GOLDLION HOLDINGS LIMITED
金利來集團有限公司

Stock Code 股份代號：00533

2020 ANNUAL REPORT 年報

Goldlion®

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Chairman and Chief Executive Officer:

Mr. Tsang Chi Ming, Ricky J.P.

Executive Director:

Madam Wong Lei Kuan

Non-executive Director:

Mr. Ng Ming Wah, Charles

Independent Non-executive Directors:

Dr. Lau Yue Sun B.B.S.
Mr. Li Ka Fai, David
Mr. Ngan On Tak

COMPANY SECRETARY

Mr. Kam Yiu Kwok

AUDIT COMMITTEE

Mr. Li Ka Fai, David (Chairman)
Dr. Lau Yue Sun B.B.S.
Mr. Ngan On Tak
Mr. Ng Ming Wah, Charles

REMUNERATION COMMITTEE

Mr. Ngan On Tak (Chairman)
Dr. Lau Yue Sun B.B.S.
Mr. Li Ka Fai, David
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky J.P.

NOMINATION COMMITTEE

Dr. Lau Yue Sun B.B.S. (Chairman)
Mr. Li Ka Fai, David
Mr. Ngan On Tak
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky J.P.

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTRARS

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
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Wan Chai
Hong Kong

REGISTERED OFFICE

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FINANCIAL HIGHLIGHTS

(HK$'000)	2020	2019	Changes
Key Financial Indicators			
Turnover	1,239,276	1,591,930	–22.2%
Gross profit	726,500	913,353	–20.5%
Operating profit	165,408	350,267	–52.8%
Profit for the year	148,286	306,028	–51.5%
Earnings per share – basic and diluted (HK cents)	15.10	31.16	–51.5%
Interim dividend per share (HK cents)	3.0	5.5	–45.5%
Final dividend per share (HK cents)	6.5	9.5	–31.6%
Total dividend per share (HK cents)	9.5	15.0	–36.7%
Gross profit margin	58.6%	57.4%	+1.2% points
Operating margin	13.3%	22.0%	–8.7% points
Net profit margin	12.0%	19.2%	–7.2% points
Cash generated from operations	118,185	181,944	–35.0%
Cash and bank balances	1,237,817	1,208,001	+2.5%
Bank loans and overdrafts	Nil	Nil	–
Net current assets	1,701,115	1,499,643	+13.4%
Total assets	5,290,467	5,181,108	+2.1%
Total liabilities	870,229	957,734	–9.1%
Total equity	4,420,238	4,223,374	+4.7%
Return on total assets (note 1)	2.8%	5.9%	–3.1% points
Return on equity (note 2)	3.4%	7.2%	–3.8% points
Current ratio	5.4	4.0	+1.4
Average inventory turnover days (note 3)	152	132	+20
Average trade receivables turnover days (note 4)	31	27	+4
Average trade payables turnover days (note 5)	28	29	–1
Interest coverage ratio (note 6)	–	–	–
Gearing ratio (note 7)	–	–	–

Notes:

1. Profit for the year ÷ Total assets

2. Profit for the year ÷ Total equity

3. (Opening inventory + Closing inventory) ÷ 2 ÷ Cost of sales (excluding direct operating expenses arising from investment properties) × Number of days in the year

4. (Opening trade receivables + Closing trade receivables) ÷ 2 ÷ Turnover × Number of days in the year

5. (Opening trade payables for apparel business + Closing trade payables for apparel business) ÷ 2 ÷ Cost of sales (excluding direct operating expenses arising from investment properties) × Number of days in the year

6. Profit before interest and tax ÷ Interest expenses on bank loans

7. (Total lease liabilities – Cash and cash equivalents) ÷ Total equity

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

As at 31st December 2020, the Group had cash and bank balances of approximately HK$1,237,817,000, which was HK$29,816,000 higher than that at the end of last year. During the year, the Group recorded a net cash inflow from operating activities of HK$82,127,000 and received interest income of HK$22,270,000. However, the Group also paid dividends of HK$122,764,000, increased fixed assets of HK$17,575,000 and paid principal elements of lease payments of HK$17,170,000. Besides, changes in foreign exchange rate during the year resulted in an increase in cash and bank balances of HK$82,534,000.

