>7,539</b>	8,982	<b>388,974</b>	376,892

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

19 DEFERRED INCOME TAX *(continued)*

## Deferred income tax assets

	Provisions		Tax losses		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	<b>(37,487)</b>	(50,969)	<b>(270)</b>	(613)	<b>(39,494)</b>	(41,472)	<b>(77,251)</b>	(93,054)
Exchange differences	<b>2,102</b>	2,604	–	–	<b>1,808</b>	2,518	<b>3,910</b>	5,122
(Credited)/charged to consolidated income statement	<b>(4,578)</b>	10,878	<b>270</b>	343	<b>4,735</b>	(540)	<b>427</b>	10,681
At 31st December	<b>(39,963)</b>	(37,487)	–	(270)	<b>(32,951)</b>	(39,494)	<b>(72,914)</b>	(77,251)

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:

	2016	2015
	HK\$'000	HK\$'000
Deferred income tax assets	<b>(56,136)</b>	(60,659)
Deferred income tax liabilities	<b>372,196</b>	360,300
	<b>316,060</b>	299,641

## 20 OTHER GAINS

	2016	2015
	HK\$'000	HK\$'000
Fair value gains on investment properties	<b>171,342</b>	169,135

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 21 EXPENSES BY NATURE

	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	<b>548,698</b>	581,879
Provision for/(reversal of) impairment of inventories	<b>19,814</b>	(23,862)
Direct operating expenses arising from investment properties that generated rental income	<b>38,639</b>	43,921
Operating lease rentals – land and buildings	<b>92,543</b>	101,021
Amortization of land use rights (note 6)	<b>2,083</b>	1,960
Depreciation of property, plant and equipment (note 7)	<b>23,106</b>	25,393
Impairment of property, plant and equipment (note 7)	<b>2,945</b>	–
Staff costs including directors' emoluments (note 22)	<b>214,708</b>	225,981
Auditors' remuneration – audit services	<b>3,757</b>	3,642
Advertising and promotion expenses	<b>116,209</b>	116,940
Provision for onerous contract	<b>8,769</b>	–
Net exchange loss	<b>7,231</b>	28,416
Other expenses	<b>112,979</b>	116,550
	<b>1,191,481</b>	1,221,841
Representing:		
Cost of sales	<b>608,908</b>	604,116
Selling and marketing costs	<b>405,976</b>	400,068
Administrative expenses	<b>176,597</b>	217,657
	<b>1,191,481</b>	1,221,841

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 22 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2016 HK\$'000	2015 HK\$'000
Staff costs		
– Wages and salaries	<b>178,421</b>	190,269
– Retirement benefit costs (note 23)	<b>36,287</b>	35,712
	<b>214,708</b>	225,981

## 23 RETIREMENT BENEFIT COSTS

	2016 HK\$'000	2015 HK\$'000
Defined contribution schemes for:		
Hong Kong employees (note (a))	<b>921</b>	898
Singapore employees (note (b))	<b>4,678</b>	4,788
China Mainland employees (note (c))	<b>30,688</b>	30,026
	<b>36,287</b>	35,712

## 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\$921,000 (2015: HK\$898,000) without any forfeited contributions (2015: 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 (2015: nil) to the MPF scheme at the year end. There were no unutilized forfeited contributions at year end (2015: nil).

- (b) Contributions paid and payable by the Group to the schemes amounted to HK\$4,678,000 (2015: HK\$4,788,000). Contributions totalling HK\$548,000 (2015: HK\$674,000) payable to the schemes at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2015: 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 (2015: nil) to the municipal governments at year end.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 24 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 2016:

2016						
Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Estimated money value of other benefits <sup>(1)</sup> HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
<b>Director</b>						
Dr. Tsang Hin Chi	-	3,901	6,346	1,338	-	11,585
Madam Wong Lei Kuan	-	1,950	1,586	29	-	3,565
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
<b>Director and Chief Executive</b>						
Mr. Tsang Chi Ming, Ricky	-	4,398	3,966	10	18	8,392
2015						
Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Estimated money value of other benefits <sup>(1)</sup> HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
<b>Director</b>						
Dr. Tsang Hin Chi	-	3,901	6,717	946	-	11,564
Madam Wong Lei Kuan	-	1,950	1,679	25	-	3,654
Mr. Ng Ming Wah, Charles	240	-	-	-	-	240
Dr. Lau Yue Sun	240	-	-	-	-	240
Dr. Wong Ying Ho, Kennedy <sup>(2)</sup>	112	-	-	-	-	112
Mr. Li Ka Fai, David	240	-	-	-	-	240
Mr. Nguyen, Van Tu Peter	240	-	-	-	-	240
<b>Director and Chief Executive</b>						
Mr. Tsang Chi Ming, Ricky	-	4,464	4,198	12	18	8,692

Notes:

- (1) Estimated money value of other benefits includes medical benefit.
- (2) Resigned on 3rd August 2015.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 24 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 (2015: 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 (2015: 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 (2015: 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 (2015: 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 (2015: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 25 EMOLUMENTS OF SENIOR MANAGEMENT

