GOLDLION Holdings Limited

金利來集團有限公司

Stock Code 股份代號：00533

2019

Interim Report 中期報告

Goldlion®

CHAIRMAN'S STATEMENT

OPERATING RESULTS

Turnover and gross profit

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

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

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

Operating expenses and operating profit

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

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

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

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

Profit attributable to owners of the Company

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

CHAIRMAN'S STATEMENT *(continued)*

***OPERATING RESULTS** (continued)*

***Profit attributable to owners of the Company** (continued)*

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

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW *(continued)*

Apparel Business *(continued)*

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

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

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

Singapore and Malaysia Markets

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

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

The gross profit margin for the local market during the review period was approximately 42.2%, lower than the 47.8% of the same period last year. This was mainly attributable to the inventory provision that amounted to HK$1,399,000 (reversal of HK$2,108,000 of the same period last year).

Rental income and related expenses from two warehousing units in Singapore that had been transferred to investment properties by the end of last year stood at HK$372,000 and HK$122,000 respectively for the review period. Excluding these amounts, operating loss for the Group's Singapore and Malaysia apparel operation for the review period stood at HK$6,766,000, which has been widened from the amount of HK$4,159,000 of the same period last year.

Property Investment and Development

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

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

CHAIRMAN'S STATEMENT *(continued)*

***BUSINESS REVIEW** (continued)*

***Property Investment and Development** (continued)*

Regarding the Group's Goldlion Digital Network Centre in Tianhe, Guangzhou, rental income and building management fees fell by approximately 4% in RMB. This was mainly attributable to a downward adjustment in rents for a renewed lease in accordance with market conditions in the second half of last year. To attract quality tenant, the units of one of the floors were withheld from separate leasing, resulting in an overall occupancy rate of approximately 87% for the period. The whole floor was successfully leased out with tenant before the end of June.

Following the transfer of Yuan Village warehousing properties in Guangzhou to investment properties by the end of last year, the properties generated rental income and building management fees amounting to HK$3,659,000 for the period. At present, about 60% of the floor area has already been leased out.

In Shenyang, leasing of Goldlion Commercial Building continued to remain good with overall occupancy rate maintained at 100%. With turnover rental higher than that of last year, rental income and building management fees increased by approximately 6% in RMB.

In Hong Kong, leasing of the Group's Goldlion Holdings Centre in Shatin was equally good. Overall rental income and building management fees increased year-on-year by approximately 6%. This was mainly attributable to an almost full occupancy rate for the review period in contrast with the vacancy of certain units in last year. Turning to the property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong, it was offered for lease immediately after the completion of large-scale refurbishment early this year. At present, about 50% of the floor area has been leased out.

Regarding the piece of land with a site area of approximately 75,949 square meters in Meixian, the development project has already been named as "Goldlion Garden". Works have commenced since the Group entered into the main construction contract amounting to RMB588,000,000 in mid-March. To be carried out in two phases, this primarily residential development comprises 11 high-rise buildings and 26 low-rise ones, as well as ancillary facilities. Depending on market conditions and construction progress, presale is expected to begin by around the middle of next year and the whole project is expected to be completed around the year 2022. In view of the short construction period in first half of the year, construction expenditure only increased by about RMB20,000,000 during the period. Relevant expenditure is expected to be paid by the Group's internal resources and funds received in advance from sales of properties.

PROSPECTS

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

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

CHAIRMAN'S STATEMENT *(continued)*

***PROSPECTS** (continued)*

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

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

As for property investment, the Group will continue to enhance the leasing potential of its properties on hand for maintaining a reasonable level of rental income. At the same time, the Group will lease out remaining units at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong, and those at the Yuan Village in Guangzhou depending on market conditions. Construction works for the "Goldlion Garden" in Meixian will be carried out as scheduled.

FINANCIAL POSITION

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

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

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

ACKNOWLEDGEMENT

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

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

Hong Kong, 15th August 2019

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 30, which comprises the condensed consolidated interim balance sheet of Goldlion Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2019 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim 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 of the Group is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15th August 2019

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th June 2019 and 31st December 2018