As at 31st December 2020, the Group did not have any bank loans or overdrafts. The gearing ratio, defined as the ratio of total lease liabilities less cash and cash equivalents divided by total equity, was zero.

As at 31st December 2020, the Group's current assets and current liabilities were HK$2,089,945,000 and HK$388,830,000 respectively, with a current ratio at 5.4. Total current liabilities were 9% of the average capital and reserves attributable to owners of the Company of HK$4,321,806,000.

As at 31st December 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$132,000,000 and HK$460,006,000 respectively.

The Group conducted the business mainly in the China Mainland market through its PRC subsidiaries. Most of the relevant transactions were denominated in RMB and transactions involving foreign currencies were minimal. Foreign currency exposure did not pose a significant risk for the Group, but we will remain vigilant and closely monitor our exposure to movements in relevant currencies.

DISTRIBUTION NETWORK IN CHINA MAINLAND

NUMBER OF GOLDLION SALES OUTLET

1-10 11-20 21-30 31-40 41-50 51-60 61-70 over 70

CHAIRMAN'S STATEMENT

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

GROUP RESULTS

Turnover

During the year under review, the Group's business suffered a heavy blow from the COVID-19 pandemic. Total turnover was HK$1,239,276,000, representing a drop of approximately 22% from HK$1,591,930,000 of last year. Among them, the apparel business was mostly affected with a decrease in sales income of 25%. Licensing income also dropped by 15% while the overall income from property investment recorded a single-digit decrease.

Cost of sales and gross profit

Cost of sales for the year was HK$512,776,000, dropped by 24%. This amount included the direct operating expenses from investment properties of HK$32,137,000, representing a decrease by approximately 15% from HK$37,712,000 of last year. The decrease in direct operating expenses from investment properties was mainly a result of tighter spending control and decrease in expenses that were relevant to income.

Due to the decrease in sales, cost of inventories sold was HK$455,415,000 for the year, representing a decrease by 27% from HK$623,757,000 of last year. A provision for impairment of inventories of HK$24,704,000 was recorded for the year, higher than the provision of HK$16,373,000 for last year.

Overall gross profit was HK$726,500,000, or approximately 20% decrease from the amount of HK$913,353,000 for last year. Overall gross profit margin slightly increased for approximately 1.2 percentage points from 57.4% of last year to 58.6% for the year. Our apparel sales recorded a gross profit margin of 50.2% for the year, same as the margin of last year.

Other losses/gains

During the year, the Group recorded fair value losses on investment properties of HK$60,255,000, compared with fair value gains of HK$51,518,000 of last year.

CHAIRMAN'S STATEMENT

Operating expenses

Selling and marketing costs mainly consist of manpower costs for sales staff, rental expenses of the sales outlets, operating costs for e-commerce sales platforms, and advertising and promotion. 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 therefore only recorded selling and marketing costs of HK$354,888,000 for the year, representing a decrease of 20% from the amount of HK$443,324,000 for last year.

Administrative expenses mainly consist of manpower costs for non-sales staff, depreciation and amortization charges and other miscellaneous expenses. The Group recorded administrative expenses of HK$145,949,000 for the year, also lower than the amount of HK$171,280,000 of last year by 15%. Decline in expenses was mainly due to the Group's cost saving efforts, decrease in staff expenses that were related to profit, waiver of a part of the Director's bonus and grants from government authorities during the year.

Profit for the year

Operating profit for the year was HK$165,408,000, decreased by approximately 53% from HK$350,267,000 of last year. Operating margin was approximately 13%, lower than the margin of 22% of last year. Except the fair value losses on investment properties, the drop was also due to the remarkable decline in profit from the apparel operation caused by the pandemic.

Profit attributable to owners of the Company

The Group also recorded a net interest income of HK$20,079,000 for the year, dropped by approximately 10% from last year's HK$22,364,000. The decrease was mainly due to the ongoing decrease in deposit interest rate during the year.

