股份代號 Stock Code : 00533

GOLDLION Holdings Limited
金利來集團有限公司

中期報告 2017
Interim Report

CHAIRMAN'S STATEMENT

OPERATING RESULTS

Turnover and gross profit

During the period under review, the Group recorded a turnover of HK$702,725,000, representing an increase of 2% over the same period last year. The increment was mainly attributable to the growth in sales of the e-commerce business in China Mainland whereas decline in turnover was recorded for other major business operations of the Group. This included a lower Mainland wholesaling turnover resulting from a larger amount of sales return arrangement granted to distributors during the period, sales performance of the Group's Singapore apparel operation being below expectation, and the shortage of rental income from the Group's investment property at 3 Yuk Yat Street, To Kwa Wan due to a major refurbishment of the property.

Gross profit for the period was HK$414,406,000, representing a decrease of about 1%, from HK$418,754,000 of the same period last year. The overall gross profit margin was 59%, lower than 60.7% of the same period last year for 1.7 percentage points. Gross profit margin for the apparel business in China Mainland was 53.2%, representing a drop of 1.4 percentage points. In addition to the increase in impairment provision for inventories of HK$2,794,000, this was also a result of the increasing imported fabric cost following the devaluation of Renminbi ("RMB").

Operating expenses and operating profit

Selling and marketing costs for the period were HK$203,121,000, increased by 21% from the same period last year. Despite the devaluation of RMB by about 3% over the same period last year, the advertising and promotional activities in China Mainland were launched earlier than last year. These included "The Men's World" campaign series, e-commerce related sales promotion and the enhancement of shop decoration and display. This resulted in a remarkable increase in the Group's advertising and promotion expenses by HK$30,631,000 comparing with the same period last year. Besides, the growth in sales of the e-commerce operations in China also resulted in the increases in relevant commission and related expenses. Percentage of selling and marketing costs to the overall turnover was 28.9%, increased by 4.5 percentage points from 24.4% of the same period last year.

Administrative expenses for the period were HK$82,693,000, decreased by 6% from HK$88,032,000 of the same period last year. Apart from the devaluation of RMB during the period, decrease in administrative expenses was also a result of the Group's stringent cost control measures during the period.

During the period, the Group recorded fair value gains on investment properties of HK$46,624,000, compared with HK$73,457,000 of the same period last year.

Operating profit for the period amounted to HK$175,216,000, compared with HK$235,776,000 of the same period last year, representing a decrease of 25.7%. The operating profit margin was approximately 24.9%, which was lower than the same period last year of 34.2%.

CHAIRMAN'S STATEMENT *(continued)*

OPERATING RESULTS *(continued)*

Profit attributable to owners of the Company

Due to above factors, profit attributable to owners of the Company for the period was HK$147,852,000, decreased by 26.9% from HK$202,238,000 of the same period last year.

Profit for the period would be HK$106,409,000 if fair value gains after tax on investment properties of HK$41,443,000 were excluded. Such profit marked a decrease of 22.3% from HK$136,928,000 of the same period last year if the fair value gains after tax on investment properties of HK$65,310,000 were excluded.

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

The China economy began to show signs of stabilization during the period under review. Although GDP growth stopped slipping and the RMB regained its footing, consumer sentiment especially for menswear will take time to recover. Business operation of the Group is still not yet better off.

In China Mainland, the Group has continued to conduct its apparel operation primarily through wholesaling to distributors in various cities and provinces, through self-operated retail shops (including factory outlets) located mainly in Guangzhou, Shanghai, Beijing and Chongqing, as well as through e-commerce and custom-ordering. Despite the devaluation of RMB by about 3% from last year, overall turnover for the period amounted to HK$537,160,000, representing a year-on-year increase of approximately 6%, or approximately 10% in RMB. The fall in wholesaling was offset by the growth in sales from e-commerce.

Regarding our wholesaling operation, sales of the Group's distributors was not bottoming out. With business still not yet recovering, distributors remained to be conservative in the purchase of our 2017 products. To relieve the operational difficulties faced by the distributors, the Group offered a more favorable inventory return and exchange arrangement to them. This resulted in a higher amount of sales return offset against sales. Besides, allowance for inventory returns of the spring and summer products increased from last year's 10% to 20%. Sales to distributors therefore recorded a drop of about RMB37,830,000 or 17% when compared with the same period last year.