	Note	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
ASSETS			
Non-current assets			
Land use rights	*7*	–	46,698
Property, plant and equipment	*7*	151,373	160,269
Right-of-use assets		69,448	–
Investment properties	*7*	2,917,723	2,847,372
Financial assets at fair value through other comprehensive income		6,813	6,813
Deferred income tax assets		58,036	51,282
		3,203,393	3,112,434
Current assets			
Property under development held for sale	*8*	196,708	174,178
Inventories		207,454	221,155
Trade receivables	*9*	79,805	122,688
Prepayments, deposits and other receivables	*10*	63,889	40,662
Contract assets		62,997	65,037
Tax recoverable		5,040	160
Bank deposits		902,952	906,305
Cash and cash equivalents		381,325	423,632
		1,900,170	1,953,817
Total assets		5,103,563	5,066,251
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*11*	1,101,358	1,101,358
Reserves		3,074,089	3,037,321
Total equity		4,175,447	4,138,679
LIABILITIES			
Non-current liabilities			
Other payables and accruals		21,302	80
Lease liabilities		12,696	–
Deferred income tax liabilities		428,468	421,765
		462,466	421,845
Current liabilities			
Trade payables	*12*	48,224	53,854
Other payables and accruals		111,092	176,206
Contract liabilities		277,472	249,913
Lease liabilities		13,161	–
Current income tax liabilities		15,701	25,754
		465,650	505,727
Total liabilities		928,116	927,572
Total equity and liabilities		5,103,563	5,066,251

The notes on pages 12 to 30 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30th June 2019

		Unaudited Six months ended 30th June 2019	30th June 2018
	Note	*HK$'000*	*HK$'000*
Turnover	*6*	744,851	783,156
Cost of sales	*14*	(312,018)	(325,297)
Gross profit		432,833	457,859
Other gains	*13*	49,261	51,645
Selling and marketing costs	*14*	(211,789)	(218,518)
Administrative expenses	*14*	(83,940)	(96,202)
Operating profit		186,365	194,784
Interest income		12,344	12,747
Interest expense		(712)	–
Profit before income tax		197,997	207,531
Income tax expense	*15*	(34,668)	(36,435)
Profit for the period attributable to owners of the Company		163,329	171,096
Earnings per share		*HK cents*	*HK cents*
– Basic and diluted	*17*	16.63	17.42

The notes on pages 12 to 30 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2019

	Unaudited Six months ended 30th June 2019	30th June 2018
	HK$'000	*HK$'000*
Profit for the period	163,329	171,096
Other comprehensive income		
Items 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	–	2,434
Change in fair value of financial assets at fair value through other comprehensive income	–	1,564
Income tax relating to these items	–	(1,000)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	2,855	232
Other comprehensive income for the period	2,855	3,230
Total comprehensive income for the period attributable to owners of the Company	166,184	174,326

The notes on pages 12 to 30 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2019

	Unaudited			
	Share capital *HK$'000*	**Other reserves** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
Balance at 1st January 2018	1,101,358	313,434	2,532,342	3,947,134
Profit for the period	–	–	171,096	171,096
Other comprehensive income	–	3,230	–	3,230
Total comprehensive income for the period	–	3,230	171,096	174,326
Transactions with owners of the Company				
Dividend relating to 2017	–	–	(122,764)	(122,764)
Total transactions with owners of the Company	–	–	(122,764)	(122,764)
Balance at 30th June 2018	1,101,358	316,664	2,580,674	3,998,696
Balance at 1st January 2019	1,101,358	315,336	2,721,985	4,138,679
Change in accounting policy *(note 3(a))*	–	–	(1,741)	(1,741)
Restated balance at 1st January 2019	1,101,358	315,336	2,720,244	4,136,938
Profit for the period	–	–	163,329	163,329
Other comprehensive income	–	2,855	–	2,855
Total comprehensive income for the period	–	2,855	163,329	166,184
Transactions with owners of the Company				
Dividend relating to 2018	–	–	(127,675)	(127,675)
Total transactions with owners of the Company	–	–	(127,675)	(127,675)
Balance at 30th June 2019	1,101,358	318,191	2,755,898	4,175,447

The notes on pages 12 to 30 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30th June 2019

		Unaudited Six months ended 30th June 2019	30th June 2018
	Note	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Cash generated from operations		142,709	213,048
Income tax paid		(47,862)	(48,898)
Net cash generated from operating activities		94,847	164,150
Cash flows from investing activities			
Additions to investment properties	7	(20,580)	(3,238)
Purchase of property, plant and equipment	7	(2,236)	(19,054)
Proceeds from disposals of property, plant and equipment		–	1,481
Decrease in bank deposits with maturity over 3 months		3,353	104,599
Interest received		14,554	13,469
Net cash (used in)/generated from investing activities		(4,909)	97,257
Cash flows from financing activities			
Principal elements of lease payments		(5,711)	–
Dividends paid to owners of the Company		(127,675)	(122,764)
Net cash used in financing activities		(133,386)	(122,764)
Net (decrease)/increase in cash and cash equivalents		(43,448)	138,643
Cash and cash equivalents at 1st January		423,632	283,292
Effect of foreign exchange rate changes		1,141	274
Cash and cash equivalents at 30th June		381,325	422,209

The notes on pages 12 to 30 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 15th August 2019.