### (a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year includes three (2015: two) Directors whose emoluments are reflected in the analysis presented in note 24(a) above. The emoluments payable to the remaining two (2015: three) individuals during the year are as follows:

	2016 HK\$'000	2015 HK\$'000
Basic salaries, housing and other allowances	9,094	12,615
Bonuses	2,968	7,094
Retirement benefit costs	475	475
	<b>12,537</b>	20,184

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
<b>Emolument bands</b>		
HK\$4,000,001 – HK\$4,500,000	1	–
HK\$4,500,001 – HK\$5,000,000	–	2
HK\$8,000,001 – HK\$8,500,000	1	–
HK\$10,500,001 – HK\$11,000,000	–	1

- (b) Other than disclosed in notes 24(a) and 25(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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

25 EMOLUMENTS OF SENIOR MANAGEMENT *(continued)*(c) **Emoluments of senior management**

Other than the emoluments of Directors and five highest paid individuals disclosed in notes 24(a) and 25(a) respectively, the emoluments of the senior management fell within the following bands:

	Number of individuals	
	2016	2015
<b>Emolument bands</b>		
HK\$ 1,000,001 – HK\$ 1,500,000	<b>1</b>	1
HK\$ 1,500,001 – HK\$ 2,000,000	<b>2</b>	2
HK\$ 2,000,001 – HK\$ 2,500,000	<b>1</b>	1

## 26 INCOME TAX EXPENSE

	2016	2015
	HK\$'000	HK\$'000
Hong Kong profits tax:		
Current year	<b>1,560</b>	1,466
Over-provision in prior year	<b>(27)</b>	(88)
	<b>1,533</b>	1,378
Taxation outside Hong Kong:		
Current year	<b>53,614</b>	71,552
Under-provision in prior years	<b>21</b>	230
	<b>53,635</b>	71,782
Deferred income tax (note 19)	<b>32,712</b>	17,341
Total income tax expense	<b>87,880</b>	90,501

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 26 INCOME TAX EXPENSE (continued)

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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% (2015: 25%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	<b>476,724</b>	492,373
Calculated at a tax rate of 16.5%	<b>78,659</b>	81,242
Effect of different taxation rates in other countries	<b>11,235</b>	11,286
Income not subject to tax	<b>(22,799)</b>	(24,521)
Expenses not deductible for tax purposes	<b>6,141</b>	8,296
Utilization of unrecognized tax losses	<b>(4)</b>	–
Tax losses not recognized	<b>8,938</b>	7,080
Withholding tax on profits retained by the PRC subsidiaries	<b>5,595</b>	3,624
Derecognition of previously recognized deferred income tax assets	<b>73</b>	3,319
Others	<b>42</b>	175
Total income tax expense	<b>87,880</b>	90,501

### 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 2016

## 27 DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
2015 interim dividend, paid, of 7.0 HK cents per ordinary share	–	68,748
2015 final dividend, paid, of 14.0 HK cents per ordinary share	–	137,496
2016 interim dividend, paid, of 6.5 HK cents per ordinary share	<b>63,837</b>	–
2016 final dividend, proposed, of 13.0 HK cents per ordinary share (note)	<b>127,675</b>	–
	<b>191,512</b>	206,244

Note:

At a meeting held on 20th March 2017, the Directors declared a final dividend of 13.0 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2016.

## 28 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.

	2016	2015
Profit attributable to owners of the Company (HK\$'000)	<b>388,844</b>	401,872
Number of shares in issue	<b>982,114,035</b>	982,114,035
Basic earnings per share (HK cents)	<b>39.59</b>	40.92

## (b) Diluted

The calculation of diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK\$388,844,000 (2015: HK\$401,872,000) and the number of ordinary shares in issue of 982,114,035 (2015: 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 2016 and 2015.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 29 CASH GENERATED FROM OPERATIONS

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

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Profit before income tax	<b>476,724</b>	492,373
Adjustments for:		
– Amortization of land use rights (note 6)	<b>2,083</b>	1,960
– Depreciation of property, plant and equipment (note 7)	<b>23,106</b>	25,393
– Impairment of property, plant and equipment (note 7)	<b>2,945</b>	–
– Provision for onerous contract	<b>8,769</b>	–
– Provision for/(reversal of) impairment of inventories	<b>19,814</b>	(23,862)
– Reversal of impairment of trade receivables	<b>(28)</b>	(144)
– Interest income	<b>(24,599)</b>	(35,439)
– Gains on disposals of property, plant and equipment (note 29(a))	<b>(173)</b>	(76)
– Fair value gains on investment properties	<b>(171,342)</b>	(169,135)
Changes in working capital:		
– Property under development held for sale	<b>(2,293)</b>	(1,561)
– Inventories	<b>(21,451)</b>	79,379
– Trade receivables, prepayments, deposits and other receivables	<b>10,692</b>	18,966
– Trade payables, other payables and accruals	<b>(30,285)</b>	(62,335)
<b>Net cash generated from operations</b>	<b>293,962</b>	325,519

