



GOLDLION
HOLDINGS LIMITED
金利來集團有限公司

Stock Code 股份代號：00533

2020
Interim Report
中期報告



CHAIRMAN'S STATEMENT

OPERATING RESULTS

Turnover and gross profit

Since the outbreak of COVID-19 pandemic in early 2020, the apparel retail industry suffered a heavy blow and the Group's business has also been severely affected.

The Group's turnover for the first half of the year was HK\$539,403,000, representing a decrease of approximately 28% from HK\$744,851,000 of the same period last year. Selling amounts from various business operations were all lower than the same period last year. Among them, income from the apparel and licensing businesses dropped significantly, while the overall income from property investment recorded a single-digit decrease.

Gross profit for the period was HK\$290,648,000, representing a decrease of approximately 33%, from HK\$432,833,000 of the same period last year. In view of the uncertain selling environment after the outbreak of pandemic, the impairment provision for inventories as included in the cost of sales for the period increased remarkably to HK\$45,920,000 (reversal of the provision for impairment of HK\$1,294,000 of the same period last year). Excluding the impact of the impairment provision for inventories, gross profit margin of the apparel business was approximately 55.8%, an increase of approximately 4.2 percentage points from 51.6% of the same period last year, which was mainly due to less discounted sales during the period.

Operating expenses and operating profit

Selling and marketing costs for the period were HK\$145,861,000, decreased by approximately 31% from the same period last year. In addition to the decrease in sales-related expenses due to the decline in sales, the pandemic has forced the cancellation or delay of many commercial activities. The Group's administrative expenses for the period were HK\$68,941,000, which dropped by 18% from HK\$83,940,000 of the same period last year. The decrease in expenses was mainly attributable to the Group's efforts to reduce expenditures under the pandemic, and the fee remissions from government authorities during the period.

During the period, the Group recorded fair value losses on investment properties of HK\$18,520,000, compared with fair value gains of HK\$49,261,000 of the same period last year.

Operating profit for the period amounted to HK\$57,326,000, a significant decrease of approximately 69% from HK\$186,365,000 of the same period last year. The operating profit margin was about 11%, which was significantly lower than the 25% of the same period last year.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company for the period was HK\$55,792,000, decreased by 66% from HK\$163,329,000 of the same period last year. Profit for the period would be HK\$70,111,000 if the net fair value losses after tax on investment properties of HK\$14,319,000 were excluded. Such profit marked a decrease of 40% from HK\$117,018,000 of the same period last year if the net fair value gains after tax on investment properties of HK\$46,311,000 were excluded.

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

Owing to the outbreak of COVID-19 pandemic, economic activities in China Mainland ground to a halt before the Chinese New Year in late January. To observe the Central Government's various anti-pandemic measures and to safeguard the safety and health of our staff and customers, many outlets operated by the Group or our distributors had to either suspend business or shorten their business hours. Economic activities were started to resume not until the second quarter of the year when the pandemic showed signs of coming under control and lockdown restrictions were gradually lifted.

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\$411,499,000, representing a year-on-year decrease of approximately 29%. In terms of RMB, the decrease was about 26%.

Regarding our wholesaling operation, the Group's distributors were facing extremely hostile market conditions because of the epidemic. With sales and business disrupted, support from the Group was urgently needed. To tide our distributors over, the Group agreed to cancel some of their orders for 2020 spring and summer products and to grant additional sales return allowances to them. Further, the pre-order amount for our 2020 spring and summer collections made in the sales fair last August was lower than the relevant collections last year. As a result, sales to distributors registered a year-on-year decrease of about 27% in RMB.

The Group followed measures in reducing human interaction in our self-operated retailing operation. Many of our retail shops have shortened their business hours or even closed temporarily since the end of January. Even when business could reopen in the second quarter following the slowdown of the spread of the virus, general apparel retail market environment was still well behind the pre-pandemic level and performance still had room for improvement. As a result, sales of self-operated retail shops (excluding factory outlets) in RMB dropped by approximately 37% when compared with the corresponding period last year.