This condensed consolidated interim financial information has not been audited.

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

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

The Company’s auditor has reported on those financial statements. 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 2019 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 2018, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

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

(a) New and amended standards adopted by the Group

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

The impact of the adoption of HKFRS 16 and the new accounting policies are disclosed in note 3 below.

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

3. *Changes in accounting policies*

This note explains the impact of the adoption of HKFRS 16 on the Group's financial information and discloses the new accounting policies that have been applied from 1st January 2019 in note 3(b) below.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

3. *Changes in accounting policies* *(continued)*

(a) Adjustments recognized on adoption of HKFRS 16

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

3. *Changes in accounting policies* *(continued)*

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

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

	As at 30th June 2019	**As at 1st January 2019**
	HK$'000	*HK$'000*
Land use rights in China Mainland	45,754	46,698
Buildings	23,025	25,598
Machinery and equipment	457	323
Furniture and fixtures	212	199
Total right-of-use assets	69,448	72,818

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

Condensed consolidated interim balance sheet (extract)

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

3. Changes in accounting policies *(continued)*

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

(i) Practical expedients applied

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

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

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

(b) The Group’s leasing activities and how these are accounted for

The Group leases various retail spaces and premises, warehouses, offices, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described in note 3(b)(ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

3. *Changes in accounting policies* *(continued)*

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

3. Changes in accounting policies *(continued)*

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

(i) Variable lease payments

Estimation uncertainty arising from variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 percent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

(ii) Extension and termination options

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

4. 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 does 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 2018.

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

5. 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 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

6. Operating segments

	Six months ended 30th June 2019	Six months ended 30th June 2018
	HK$'000	*HK$'000*
Revenue recognized under HKFRS 15		
Sales of goods	611,080	644,152
Building management fees	19,070	18,043
Licensing income	42,063	47,757
	672,213	709,952
Revenue recognized under other accounting standard		
Rental income from investment properties	72,638	73,204
	744,851	783,156
Timing of revenue recognition		
At a point in time	611,080	644,152
Over time	61,133	65,800
	672,213	709,952

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, Hong Kong SAR and Singapore.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

6. *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 2019				
	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	622,099	31,044	91,708	–	744,851
Inter-segment sales	3,022	–	4,463	(7,485)	–
	625,121	31,044	96,171	(7,485)	744,851
Segment results	119,395	(6,766)	109,914		222,543
Unallocated costs					(24,546)
Profit before income tax					197,997
Income tax expense					(34,668)
Profit for the period					163,329

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

6. *Operating segments* (continued)

	Six months ended 30th June 2018				
	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	659,310	32,599	91,247	–	783,156
Inter-segment sales	1,756	–	4,635	(6,391)	–
	661,066	32,599	95,882	(6,391)	783,156
Segment results	130,949	(4,159)	111,400		238,190
Unallocated costs					(30,659)
Profit before income tax					207,531
Income tax expense					(36,435)
Profit for the period					171,096

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)

7. *Capital expenditure*

	Land use rights	Property, plant and equipment	Investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening net book amount as at 1st January 2018	44,607	177,320	2,650,249	2,872,176
Additions	4,704	14,350	3,238	22,292
Disposals	–	(1,389)	–	(1,389)
Transfer	2,150	284	–	2,434
Amortization and depreciation *(note 14)*	(923)	(10,974)	–	(11,897)
Reversal of impairment charges *(note 14)*	–	223	–	223
Fair value gains *(note 13)*	–	–	51,645	51,645
Exchange differences	(68)	221	(142)	11
Closing net book amount as at 30th June 2018	50,470	180,035	2,704,990	2,935,495
Opening net book amount as at 1st January 2019	46,698	160,269	2,847,372	3,054,339
Effect of adoption of HKFRS 16 *(note 3(a))*	(46,698)	(199)	–	(46,897)
Restated opening net book amount as at 1st January 2019	–	160,070	2,847,372	3,007,442
Additions	–	2,236	20,580	22,816
Disposals	–	(3)	–	(3)
Amortization and depreciation *(note 14)*	–	(11,125)	–	(11,125)
Fair value gains *(note 13)*	–	–	49,261	49,261
Exchange differences	–	195	510	705
Closing net book amount as at 30th June 2019	–	151,373	2,917,723	3,069,096