As for self-operated retail shops, 4 in Wuhan were transferred to our local distributor last August while some in Shanghai were successively closed. All in all, sales of self-operated retail shops (excluding factory outlets) registered a year-on-year decrease of approximately 7% in RMB. In terms of comparable store sales, Beijing and Chongqing rose by 8% and 7% respectively whereas Guangzhou and Shanghai dropped by about 3%.

With the proportion of special selected items accounting for more than 50% of goods sold and an increase in festive promotions, sales of our factory outlets achieved an increase of approximately 15% in the first half of the year. Since the gross profit margin of special selected items is higher than off-season ones, the increase in sales has resulted in overall performance improvement when compared with the corresponding period last year.

At the end of the period, the Group had approximately 950 retail outlets (including factory outlets) in China, among which 99 were self-operated. During the period under review, our retail outlets remained stable and the total number was comparable with that at the end of last year.

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW *(continued)*

Apparel Business *(continued)*

China Mainland and Hong Kong SAR Markets *(continued)*

E-commerce remained to be the main driving force of the Group's sales growth during the period under review. Focus was placed on the sale of special selected items, which accounted for over 90% of the Group's total e-commerce sales. Relatively high in salability, special selected items have brought about an increase of 116% in RMB for the e-commerce sales during the period. The share of e-commerce in the Group's Mainland apparel sales also rose to about 30% accordingly.

During the period under review, the Group continued to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. Due to the change of payment term for the leather goods license, a part of the payment was received earlier than last year and resulted in the increase in income for the period. Licensing income for the first half of the year registered a growth of approximately 5% over the same period last year to stand at HK$44,797,000.

Singapore and Malaysia Markets

The Group's apparel performance in Singapore and Malaysia continued to be disappointing as a whole in the first half of the year, with overall sales amounting to HK$32,573,000, representing a decrease of approximately 27% when compared with the same period last year. Despite readjustments in operational strategies and restructuring of the management teams, customer flow suffered from the insufficient supply of salable products, unpopularity of individual items and unattractive location of certain shops and counters.

Sales of comparable retail outlets in Singapore decreased year-on-year by about 19% in local currency. After rationalizing some of the low-performing shops, there were a total of 9 Goldlion shops and 22 counters in Singapore at the end of the period, or down by 2 when compared with that at the end of last year. Over in Malaysia, the number of counters was 19, or the same as that at the end of last year.

The Group has made provision for impairment losses for the leases and decoration of certain loss-making shops in last year. With the early termination of the leases for some of these shops, a part of the provision was reversed during the period. Inclusive of such reversal, the operating loss for the Singapore and Malaysia markets for the review period stood at HK$9,159,000, which was higher than HK$5,083,000 registered for the same period last year.

Property Investment and Development

The Group's investment property portfolio had no significant changes since the end of last year and business has continued to remain stable during the period. Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK$46,624,000. This was mainly attributable to Goldlion Holdings Centre in Hong Kong and Goldlion Digital Network Centre in Guangzhou. The fair value gains for the same period last year were HK$73,457,000.

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW *(continued)*

Property Investment and Development *(continued)*

Rental income and building management fees for the period amounted to HK$70,408,000 and HK$17,787,000 respectively, representing a year-on-year decrease of around 9% in total. This was mainly attributable to the devaluation of the RMB by about 3% from the corresponding period last year, the replacement of Business Tax by Value Added Tax with effect from last May, and the rental implications arising from the Group's property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong. The whole block of property had previously been leased to a local listed company under a long lease. When the lease expired in January 2017, the Group took back the property for a large-scale refurbishment which was expected to take a year. As a result, rental income from the property dropped by about HK$3,675,000.

Despite continued rental adjustment pressure on offices in China Mainland, leasing of the Group's Goldlion Digital Network Centre in Tianhe, Guangzhou, largely remained stable. Overall occupancy rate was maintained at around 93% even though there were gaps between leases for some of the premises. During the review period, rental income and building management fees experienced a year-on-year decrease of approximately 2% in RMB.