Note:

(a) Disposals of property, plant and equipment

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Net book amount	<b>9</b>	1,526
Gains on disposals of property, plant and equipment	<b>173</b>	76
<b>Proceeds received</b>	<b>182</b>	1,602

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 30 COMMITMENTS

## (a) Capital commitments

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

	2016 HK\$'000	2015 HK\$'000
Property, plant and equipment Contracted but not provided for	<b>52</b>	–
Investment property Contracted but not provided for	<b>271</b>	508
Property under development held for sale Contracted but not provided for	<b>10,876</b>	–

(b) At 31st December 2016, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	2016 HK\$'000	2015 HK\$'000
Rental receivables		
– not later than one year	<b>119,374</b>	136,873
– later than one year and not later than five years	<b>119,473</b>	169,385
– later than five years	<b>3,882</b>	9,948
	<b>242,729</b>	316,206
Rental payables		
– not later than one year	<b>11,706</b>	9,744
– later than one year and not later than five years	<b>15,861</b>	8,708
	<b>27,567</b>	18,452

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 31 RELATED PARTY TRANSACTIONS

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

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

	2016 HK\$'000	2015 HK\$'000
(a) Sales of services		
Rental and building management fees received from related companies	1,537	1,597

Note:

Rental and management fees were received from Guangzhou World Trade Center Club Company Limited ("GWTCCCL") for lease of a business center and facilities therein located at Goldlion Digital Network Centre amounting to HK\$1,020,000 and from China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM") for lease of a unit located at Goldlion Holdings Centre in Hong Kong amounting to HK\$517,000 respectively. 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 and GWTCCCL as he is a major shareholder of the holding company of CHKDAM and GWTCCCL. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

	2016 HK\$'000	2015 HK\$'000
(b) Purchases of services		
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.

	2016 HK\$'000	2015 HK\$'000
(c) Sale of asset		
Disposal of a motor vehicle to a related company	-	800

Note:

On 9th June 2015, the Group entered into an agreement with Access Step Limited to dispose a motor vehicle at a consideration of HK\$800,000, with a net carrying value of HK\$800,000. Mr. Tsang Chi Ming, Ricky, the Deputy Chairman and Chief Executive Officer of the Company, is the sole shareholder and director of Access Step Limited.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

31 RELATED PARTY TRANSACTIONS *(continued)*

## (d) Key management compensation

	2016 HK\$'000	2015 HK\$'000
Salaries, directors' emoluments and other short-term employee benefits	<b>43,703</b>	51,663
Retirement benefit costs	<b>628</b>	666
	<b>44,331</b>	52,329

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

	2016 HK\$'000	2015 HK\$'000
Accruals		
– Equitas Capital Limited	<b>160</b>	160

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

## 32 BALANCE SHEET OF THE COMPANY

	As at 31st December 2016 HK\$'000	As at 31st December 2015 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Subsidiaries	<b>1,377,087</b>	1,581,989
<b>Current assets</b>		
Prepayments	–	172
Cash and cash equivalents	<b>2,397</b>	2,512
	<b>2,397</b>	2,684
<b>Total assets</b>	<b>1,379,484</b>	1,584,673
<b>EQUITY</b>		
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	<b>1,101,358</b>	1,101,358
Retained earnings	<b>276,916</b>	482,195
	<b>1,378,274</b>	1,583,553
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accruals	<b>1,210</b>	1,120
<b>Total equity and liabilities</b>	<b>1,379,484</b>	1,584,673

On behalf of the Board

**Dr. Tsang Hin Chi**  
Chairman

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

32 BALANCE SHEET OF THE COMPANY *(continued)*

Note:

(a) Retained earnings movement of the Company

	Retained earnings HK\$'000
At 1st January 2016	482,195
2015 final dividend paid	(137,496)
2016 interim dividend paid	(63,837)
Loss for the year	(3,946)
At 31st December 2016	<b>276,916</b>
Representing:	
Reserves	149,241
2016 final dividend proposed	127,675
	<b>276,916</b>
At 1st January 2015	411,295
2014 final dividend paid	(157,138)
2015 interim dividend paid	(68,748)
Profit for the year	296,786
At 31st December 2015	482,195
Representing:	
Reserves	344,699
2015 final dividend proposed	137,496
	482,195

## FIVE-YEAR FINANCIAL SUMMARY

	2016 HK\$'000	Year ended 31st December			
		2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>Results</b>					
Profit attributable to:					
– Owners of the Company	<b>388,844</b>	401,872	421,042	414,579	502,235
– Non-controlling interests	–	–	–	–	1,052
<b>Assets and liabilities</b>					
Total assets	<b>4,407,978</b>	4,342,882	4,400,743	4,412,805	4,066,961
Total liabilities	<b>(717,850)</b>	(724,281)	(826,108)	(973,294)	(828,987)
Total equity	<b>3,690,128</b>	3,618,601	3,574,635	3,439,511	3,237,974