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

8. *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 2019	As at 31st December 2018
	HK$'000	*HK$'000*
Land use rights	112,088	113,026
Development costs	84,620	61,152
	196,708	174,178

The property under development held for sale is located in Meixian Area, China Mainland. Under the said Land Use Rights Grant Contract entered between the Meixian Bureau of Land and the Group on 24th January 2014, the delay in commencing and completion of construction works of the project after 18th June 2014 and 24th January 2017 respectively may be subject to a penalty. After taking into account of an independent legal advice, the Directors are of the view that the imposition of a penalty by the relevant authority is remote.

The amount of property under development held for sale expected to be completed and realized within the Group's normal operating cycle is HK$196,708,000 (31st December 2018: HK$174,178,000).

The Group's capital commitments in respect of property under development held for sale are disclosed in note 18(b) below.

9. *Trade receivables*

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

	As at 30th June 2019	As at 31st December 2018
	HK$'000	*HK$'000*
1–30 days	47,163	100,073
31–90 days	16,409	6,994
Over 90 days	16,233	15,621
	79,805	122,688

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

10. Prepayments, deposits and other receivables

	As at 30th June 2019	**As at 31st December 2018**
	HK$'000	*HK$'000*
Purchase deposits *(note)*	20,886	8,016
Prepayments	16,711	6,438
General deposits	9,322	9,879
Interest receivable	7,438	9,648
VAT recoverable	3,167	1,336
Others	6,365	5,345
Total of prepayments, deposits and other receivables	63,889	40,662

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.

11. Share capital

	2019		**2018**	
	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

12. Trade payables

Trade payables are aged as follows:

	As at 30th June 2019	**As at 31st December 2018**
	HK$'000	*HK$'000*
1–30 days	41,179	37,918
31–90 days	4,735	11,823
Over 90 days	2,310	4,113
	48,224	53,854

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

13. Other gains

	Six months ended 30th June 2019	Six months ended 30th June 2018
	HK$'000	*HK$'000*
Fair value gains on investment properties *(note 7)*	49,261	51,645

14. Expenses by nature

	Six months ended 30th June 2019	Six months ended 30th June 2018
	HK$'000	*HK$'000*
Cost of inventories sold	295,166	299,138
(Reversal of)/provision for impairment of inventories	(1,294)	7,158
Direct operating expenses arising from investment properties that generated rental income	17,852	18,768
Expenses relating to short-term leases and variable lease payments	41,357	46,703
Amortization of land use rights *(note 7)*	–	923
Depreciation of property, plant and equipment *(note 7)*	11,125	10,974
Depreciation of right-of-use assets	7,080	–
Reversal of impairment of property, plant and equipment *(note 7)*	–	(223)
Provision for impairment of trade receivables	896	–
Staff costs including directors' emoluments	122,909	128,621
Advertising and promotion expenses	43,194	54,364
Other expenses	69,462	73,591
	607,747	640,017
Representing:		
Cost of sales	312,018	325,297
Selling and marketing costs	211,789	218,518
Administrative expenses	83,940	96,202
	607,747	640,017

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

15. *Income tax expense*

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

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

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

	Six months ended 30th June 2019	Six months ended 30th June 2018
	HK$'000	*HK$'000*
Current tax		
– Hong Kong	233	239
– PRC enterprise income tax	32,696	35,050
Deferred income tax	1,739	1,146
Total income tax expense	34,668	36,435

16. *Dividend*

	Six months ended 30th June 2019	Six months ended 30th June 2018
	HK$'000	*HK$'000*
Interim dividend of 5.5 HK cents (2018: 6.5 HK cents) per ordinary share	54,016	63,837

The final dividend for the year ended 31st December 2018 of 13.0 HK cents (2017 final: 12.5 HK cents) per ordinary share, totalling HK$127,675,000 was paid in June 2019 (2017 final: HK$122,764,000).