In Shenyang, leasing of Goldlion Commercial Building continued to remain stable with overall occupancy rate maintained at 100%. With turnover rental lower than that for the corresponding period last year, rental income and building management fees in RMB for the period decreased year-on-year by approximately 5%.

In Hong Kong, overall rental income and building management fees from the Group's Goldlion Holdings Centre in Shatin decreased year-on-year by approximately 2% owing to a gap between leases for some of the premises. Formalities for our revitalization application were basically completed early this year and the revitalization plan is pending finalization.

Although there was a decrease in rental income and building management fees during the period, relevant expenses and costs were also reduced simultaneously. As a result, operating profit for the Group's property investment operation remained to be stable if impact of rental decrease for the property at No. 3 Yuk Yat Street was excluded.

Regarding the piece of land with a site area of approximately 75,949 square meters in Meixian, the relevant plans and designs have already been approved by the local authorities. The Group is now sourcing contractors for tendering of the associated construction projects. Construction work is tentatively scheduled to begin no later than early next year.

PROSPECTS

Although there has been a downturn in the results of the first half of the year, it is expected that the Group's business will tend to be stable in the second half.

Since the Chinese economy as a whole is showing signs of recovery, the Group is hopeful that the worst is gradually behind for its distributors and hence the wholesaling business in the China Mainland market. To ensure business growth, the Group will focus itself on supplying better quality, more competitive and faster moving products. At the Group's Mainland 2018 spring and summer collections sales fair held in end of July, initial figures show that there was a single-digit growth in order amount when compared with the corresponding season last year. The goods ordered will be delivered during the first half of the coming year.

CHAIRMAN'S STATEMENT *(continued)*

***PROSPECTS** (continued)*

As the retail apparel market in China is going to be stabilized, the Group's self-operated retail shops and factory outlets are likely to reap the benefits. The Group is not too pessimistic for the sales in the second half of the year. On the same note, remarkable growth is expected to continue for our e-commerce business in the second half of the year in anticipation of the arrival of the peak online shopping season and satisfactory reception of our special selected items.

In Singapore, the unfavorable operating environment is unlikely to improve in the near future. The Group will continue to rationalize the low-performing shops and to readjust its business strategies for greater operational cost-effectiveness so as to minimize the operating 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 stable rental income. In particular, the refurbishment of the property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong will continue in the second half of the year and is expected to be ready for leasing not until early 2018. It is therefore likely that rental income for the year as a whole will be impacted.

The Group will also start to analyze the detailed revitalization plan for the Goldlion Holdings Centre in Shatin. As for the Meixian development project, the Group will finalize the construction plan in the second half of the year with an aim to commence works no later than early next year.

FINANCIAL POSITION

As at 30th June 2017, the Group had cash and bank balances of approximately HK$1,224,149,000, which was HK$21,926,000 higher than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK$128,030,000 and received interest income of HK$11,570,000. However, the Group also paid dividends of HK$127,675,000 and purchased fixed assets of HK$6,570,000. Besides, changes in foreign exchange rate during the period resulted in an increase in cash and bank balances of HK$16,285,000. As at 30th June 2017, the Group did not have any bank loans or overdrafts.

As at 30th June 2017, the Group's current assets and liabilities were HK$1,678,012,000 and HK$367,976,000 respectively, with current ratio at approximately 4.6. Total current liabilities were 9.9% of the average capital and reserves attributable to owners of the Company of HK$3,720,944,000.

As at 30th June 2017, the Group did not have any significant contingent liabilities or capital commitments and there were no charges on any of the Group's assets.

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, 17th August 2017

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 7 to 28, which comprises the condensed consolidated balance sheet of Goldlion Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2017 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17th August 2017