The pandemic also affected the sales of our factory outlets seriously. Sales in RMB decreased year-on-year by approximately 25%. There was an increase in gross profit margin for the period following a lower sale proportion of off-season stocks that carried higher discounts.

At the end of the period, the Group's apparel products were sold through approximately 880 retail outlets in China Mainland, among which around 100 were self-operated (including 35 factory outlets). Impacted by the pandemic, about 40 retail outlets mainly operated by our distributors had to be closed for operational reasons.

CHAIRMAN'S STATEMENT (continued)**BUSINESS REVIEW** (continued)**Apparel Business** (continued)

China Mainland and Hong Kong SAR Markets (continued)

During the review period, the Group's e-commerce was also adversely affected especially in the early days of the pandemic. Demand for apparel lagged far behind necessity goods and deliveries were obstructed by various lockdown measures. As a result, online sales for the first quarter fell and did not improve until the second quarter. Sales in RMB for the period declined by approximately 22%. The focus remained to be the sale of special selected items, which continued to account for approximately 90% of the Group's total e-commerce sales. During the review period, e-commerce made up about 35% of the Group's China Mainland apparel sales.

Our operation in custom-made corporate uniforms was also badly hit. A year-on-year decrease of approximately 33% in RMB was recorded. Business gradually stabilized in the second quarter.

Inventories on hand posed a higher risk in view of the slow clearance of off-season stocks and the grim market outlook. The Group therefore increased the provision for impairment of relevant inventories. The provision in China Mainland amounted to approximately HK\$42,768,000 for the period as against a reversal of provision by approximately HK\$2,694,000 for same period last year. At the end of the period, net inventory balance after impairment provision in China Mainland stood at approximately HK\$141,681,000, or about 36% lower than that at the end of last year.

The review period saw the Group continuing to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. In light of the heavy blow dealt by the pandemic, special fee reductions were granted to the licensees. As a result, licensing income for the period decreased year-on-year by approximately 37% to stand at HK\$26,337,000.

Singapore and Malaysia Markets

As soon as the peak season before Chinese New Year came to an end in late January, the Singapore and Malaysia markets were impacted by the outbreak of COVID-19 and suffered a sharp decline in sales. As the pandemic spread further, Singapore imposed a lockdown in early April and the related measures were gradually lifted not until mid-June. The Group's local retail business was therefore completely shut down for over two months. As a result, apparel sales amounted to only HK\$15,864,000 for the period, representing a year-on-year decrease of approximately 49%.

At the end of the review period, there were a total of 5 Goldlion shops and 17 counters in Singapore, or down by 1 in number when compared with the end of last year. Over in Malaysia, there were a total of 7 counters, or down by 4 when compared with the end of last year.

Excluding the effects of provision for impairment of inventories, overall profit margin for the period stood at about 44.9%, which was slightly lower than the 46.7% for the corresponding period last year. With stocks clearance slackened by business disruption and the market unlikely to improve in the short term, provision for impairment of inventories amounted to approximately HK\$3,152,000 for the review period, which was higher than the HK\$1,399,000 for the same period last year.

Including net rental income from investment properties of HK\$241,000 (HK\$250,000 for the same period last year), operating loss of the Group's Singapore and Malaysia apparel operation for the period stood at HK\$8,840,000, falling further from last year's HK\$6,516,000.

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW *(continued)*

Property Investment and Development

The Group's investment property portfolio had no significant changes since the end of last year. With the pandemic dampening both the Hong Kong and the China Mainland property markets, fair value losses on investment properties recognized by the Group after independent professional valuations amounted to HK\$18,520,000. The losses were mainly coming from the Group's property holding of Goldlion Digital Network Centre in Guangzhou. Fair value gains of the same period last year stood at HK\$49,261,000.

Rental income and building management fees for the period amounted to HK\$67,579,000 and HK\$18,124,000 respectively, the total of which decreased by about 7% when compared with the corresponding period last year.