At a meeting held on 15th August 2019, the Directors declared an interim dividend of 5.5 HK cents per share. This interim dividend has not been reflected as a dividend payable in the condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31st December 2019.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

17. Earnings per share

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

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

18. Commitments

(a) Capital commitments

	As at 30th June 2019	As at 31st December 2018
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	279	303
Investment properties		
Contracted but not provided for	8,552	18,142

(b) Commitments for property under development held for sale

	As at 30th June 2019	As at 31st December 2018
	HK$'000	*HK$'000*
Contracted but not provided for	604,289	5,283
Authorized but not contracted for	249,000	870,000
	853,289	875,283

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

18. Commitments *(continued)*

(c) At 30th June 2019, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	As at 30th June 2019	**As at 31st December 2018**
	HK$'000	*HK$'000*
Rental receivables		
– not later than one year	135,372	122,746
– later than one year and not later than five years	161,168	165,221
– later than five years	7,831	6,521
	304,371	294,488
Rental payables		
– not later than one year	9,786	30,926
– later than one year and not later than five years	–	17,167
	9,786	48,093

Rental payables represent short-term leases under HKFRS 16.

19. 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 2019. The remaining 31.83% of the Company's issued shares are widely held.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

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

The following transactions were carried out with related parties:

		Note	Six months ended 30th June 2019 HK$'000	Six months ended 30th June 2018 HK$'000
(a)	Sales of services:			
	Rental received from related companies	(i)	37	600
	Building management fees received from related companies	(ii)	10	314
(b)	Purchase of services:			
	Professional fees paid to a related company	(iii)	160	160

Notes:

(i) Rental was received from China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM") for lease of a unit located at Goldlion Holdings Centre in Hong Kong. For the period ended 30th June 2018, rental was also received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") and Guangdong World Trade Crape Myrtle Culture and Tourism Development Limited ("GWTCM") for leases of business centers and facilities therein located at Goldlion Digital Network Centre in Guangzhou. Rental was charged at rates based on the relevant lease agreements entered. Mr. Tsang Chi Hung has indirect beneficial interest in CHKDAM, GWTCCL and GWTCM as he is a major shareholder of the holding company of CHKDAM, GWTCCL and GWTCM. Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(ii) Building management fees were received under normal commercial terms from CHKDAM for the provision of building management services for a unit located at Goldlion Holdings Centre in Hong Kong. For the period ended 30th June 2018, building management fees were also received under normal commercial terms from GWTCCL and GWTCM for the provision of building management services for business centers at Goldlion Digital Network Centre. Mr. Tsang Chi Hung has indirect beneficial interest in CHKDAM, GWTCCL and GWTCM as he is a major shareholder of the holding company of CHKDAM, GWTCCL and GWTCM. Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Mr. Tsang Chi Hung is a son of Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(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 2018: 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

19. Related party transactions *(continued)*

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

	As at 30th June 2019	As at 30th June 2018
	HK$'000	*HK$'000*
Accruals		
– Equitas Capital Limited	160	160

(d) Key management compensation amounted to HK$21,190,000 for the six months ended 30th June 2019 (six months ended 30th June 2018: HK$24,208,000).

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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 2019, 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 2019, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required maintained by the Company under section 352 of Part XV of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Ordinary shares of the Company at 30th June 2019

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

Note: The shareholdings disclosed by Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan under the heading "Other interests" in the above table refer to the same shares which were held by Hin Chi Family Management Limited (being trustee of the Tsang Hin Chi (2007) Family Settlement) as disclosed in the paragraph headed "Substantial shareholders" below.

Save as disclosed above, as at 30th June 2019, none of the Directors and the Chief Executive of the Company has or is deemed to have any interest or short position in the shares, underlying shares and debentures of the Company, its specified undertakings and its other associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the six months ended 30th June 2019 was the Company, its subsidiaries or its other associated corporations a party to any arrangements to enable the Directors and the Chief Executive of the Company (including their spouses and children under the age of 18) to acquire benefits by means of the acquisition of shares or underlying shares in or debentures of the Company or its specified 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.

SUPPLEMENTARY INFORMATION *(continued)*

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 2019, the Company has been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. 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	62,506,454	6.36%
		Short positions	–	–

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

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 Listing Rules on the Stock Exchange for the six months ended 30th June 2019. In respect of Code Provision A.2.1, the positions of the Chairman of the Board and the Chief Executive Officer are held by the same individual, namely, Mr. Tsang Chi Ming, Ricky. The Board believes that holding the positions of both Chairman and Chief Executive Officer by Mr. Tsang Chi Ming, Ricky provides the Group with more effective planning and execution of long term business strategies and enhances efficiency in decision-making. The Board also believes that an effective corporate governance structure of the Group has been in place to ensure an appropriate monitoring of Management.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. During the six months ended 30th June 2019, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

AUDIT COMMITTEE

The Company has formed an Audit Committee to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this 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 2019. At the request of the Board of Directors, the Company's external auditor, PricewaterhouseCoopers, has carried out a review of this unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

BOARD OF DIRECTORS

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

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