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2017 and 31st December 2016

	Note	Unaudited 30th June 2017 HK$'000	Audited 31st December 2016 HK$'000
ASSETS			
Non-current assets			
Land use rights	*6*	44,346	42,549
Property, plant and equipment	*6*	175,094	165,745
Investment properties	*6*	2,546,740	2,484,052
Available-for-sale financial assets		5,700	5,600
Deferred income tax assets		61,529	56,136
		2,833,409	2,754,082
Current assets			
Property under development held for sale	*7*	126,676	122,982
Inventories		208,934	211,537
Trade receivables	*8*	62,371	72,574
Prepayments, deposits and other receivables	*9*	51,500	44,324
Tax recoverable		4,382	256
Bank deposits		983,189	970,502
Cash and cash equivalents		240,960	231,721
		1,678,012	1,653,896
Total assets		4,511,421	4,407,978
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*10*	1,101,358	1,101,358
Reserves		2,650,401	2,588,770
Total equity		3,751,759	3,690,128
LIABILITIES			
Non-current liabilities			
Other payables and accruals		1,901	5,235
Deferred income tax liabilities		389,785	372,196
		391,686	377,431
Current liabilities			
Trade payables	*11*	53,962	33,124
Other payables and accruals		298,313	289,678
Current income tax liabilities		15,701	17,617
		367,976	340,419
Total liabilities		759,662	717,850
Total equity and liabilities		4,511,421	4,407,978

The notes on pages 12 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2017

		Unaudited	
		Six months ended	
		30th June 2017	**30th June 2016**
	Note	*HK$'000*	*HK$'000*
Turnover	*5*	702,725	689,405
Cost of sales	*13*	(288,319)	(270,651)
Gross profit		414,406	418,754
Other gains	*12*	46,624	73,457
Selling and marketing costs	*13*	(203,121)	(168,403)
Administrative expenses	*13*	(82,693)	(88,032)
Operating profit		175,216	235,776
Interest income		9,136	13,515
Profit before income tax		184,352	249,291
Income tax expense	*14*	(36,500)	(47,053)
Profit for the period attributable to owners of the Company		147,852	202,238
Earnings per share		*HK cents*	*HK cents*
— Basic and diluted	*16*	15.05	20.59

The notes on pages 12 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2017

	Unaudited Six months ended 30th June 2017	30th June 2016
	HK$'000	*HK$'000*
Profit for the period	147,852	202,238
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment	1,730	–
— deferred tax arising from revaluation thereof	(434)	–
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	40,158	(18,836)
Other comprehensive income for the period	41,454	(18,836)
Total comprehensive income for the period attributable to owners of the Company	189,306	183,402

The notes on pages 12 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2017

	Unaudited			
	Share capital *HK$'000*	**Other reserves** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
Balance at 1st January 2016	1,101,358	308,085	2,209,158	3,618,601
Comprehensive income				
Profit for the period	–	–	202,238	202,238
Other comprehensive income				
Currency translation differences	–	(18,836)	–	(18,836)
Total comprehensive income for the period	–	(18,836)	202,238	183,402
Transactions with owners				
Dividend relating to 2015	–	–	(137,496)	(137,496)
Total transactions with owners	–	–	(137,496)	(137,496)
Balance at 30th June 2016	1,101,358	289,249	2,273,900	3,664,507
Balance at 1st January 2017	1,101,358	192,101	2,396,669	3,690,128
Comprehensive income				
Profit for the period	–	–	147,852	147,852
Other comprehensive income				
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment, net of taxation	–	1,296	–	1,296
Currency translation differences	–	40,158	–	40,158
Other comprehensive income for the period	–	41,454	–	41,454
Total comprehensive income for the period	–	41,454	147,852	189,306
Transactions with owners				
Dividend relating to 2016	–	–	(127,675)	(127,675)
Total transactions with owners	–	–	(127,675)	(127,675)
Balance at 30th June 2017	1,101,358	233,555	2,416,846	3,751,759

The notes on pages 12 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2017

		Unaudited Six months ended 30th June 2017	30th June 2016
	Note	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Cash generated from operations		164,363	170,126
Income tax paid		(36,333)	(28,141)
Net cash generated from operating activities		128,030	141,985
Cash flows from investing activities			
Additions to investment properties	*6*	–	(927)
Purchase of property, plant and equipment	*6*	(6,570)	(4,412)
Proceeds from disposals of property, plant and equipment		286	72
(Increase)/decrease in bank deposits with maturity over 3 months		(4,278)	13,615
Interest received		11,570	16,775
Net cash generated from investing activities		1,008	25,123
Cash flows from financing activity			
Dividends paid to owners of the Company		(127,675)	(137,496)
Net cash used in financing activity		(127,675)	(137,496)
Net increase in cash and cash equivalents		1,363	29,612
Cash and cash equivalents at 1st January		231,721	236,741
Effect of foreign exchange rate changes		7,876	(2,978)
Cash and cash equivalents at 30th June		240,960	263,375

The notes on pages 12 to 28 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1. General information

Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") distribute and manufacture garments, leather goods and accessories, license the brand name, and hold and develop properties for investment and development purposes.