Regarding the Group's Goldlion Digital Network Centre in Guangzhou, rental income and building management fees fell by approximately 15% in RMB. This was attributable to shrinking demand under the pandemic. The slowdown in leasing activities resulted in a gap between leases for some of the premises. A further factor was the need to grant rental concessions to some struggling tenants. Overall occupancy rate for the period was maintained at about 83%, which was also lower than last year's 90%.

Also in Guangzhou, the properties in Yuan Village generated rental income and building management fees amounting to approximately HK\$4,510,000 for the period. At present, about 60% of the floor area has already been leased out.

In Shenyang, leasing of Goldlion Commercial Building inevitably bore the brunt of COVID-19. Turnover rental slumped since some tenants could not open for business. This was aggravated by the need to offer rental concessions to individual tenant. As a result, rental income and building management fees decreased by approximately 8% in RMB.

In Hong Kong, following incessant social events in the latter half of last year, the pandemic dealt a further blow to the leasing of the Group's local properties. Overall rental income and building management fees generated from Goldlion Holdings Centre in Shatin fell by about 6%. There was not only a gap between leases for certain premises but also a need to offer rental concessions to individual tenant. Occupancy rate stood at about 90% for the period.

Also, the property at No. 3 Yuk Yat Street, To Kwa Wan, generated income in the amount of HK\$4,973,000 compared with HK\$116,000 for the corresponding period last year when leasing had just begun. At present, approximately 85% of the floor area has been leased out.

Regarding the development project "Goldlion Garden" in Meixian, construction works commenced in March last year. To be carried out in two phases, this primarily residential development comprises 11 high-rise buildings and 26 low-rise ones, as well as ancillary facilities. There has been minor construction delay since some of the workers could not return to work under the pandemic situation. During the period, construction expenditure increased by about HK\$51,136,000.

CHAIRMAN'S STATEMENT *(continued)***PROSPECTS**

Since its outbreak early this year, COVID-19 has quickly spread globally to become a pandemic. The quarantine and social distancing measures taken by governments around the world have brought economic activities to a standstill. With economic recession reaching record-high levels in many countries, the negative impact of the pandemic on global economy is simply unimaginable. For a market that is already battered by deteriorating China-US relations, the road to full recovery is likely to be long and winding. Faced with all these uncertainties, the Group will remain calm and concentrate on what we can do within our power.

Following stringent preventive measures taken by the Central Government, the pandemic has shown signs of slowing down in China Mainland. However, precautionary measures are still in place for fear of a possible outbreak of a new wave of pandemic. As such, it will be some time before market conditions for apparel retail can pick up. To ensure excessive stocks tie up in our distribution channel can be realized effectively, the Group will adjust the supplies to our distributors depending on circumstances. A continuing decrease in wholesale amount in the second half of the year is therefore expected. At the same time, the Group will continue to provide appropriate support to our distributors so that we can weather the storm in close partnership. The Group may also temporarily receive selling operations of certain distributors that have difficulties in continuing their businesses. It is expected that the pre-order amount for the 2021 spring and summer collections will not be satisfactory.

To boost sales, the Group will maximize the role played by e-commerce and factory outlets to clear stocks on hand.

In Singapore, the Group will speed up clearance of stocks that have been built up because of the local lockdown. In addition, efforts will be made to reduce operating costs and to adjust the number of outlets in the hope of minimizing losses.

As for the latter half of the year, prospects for our investment properties are not going to be optimistic. Leasing is expected to be sluggish while downward pressure on rentals is likely to remain. The Group will adjust its operating strategies as appropriate to minimize the impact. Regarding the development project "Goldlion Garden" in Meixian, presale may have to be postponed until early next year to avert any negative effects associated with the pandemic.

For the time being, the worst is not yet behind us. There will be all sorts of challenges arising from the uncertainties and sudden changes in the market. Despite this mounting pressure on our business, the Group is confident that our strong foundation and stable operating strategies, coupled with the hard work of our staff, will help us overcome the adversity.

CHAIRMAN'S STATEMENT *(continued)*

FINANCIAL POSITION

As at 30th June 2020, the Group had cash and bank balances of approximately HK\$1,156,316,000, which was HK\$51,685,000 lower than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK\$66,112,000 and received interest income of HK\$16,328,000. However, the Group also paid dividends of HK\$93,301,000, increased fixed assets of HK\$9,922,000 and paid principal elements of lease payments of HK\$8,268,000. Besides, changes in foreign exchange rate during the period resulted in a decrease in cash and bank balances of HK\$22,720,000. As at 30th June 2020, the Group did not have any bank loans or overdrafts.

As at 30th June 2020, the Group's current assets and liabilities were HK\$1,821,707,000 and HK\$354,042,000 respectively, with current ratio at 5.1. Total current liabilities were 8.5% of the average capital and reserves attributable to owners of the Company of HK\$4,179,448,000.

As at 30th June 2020, the Group did not have any material contingent liabilities and had not charged any of the Group's assets. For the "Goldlion Garden" project in Meixian, the total property development expenditure authorized but not contracted for and contracted but not provided for were HK\$169,000,000 and HK\$465,387,000 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, 14th August 2020

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 8 to 28 which comprises the condensed consolidated interim balance sheet of Goldlion Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2020 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, 14th August 2020

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th June 2020 and 31st December 2019

		Unaudited 30th June 2020	Audited 31st December 2019
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	143,552	148,136
Right-of-use assets		57,246	69,121
Investment properties	6	2,851,587	2,900,247
Financial assets at fair value through other comprehensive income		6,098	6,209
Deferred income tax assets		57,998	54,876
		<u>3,116,481</u>	<u>3,178,589</u>
Current assets			
Property under development held for sale	7	309,218	258,082
Inventories		154,815	243,095
Trade receivables	8	46,538	109,704
Prepayments, deposits and other receivables	9	108,568	98,760
Contract assets		46,134	84,662
Tax recoverable		118	215
Bank deposits		493,142	822,169
Cash and cash equivalents		663,174	385,832
		<u>1,821,707</u>	<u>2,002,519</u>
Total assets		<u><u>4,938,188</u></u>	<u><u>5,181,108</u></u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	10	1,101,358	1,101,358
Reserves		3,034,163	3,122,016
Total equity		<u>4,135,521</u>	<u>4,223,374</u>
LIABILITIES			
Non-current liabilities			
Other payables and accruals		29,570	20,739
Lease liabilities		4,303	9,900
Deferred income tax liabilities		414,752	424,219
		<u>448,625</u>	<u>454,858</u>
Current liabilities			
Trade payables	11	4,483	49,806
Other payables and accruals		112,045	160,375
Contract liabilities		213,957	264,340
Lease liabilities		12,459	16,530
Current income tax liabilities		11,098	11,825
		<u>354,042</u>	<u>502,876</u>
Total liabilities		<u>802,667</u>	<u>957,734</u>
Total equity and liabilities		<u><u>4,938,188</u></u>	<u><u>5,181,108</u></u>

The notes on pages 13 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT*For the six months ended 30th June 2020*

		Unaudited	
		Six months ended	
		30th June	30th June
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	5	539,403	744,851
Cost of sales	13	(248,755)	(312,018)
Gross profit		290,648	432,833
Other (losses)/gains	12	(18,520)	49,261
Selling and marketing costs	13	(145,861)	(211,789)
Administrative expenses	13	(68,941)	(83,940)
Operating profit		57,326	186,365
Interest income		10,936	12,344
Interest expense		(690)	(712)
Profit before income tax		67,572	197,997
Income tax expense	14	(11,780)	(34,668)
Profit for the period attributable to owners of the Company		<u>55,792</u>	<u>163,329</u>
Earnings per share		<i>HK cents</i>	<i>HK cents</i>
– Basic and diluted	16	<u>5.68</u>	<u>16.63</u>

The notes on pages 13 to 28 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 2020*

	Unaudited	
	Six months ended	
	30th June 2020	30th June 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	55,792	163,329
Other comprehensive (loss)/income		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(50,344)	2,855
Total comprehensive income for the period attributable to owners of the Company	5,448	166,184