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.

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 17th August 2017.

This condensed consolidated interim financial information has not been audited.

The financial information relating to the year ended 31st December 2016 that is included in the condensed consolidated interim financial information for the six months ended 30th June 2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

2. *Basis of preparation and accounting policies*

This condensed consolidated interim financial information for the six months ended 30th June 2017 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2016, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to standards effective in 2017 but not relevant to the Group

HKAS 7 (Amendment)	Statement of cash flows
HKAS 12 (Amendment)	Income taxes
HKFRS 12 (Amendment)	Disclosure of interest in other entities

(b) The following new standards, new interpretations and amendments to standards have been issued but are not effective for the financial year beginning on 1st January 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 28 (Amendment)	Investments in associates and joint ventures	1st January 2018
HKAS 40 (Amendment)	Investment property	1st January 2018
HKFRS 1 (Amendment)	First time adoption of HKFRS	1st January 2018
HKFRS 2 (Amendment)	Share-based payment	1st January 2018
HKFRS 4 (Amendment)	Insurance contracts	1st January 2018
HKFRS 9	Financial instruments	1st January 2018(i)
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established
HKFRS 15	Revenue from contracts with customers	1st January 2018(ii)
HKFRS 16	Leases	1st January 2019(iii)
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1st January 2018

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

2. *Basis of preparation and accounting policies (continued)*

(b) The following new standards, new interpretations and amendments to standards have been issued but are not effective for the financial year beginning on 1st January 2017 and have not been early adopted by the Group: *(continued)*

Notes:

(i) HKFRS 9 "Financial instruments"

HKFRS 9 "Financial instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1st January 2018.

The Group does not expect the new guidance to have significant impact on the classification and measurement of its financial assets as the Group does not have:

- Debt instrument that are classified as available-for-sale financial assets;
- Debt instrument classified as held-to-maturity and measured at amortized cost;
- Equity investment measured at fair value through profit or loss.

The new requirements affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss. The changes in the fair value due to changes in the liability's own credit risk are recognized in other comprehensive income ("OCI"), unless such changes in fair value would create an accounting mismatch in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. The Group does not have financial liabilities subject to HKFRS 9 that are designated at fair value through profit or loss. The derecognition rules have been transferred from HKAS 39 "Financial instruments: Recognition and measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. The Group does not have any hedge instruments. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 "Revenue from contracts with customers", lease receivables, loan commitments and certain financial guarantee contracts. The Group is still assessing the actual impact affected by the new model, it may result in an earlier recognition of credit losses for trade receivables. But according to the preliminary result, the financial impact is expected to be immaterial.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group does not intend to adopt HKFRS 9 before its mandatory date.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

2. Basis of preparation and accounting policies *(continued)*

(b) The following new standards, new interpretations and amendments to standards have been issued but are not effective for the financial year beginning on 1st January 2017 and have not been early adopted by the Group: *(continued)*

Notes: (continued)

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

This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction contracts", and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognize revenue when performance obligation is satisfied.

The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalization of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after 1st January 2018 and earlier application is permitted.

(iii) HKFRS 16 "Leases"

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$29,168,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

2. *Basis of preparation and accounting policies* *(continued)*

(b) The following new standards, new interpretations and amendments to standards have been issued but are not effective for the financial year beginning on 1st January 2017 and have not been early adopted by the Group: *(continued)*

Notes: (continued)

(iii) HKFRS 16 "Leases" *(continued)*

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3. Financial risk management

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 condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2016.

There have been no changes in risk management policies since year end.