The notes on pages 13 to 28 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 2020*

	Unaudited			Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	
Balance at 1st January 2019	1,101,358	315,336	2,721,985	4,138,679
Change in accounting policy	–	–	(1,741)	(1,741)
Restated balance at 1st January 2019	<u>1,101,358</u>	<u>315,336</u>	<u>2,720,244</u>	<u>4,136,938</u>
Profit for the period	–	–	163,329	163,329
Other comprehensive income	–	2,855	–	2,855
Total comprehensive income for the period	<u>–</u>	<u>2,855</u>	<u>163,329</u>	<u>166,184</u>
Transactions with owners of the Company				
Dividend relating to 2018	–	–	(127,675)	(127,675)
Total transactions with owners of the Company	<u>–</u>	<u>–</u>	<u>(127,675)</u>	<u>(127,675)</u>
Balance at 30th June 2019	<u>1,101,358</u>	<u>318,191</u>	<u>2,755,898</u>	<u>4,175,447</u>
Balance at 1st January 2020	<u>1,101,358</u>	<u>277,435</u>	<u>2,844,581</u>	<u>4,223,374</u>
Profit for the period	–	–	55,792	55,792
Other comprehensive loss	–	(50,344)	–	(50,344)
Total comprehensive (loss)/income for the period	<u>–</u>	<u>(50,344)</u>	<u>55,792</u>	<u>5,448</u>
Transactions with owners of the Company				
Dividend relating to 2019	–	–	(93,301)	(93,301)
Total transactions with owners of the Company	<u>–</u>	<u>–</u>	<u>(93,301)</u>	<u>(93,301)</u>
Balance at 30th June 2020	<u>1,101,358</u>	<u>227,091</u>	<u>2,807,072</u>	<u>4,135,521</u>

The notes on pages 13 to 28 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT*For the six months ended 30th June 2020*

		Unaudited	
		Six months ended	
		30th June	30th June
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Cash generated from operations		84,435	142,709
Income tax paid		(18,323)	(47,862)
		<hr/>	<hr/>
Net cash generated from operating activities		66,112	94,847
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from investing activities			
Additions to investment properties	6	(2,031)	(20,580)
Purchase of property, plant and equipment	6	(7,891)	(2,236)
Proceeds from disposals of property, plant and equipment		86	–
Decrease in bank deposits with maturity over 3 months		318,723	3,353
Interest received		16,328	14,554
		<hr/>	<hr/>
Net cash generated from/(used in) investing activities		325,215	(4,909)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from financing activities			
Principal elements of lease payments		(8,268)	(5,711)
Dividends paid to owners of the Company		(93,301)	(127,675)
		<hr/>	<hr/>
Net cash used in financing activities		(101,569)	(133,386)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net increase/(decrease) in cash and cash equivalents		289,758	(43,448)
Cash and cash equivalents at 1st January		385,832	423,632
Effect of foreign exchange rate changes		(12,416)	1,141
		<hr/>	<hr/>
Cash and cash equivalents at 30th June		<u>663,174</u>	<u>381,325</u>

The notes on pages 13 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, New Territories, 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 14th August 2020.

This condensed consolidated interim financial information has not been audited.

The financial information relating to the year ended 31st December 2019 that is included in the condensed consolidated interim financial information for the six months ended 30th June 2020 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 2019 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).

2. *Basis of preparation and accounting policies*

This condensed consolidated interim financial information for the six months ended 30th June 2020 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 2019, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

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

The accounting policies applied by the Group are consistent with those of the annual financial statements for the year ended 31st December 2019, except for the adoption of amended standard 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) Amended standard adopted by the Group

The Group has early adopted HKFRS 16 (Amendment) “COVID-19-related rent concessions” (effective for annual periods beginning on or after 1st June 2020) which allows lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30th June 2021; and
- There is no substantive change to other terms and conditions of the lease.

All of the COVID-19 related rent concessions amounted to HK\$729,000 have been credited to the condensed consolidated interim income statement within “selling and marketing costs”.

(b) Amendments to standards effective in 2020 but not relevant to the Group

HKAS 1 and HKAS 8 (Amendments)	Definition of material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest rate benchmark reform
HKFRS 3 (Amendment)	Definition of a business
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

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

- (c) The following new and amended standards have been issued but are not effective for the financial year beginning on 1st January 2020 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Classification of liabilities as current or non-current	1st January 2023
HKAS 16 (Amendment)	Property, plant and equipment: Proceeds before intended use	1st January 2022
HKAS 37 (Amendment)	Onerous contracts – Cost of fulfilling a contract	1st January 2022
HKFRS 3 (Amendment)	Reference to the conceptual framework	1st January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established
HKFRS 17	Insurance contracts	1st January 2023
HKFRSs (Amendments)	Annual improvements 2018-2020 cycle	1st January 2022

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 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 2019.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION*(continued)***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 2019.

5. Operating segments

	Six months ended	
	30th June 2020	30th June 2019
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Revenue recognized under HKFRS 15		
Sales of goods	427,363	611,080
Building management fees	18,124	19,070
Licensing income	26,337	42,063
	<hr/>	<hr/>
	471,824	672,213
Revenue recognized under other accounting standard		
Rental income from investment properties	67,579	72,638
	<hr/>	<hr/>
	539,403	744,851
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
At a point in time	427,363	611,080
Over time	44,461	61,133
	<hr/>	<hr/>
	471,824	672,213
	<hr/> <hr/>	<hr/> <hr/>

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION*(continued)***5. Operating segments (continued)**

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.

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 2020				
	Apparel in China Mainland and Hong Kong SAR	Apparel in Singapore and Malaysia	Property investment and development	Eliminations	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	437,836	15,864	85,703	–	539,403
Inter-segment sales	–	–	4,481	(4,481)	–
	437,836	15,864	90,184	(4,481)	539,403
Segment results	59,330	(9,081)	38,856		89,105
Unallocated costs					(21,533)
Profit before income tax					67,572
Income tax expense					(11,780)
Profit for the period					<u>55,792</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

5. Operating segments (continued)

	Six months ended 30th June 2019				
	Apparel in China Mainland and Hong Kong SAR HK\$'000	Apparel in Singapore and Malaysia HK\$'000	Property investment and development HK\$'000	Eliminations HK\$'000	Group 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					<u>163,329</u>

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 2019	46,698	160,269	2,847,372	3,054,339
Effect of adoption of HKFRS 16	(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 13)	–	(11,125)	–	(11,125)
Fair value gains (note 12)	–	–	49,261	49,261
Exchange differences	–	195	510	705
Closing net book amount as at 30th June 2019	<u>–</u>	<u>151,373</u>	<u>2,917,723</u>	<u>3,069,096</u>
Opening net book amount as at 1st January 2020	–	148,136	2,900,247	3,048,383
Additions	–	7,891	2,031	9,922
Disposals	–	(41)	–	(41)
Amortization and depreciation (note 13)	–	(10,787)	–	(10,787)
Impairment charges (note 13)	–	(421)	–	(421)
Fair value losses (note 12)	–	–	(18,520)	(18,520)
Exchange differences	–	(1,226)	(32,171)	(33,397)
Closing net book amount as at 30th June 2020	<u>–</u>	<u>143,552</u>	<u>2,851,587</u>	<u>2,995,139</u>

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 2020	As at 31st December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land use rights	106,345	109,200
Development costs	202,873	148,882
	<u>309,218</u>	<u>258,082</u>

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\$309,218,000 (31st December 2019: HK\$258,082,000).