4. Critical accounting estimates and judgements

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

5. *Operating segments*

	Six months ended 30th June 2017	Six months ended 30th June 2016
	HK$'000	*HK$'000*
Analysis of turnover		
Sales of goods	569,733	550,204
Gross rental income from investment properties	70,408	76,939
Building management income	17,787	19,509
Licensing income	44,797	42,753
	702,725	689,405

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

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 of each of the Group's reportable segments:

(1) Apparel in China Mainland and Hong Kong SAR — Distribution and manufacturing of garments, leather goods and accessories and licensing of the brand name in China Mainland and Hong Kong SAR;

(2) Apparel in Singapore and Malaysia — Distribution and manufacturing of garments, leather goods and accessories in Singapore and Malaysia;

(3) Property investment and development — Investment in and development of properties in China Mainland and Hong Kong SAR.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

5. *Operating segments* *(continued)*

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

	Six months ended 30th June 2017				
	Apparel in China Mainland and Hong Kong SAR	Apparel in Singapore and Malaysia	Property investment and development	Eliminations	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	581,957	32,573	88,195	–	702,725
Inter-segment sales	–	–	3,917	(3,917)	–
	581,957	32,573	92,112	(3,917)	702,725
Segment results	112,988	(9,159)	105,393		209,222
Unallocated costs					(24,870)
Profit before income tax					184,352
Income tax expense					(36,500)
Profit for the period					147,852

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

5. *Operating segments* *(continued)*

	Six months ended 30th June 2016				
	Apparel in China Mainland and Hong Kong SAR	**Apparel in Singapore and Malaysia**	**Property investment and development**	**Eliminations**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	548,616	44,341	96,448	–	689,405
Inter-segment sales	–	–	3,635	(3,635)	–
	548,616	44,341	100,083	(3,635)	689,405
Segment results	140,486	(5,083)	135,186		270,589
Unallocated costs					(21,298)
Profit before income tax					249,291
Income tax expense					(47,053)
Profit for the period					202,238

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 CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

6. *Capital expenditure*

	Land use rights HK$'000	Property, plant and equipment HK$'000	Investment properties HK$'000	Total HK$'000
Opening net book amount as at 1st January 2016	30,894	184,110	2,395,188	2,610,192
Additions	–	4,412	927	5,339
Disposals	–	(4)	–	(4)
Amortization and depreciation *(note 13)*	(1,030)	(12,011)	–	(13,041)
Impairment charges *(note 13)*	–	(85)	–	(85)
Fair value gains *(note 12)*	–	–	73,457	73,457
Exchange differences	(166)	(555)	(13,669)	(14,390)
Closing net book amount as at 30th June 2016	29,698	175,867	2,455,903	2,661,468
Opening net book amount as at 1st January 2017	42,549	165,745	2,484,052	2,692,346
Additions	–	6,570	–	6,570
Disposals	–	(156)	–	(156)
Reversal	–	–	(158)	(158)
Transfer	2,108	11,592	(11,970)	1,730
Amortization and depreciation *(note 13)*	(890)	(10,278)	–	(11,168)
Impairment charges *(note 13)*	–	(55)	–	(55)
Fair value gains *(note 12)*	–	–	46,624	46,624
Exchange differences	579	1,676	28,192	30,447
Closing net book amount as at 30th June 2017	44,346	175,094	2,546,740	2,766,180

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

7. *Property under development held for sale*

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

	As at 30th June 2017	As at 31st December 2016
	HK$'000	*HK$'000*
Land use rights	120,531	118,417
Development costs	6,145	4,565
	126,676	122,982

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 and the delay completion of the project after 24th January 2017 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$126,676,000 (31st December 2016: HK$122,982,000).

8. *Trade receivables*

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

	As at 30th June 2017	As at 31st December 2016
	HK$'000	*HK$'000*
1–30 days	49,294	63,534
31–90 days	7,639	5,539
Over 90 days	5,438	3,501
	62,371	72,574

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

9. Prepayments, deposits and other receivables

	As at 30th June 2017	As at 31st December 2016
	HK$'000	*HK$'000*
Purchase deposits *(note)*	19,313	12,132
Prepayments	9,084	5,859
General deposits	9,547	8,319
Interest receivable	6,854	9,288
VAT recoverable	217	2,905
Others	6,485	5,821
Total of prepayments, deposits and other receivables	51,500	44,324

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.