The Group's capital commitments in respect of property under development held for sale are disclosed in note 17(b) below.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION*(continued)***8. Trade receivables**

The Group's sales are on cash on delivery or credit terms ranging from 30 days to 180 days after delivery. At 30th June 2020, an ageing analysis of the trade receivables based on invoice date was as follows:

	As at 30th June 2020	As at 31st December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
1–30 days	35,068	99,093
31–90 days	4,590	7,594
Over 90 days	8,422	4,619
Trade receivables	48,080	111,306
Less: provision for impairment of trade receivables	(1,542)	(1,602)
Trade receivables – net	<u>46,538</u>	<u>109,704</u>

9. Prepayments, deposits and other receivables

	As at 30th June 2020	As at 31st December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase deposits (<i>note</i>)	4,230	4,689
Prepayments	74,971	59,494
General deposits	9,875	12,632
Interest receivable	3,688	9,081
VAT recoverable	11,294	8,787
Others	4,510	4,077
Total of prepayments, deposits and other receivables	<u>108,568</u>	<u>98,760</u>

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

10. Share capital

	2020		2019	
	Number of shares (thousands)	Share capital HK\$'000	Number of shares (thousands)	Share capital HK\$'000
Ordinary shares, issued and fully paid: At 1st January and 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 2020 HK\$'000	As at 31st December 2019 HK\$'000
1–30 days	2,633	46,516
31–90 days	520	2,627
Over 90 days	1,330	663
	<u>4,483</u>	<u>49,806</u>

12. Other (losses)/gains

	Six months ended 30th June 2020 HK\$'000	30th June 2019 HK\$'000
Fair value (losses)/gains on investment properties (note 6)	<u>(18,520)</u>	<u>49,261</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

13. Expenses by nature

	Six months ended	
	30th June 2020	30th June 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	188,559	295,166
Provision for/(reversal of) impairment of inventories	45,920	(1,294)
Direct operating expenses arising from investment properties that generated rental income	14,001	17,852
Expenses relating to short-term leases and variable lease payments (<i>note</i>)	26,390	41,357
Depreciation of property, plant and equipment (<i>note 6</i>)	10,787	11,125
Depreciation of right-of-use assets	9,040	7,080
Impairment of property, plant and equipment (<i>note 6</i>)	421	–
Impairment of right-of-use assets	1,441	–
(Reversal of)/provision for impairment of trade receivables	(45)	896
Staff costs including directors' emoluments	91,623	122,909
Advertising and promotion expenses	23,956	43,194
Other expenses	51,464	69,462
	<u>463,557</u>	<u>607,747</u>
Representing:		
Cost of sales	248,755	312,018
Selling and marketing costs	145,861	211,789
Administrative expenses	68,941	83,940
	<u>463,557</u>	<u>607,747</u>

Note:

Rent concessions related to COVID-19 pandemic of HK\$729,000 have been credited in profit or loss and included in selling and marketing costs for the period.

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% (2019: 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% (2019: 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 2020	30th June 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong	172	233
– PRC enterprise income tax	17,520	32,696
Deferred income tax	(5,912)	1,739
	<hr/>	<hr/>
Total income tax expense	<u>11,780</u>	<u>34,668</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION*(continued)***15. Dividend**

	Six months ended	
	30th June 2020	30th June 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of 3.0 HK cents (2019: 5.5 HK cents) per ordinary share	<u>29,463</u>	<u>54,016</u>

The final dividend for the year ended 31st December 2019 of 9.5 HK cents (2018 final: 13.0 HK cents) per ordinary share, totalling HK\$93,301,000 was paid in June 2020 (2018 final: HK\$127,675,000).

At a meeting held on 14th August 2020, the Directors declared an interim dividend of 3.0 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 2020.

16. Earnings per share

The calculation of earnings per share is based on profit attributable to owners of the Company of HK\$55,792,000 (six months ended 30th June 2019: HK\$163,329,000) and the number of ordinary shares in issue of 982,114,035 (six months ended 30th June 2019: 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 2020 and 2019.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

17. Commitments

(a) Capital commitments

	As at 30th June 2020	As at 31st December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment Contracted but not provided for	4,246	297
Investment properties Contracted but not provided for	189	622

(b) Commitments for property development expenditure

	As at 30th June 2020	As at 31st December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	465,387	542,057
Authorized but not contracted for	169,000	183,000
	634,387	725,057

(c) At 30th June 2020, the Group had future aggregate minimum lease payments receivable under non-cancellable leases as follows:

	As at 30th June 2020	As at 31st December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental receivables		
– not later than one year	124,201	123,960
– later than one year and not later than five years	214,006	183,264
– later than five years	30,572	26,088
	368,779	333,312

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

18. Related party transactions

The Company is controlled by the Tsang Family (comprising Madam Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and the other direct descendants of the late Dr. Tsang Hin Chi) 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 2020. 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 2020	30th June 2019
	Note	HK\$'000	HK\$'000
(a) Sales of services:			
Rental and building management fees received from a related company	(i)	–	47
(b) Purchases of services:			
Professional fees paid to a related company	(ii)	160	160

Notes:

- (i) For the period ended 30th June 2019, rental and management fees were received from China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM") for lease of a unit located at Goldlion Holdings Centre in Hong Kong. Rental and management fees were charged at rate based on the relevant lease agreements entered into. Mr. Tsang Chi Hung has an indirect beneficial interest in CHKDAM as he is a major shareholder of the holding company of CHKDAM. 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.
- (ii) Equitas Capital Limited acted as financial advisor to the Group for which professional fees of HK\$160,000 (six months ended 30th June 2019: HK\$160,000) was paid by the Company during the period. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and the principal shareholder of Equitas Capital Limited.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

18. Related party transactions (continued)

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

	As at 30th June 2020	As at 30th June 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals		
– Equitas Capital Limited	<u>160</u>	<u>160</u>

(d) Key management compensation amounted to HK\$17,440,000 for the six months ended 30th June 2020 (six months ended 30th June 2019: HK\$21,190,000).

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Directors have recommended the payment of an interim dividend of 3.0 HK cents per share (2019: 5.5 HK cents per share) for the year ending 31st December 2020, totalling HK\$29,463,000 (2019: HK\$54,016,000), which is expected to be payable on or about 15th September 2020 to shareholders whose names appear on the Register of Members as at 4th September 2020.

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 3rd September 2020 and 4th September 2020 (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, 2nd September 2020 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the 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 2020, 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 2020, 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 2020

Directors		Number of shares held			Percentage to total issued share capital
		Personal interests	Other interests (note)	Total	
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.

Other than those interests and short positions disclosed above, (a) 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; (b) 500,000 non-voting deferred shares of Goldlion (Far East) Limited (which ordinary shares are wholly owned by the Group) were held as to 49,999 shares by Madam Wong Lei Kuan and as to 450,001 shares by Mr. Tsang Chi Ming, Ricky, including his deemed interest as executor of the estate of Dr. Tsang Hin Chi in 450,000 shares comprised in the estate of late Dr. Tsang.

Note: Non-voting deferred shares of Goldlion (Far East) Limited do not entitle the holders to receive notice of or to attend vote at its general meeting, and to participate in the distribution of its profit.

Save as disclosed above, as at 30th June 2020, 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 2020 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.

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 2020, 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	62,511,250	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 2020. 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.

Following the pass away of Mr. Nguyen, Van Tu Peter, an independent non-executive Director of the Company on 16th June 2020, as (i) the Company only has two independent non-executive Directors; (ii) Remuneration Committee and Nomination Committee do not comprise a majority of independent non-executive Directors; and (iii) the Remuneration Committee is no longer chaired by an independent non-executive Director, the Company does not meet the requirements under Rules 3.10(1) and 3.25 of the Listing Rules and Code Provision A.5.1. The Company will endeavour to identify suitable candidate to fill the vacancy as soon as practicable, with the relevant appointment(s) to be made within three months from the date of pass away of Mr. Nguyen as required under Rules 3.11 and 3.27 of the Listing Rules.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. During the six months ended 30th June 2020, 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 three members comprising Mr. Li Ka Fai, David (Chairman) and Dr. Lau Yue Sun, both 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 2020. 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 and Mr. Li Ka Fai, David as independent non-executive Directors.



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