10. Share capital

	2017		2016	
	Number of shares	Share capital	Number of shares	Share capital
	(thousands)	*HK$'000*	*(thousands)*	*HK$'000*
Ordinary shares, issued and fully paid:				
At 1st January and 30th June	982,114	1,101,358	982,114	1,101,358

11. Trade payables

Trade payables are aged as follows:

	As at 30th June 2017	As at 31st December 2016
	HK$'000	*HK$'000*
1–30 days	46,171	25,230
31–90 days	5,122	6,111
Over 90 days	2,669	1,783
	53,962	33,124

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

12. Other gains

	Six months ended 30th June 2017	Six months ended 30th June 2016
	HK$'000	*HK$'000*
Fair value gains on investment properties *(note 6)*	46,624	73,457

13. Expenses by nature

	Six months ended 30th June 2017	Six months ended 30th June 2016
	HK$'000	*HK$'000*
Cost of inventories sold	262,291	245,485
Provision for impairment for inventories	8,275	4,604
Direct operating expenses arising from investment properties that generated rental income	17,565	19,594
Amortization of land use rights *(note 6)*	890	1,030
Depreciation of property, plant and equipment *(note 6)*	10,278	12,011
Impairment of property, plant and equipment *(note 6)*	55	85
Staff costs including directors' emoluments	107,652	111,029
Advertising and promotion expenses	63,392	32,761
Other expenses	103,735	100,487
	574,133	527,086
Representing:		
Cost of sales	288,319	270,651
Selling and marketing costs	203,121	168,403
Administrative expenses	82,693	88,032
	574,133	527,086

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

14. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the period at the rate of 25% (2016: 25%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended	
	30th June 2017	**30th June 2016**
	HK$'000	*HK$'000*
Current tax		
— Hong Kong	740	960
— PRC enterprise income tax	29,531	25,481
— Overseas taxation	21	–
Deferred income tax	6,208	20,612
Total income tax expense	36,500	47,053

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

15. Dividend

	Six months ended 30th June 2017	30th June 2016
	HK$'000	*HK$'000*
Interim dividend of 6.0 HK cents (2016: 6.5 HK cents) per ordinary share	58,927	63,837

The final dividend for the year ended 31st December 2016 of 13.0 HK cents (2015 final: 14.0 HK cents) per ordinary share, totalling HK$127,675,000 was paid in June 2017 (2015 final: HK$137,496,000).

At a meeting held on 17th August 2017, the Directors declared an interim dividend of 6.0 HK cents per share. This interim dividend has not been reflected as a dividend payable in the condensed interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31st December 2017.

16. Earnings per share

The calculation of earnings per share is based on profit attributable to owners of the Company of HK$147,852,000 (six months ended 30th June 2016: HK$202,238,000) and the number of ordinary shares in issue of 982,114,035 (six months ended 30th June 2016: 982,114,035) during the period.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the six months ended 30th June 2017 and 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

17. Commitments

(a) Capital commitments

	As at 30th June 2017 HK$'000	As at 31st December 2016 HK$'000
Property, plant and equipment		
Contracted but not provided for	7,415	52
Investment properties		
Contracted but not provided for	259	271
Property under development held for sale		
Contracted but not provided for	10,838	10,876

(b) At 30th June 2017, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	As at 30th June 2017 HK$'000	As at 31st December 2016 HK$'000
Rental receivables		
— not later than one year	120,847	119,374
— later than one year and not later than five years	121,143	119,473
— later than five years	1,254	3,882
	243,244	242,729
Rental payables		
— not later than one year	13,280	11,706
— later than one year and not later than five years	15,888	15,861
	29,168	27,567

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

18. *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 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 at 30th June 2017. The remaining 31.83% of the Company's issued shares are widely held.

The following transactions were carried out with related parties:

			Six months ended	
			30th June 2017	**30th June 2016**
		Note	*HK$'000*	*HK$'000*
(a)	Sales of services:			
	Rental received from related companies	*(i)*	569	581
	Building management fees received from related companies	*(ii)*	190	201
(b)	Purchase of services:			
	Professional fees paid to a related company	*(iii)*	160	160

Notes:

(i) Rental was received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") for lease of a business center and facilities therein located at Goldlion Digital Network Centre in Guangzhou, and from China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM") for lease of a unit located at Goldlion Holdings Centre in Hong Kong. Rental was charged at rates based on the relevant lease agreements entered. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL and CHKDAM as he is a major shareholder of the holding company of GWTCCL and 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.

(ii) Building management fees were received under normal commercial terms from GWTCCL for the provision of building management services for a business center at Goldlion Digital Network Centre, and from CHKDAM for the provision of building management services for a unit located at Goldlion Holdings Centre in Hong Kong. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL and CHKDAM as he is a major shareholder of the holding company of GWTCCL and CHKDAM. 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

18. *Related party transactions* *(continued)*

Notes: (continued)

(iii) Equitas Capital Limited acted as financial advisor to the Group during the period for which professional fee of HK$160,000 (six months ended 30th June 2016: HK$160,000) was paid by the Company. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and a principal shareholder of Equitas Capital Limited.

(c) Period-end balances arising from purchase of services

	As at 30th June 2017	**As at 30th June 2016**
	HK$'000	*HK$'000*
Accruals		
— Equitas Capital Limited	160	160

(d) Key management compensation amounted to HK$20,236,000 for the six months ended 30th June 2017 (six months ended 30th June 2016: HK$22,001,000).

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Directors have recommended the payment of an interim dividend of 6.0 HK cents per share (2016: 6.5 HK cents per share) for the year ending 31st December 2017, totalling HK$58,927,000 (2016: HK$63,837,000), which is expected to be payable on or about 19th September 2017 to shareholders whose names appear on the Register of Members as at 8th September 2017.

CLOSURE OF REGISTER OF MEMBER

For the purpose of determining shareholders' entitlement to the proposed dividend, the Register of Members of the Company will be closed on 7th September 2017 and 8th September 2017 (two days), during which period no transfer of shares will be registered.

In order to qualify for the above-mentioned interim dividend, all transfers accompanied by the relevant shares certificates must be lodged by 4:30 p.m. on Wednesday, 6th September 2017 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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.

During the six months ended 30th June 2017, no options had been granted or remained outstanding under the New Option Scheme or any other share option scheme of the Company.

SUPPLEMENTARY INFORMATION *(continued)*

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

At 30th June 2017, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated companies (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:

Ordinary shares of the Company at 30th June 2017

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

Notes:

(a) 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.

(b) 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.

Save as disclosed above, as at 30th June 2017, 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.

SUPPLEMENTARY INFORMATION *(continued)*

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

Save as disclosed above, at no time during the six months ended 30th June 2017 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 underlying or other associated corporation.

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.

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 30th June 2017, 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. These interests are in addition to those disclosed above in respect of the Directors and the Chief Executive.

Name of holder of securities	**Type of securities**		**Number of shares held**	**Percentage to total issued share capital**
Hin Chi Family Management Limited *(note)*	Ordinary shares	Long positions	613,034,750	62.42%
		Short positions	–	–
Top Grade Holdings Limited *(note)*	Ordinary shares	Long positions	613,034,750	62.42%
		Short positions	–	–
Silver Disk Limited *(note)*	Ordinary shares	Long positions	160,616,000	16.35%
		Short positions	–	–
Tsang Hin Chi Charities (Management) Limited	Ordinary shares	Long positions	53,880,750	5.49%
		Short positions	–	–
FMR LLC	Ordinary shares	Long positions	55,366,331	5.64%
		Short positions	–	–

Note:

Hin Chi Family Management Limited as trustee of the Tsang Hin Chi (2007) Family Settlement, held all of the issued share capital of Top Grade Holdings Limited ("Top Grade"). Top Grade was interested in 613,034,750 shares in the Company including 160,616,000 shares held by Silver Disk Limited, a wholly owned subsidiary of Top Grade.

SUPPLEMENTARY INFORMATION *(continued)*

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the six months ended 30th June 2017 except that Dr. Tsang Hin Chi, Chairman of the Company's Board of Directors, was unable to attend the annual general meeting of the Company held on 19th May 2017 owing to an important engagement at the relevant time, which is not consistent with the requirements of Code Provision E.1.2.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. During the six months ended 30th June 2017, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

AUDIT COMMITTEE

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

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's unaudited interim financial information for the six months ended 30th June 2017. At the request of the Board of Directors, the Company's external auditor, PricewaterhouseCoopers, has carried out a review of this unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

BOARD OF DIRECTORS

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

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