The Group's income tax expense of the year was HK$37,201,000, dropped by approximately 44% from last year's HK$66,603,000. Effective tax rate of 20.1% for the year was higher than last year's 17.9% mainly due to the tax effect of fair value losses/gains on investment properties. If such effects were excluded, tax rate of the year would be 20.5% as against the rate of 19.8% for last year.

The Group's profit attributable to owners of the Company for the year was HK$148,286,000, decreased by approximately 52% from HK$306,028,000 of last year. Profit for year would be HK$195,463,000 if the net fair value losses after tax on investment properties of HK$47,177,000 were excluded. Such profit marked a decrease of approximately 24% from HK$257,415,000 of last year if the net fair value gains after tax on investment properties of HK$48,613,000 were excluded.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 6.5 HK cents per share (2019: 9.5 HK cents per share) for the year ended 31st December 2020, totalling HK$63,838,000 (2019: HK$93,301,000). Subject to the shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on or about 1st June 2021.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

The apparel business in the China Mainland market has suffered a lot of setbacks in recent years owing to the slowdown in economic growth. This was further aggravated by the COVID-19 pandemic that broke out early this year. From late January onwards, most economic activities came to a standstill. In compliance with the Central Government's order, many outlets operated by the Group or our distributors had to either suspend business or shorten their business hours. These lockdown measures were gradually lifted not until the second quarter when the pandemic showed signs of coming under control. Fortunately, under the Central Government's efficacious anti-pandemic efforts, the pandemic receded so that the Group's business began to pick up in the second half of the year.

In China Mainland, the Group has conducted its apparel operation through wholesaling to distributors in various cities and provinces, through self-operated retail shops and factory outlets located mainly in Guangzhou, Shanghai, Beijing and Chongqing, as well as through e-commerce and custom-ordering. Overall turnover for the year as a whole amounted to HK$929,642,000, representing a year-on-year decrease of approximately 24%.

Regarding our wholesaling operation, the Group's distributors were faced with extremely hostile market conditions because of the pandemic early this year. To help them cope with the operating problems caused by disrupted sales, the Group agreed to cancel some of their orders for 2020 spring and summer products and to grant them additional sales return allowances. With the pandemic raging, the sales fair for our 2020 fall and winter collections originally scheduled for February was postponed. Eventually, pre-order had to be conducted online instead in April. Pre-order for the products concerned was negatively impacted, resulting in a decline in sales to distributors in the second half of the year. Furthermore, retailing in Liaoning, Jilin and Shandong were gradually switched to self-operation as the Group took over business of its distributors in the provinces. All these factors resulted in a year-on-year decrease of about 30% in sales to distributors.

The pandemic also dealt a heavy blow to our self-operated retailing operation. Many of our retail shops had to shorten their business hours or even be closed temporarily. In any case, shoppers were few and shopping sentiment was damp. Even when the situation improved when the pandemic eased in the second half of the year, market conditions could not be restored to their pre-pandemic levels. As a result, sales continued to lag behind although 7 more self-operated retail shops were opened in Shenyang in Liaoning and Changchun in Jilin. For the year as a whole, sales of self-operated retail shops (excluding factory outlets) dropped by approximately 18% when compared with last year. The decrease has already narrowed since the first half of the year.

The damage that the pandemic inflicted on sales of our factory outlets was also severe. Annual sales decreased year-on-year by approximately 13%. During the second half of the year, business improved with sales levelling with the corresponding period last year.

At the end of the year, the Group's apparel products were sold through 846 retail outlets in China, among which 104 were self-operated (including 31 factory outlets). Because of the pandemic, the number of our retail outlets was down by 72. Some of the retail outlets originally operated by our distributors in the Shandong province are expected to be taken over for self-operation in late March 2021.

During the year under review, 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 for the year declined by approximately 21%. The focus for the year remained to be the sale of special selected items, which continued to account for approximately 87% of the Group's total e-commerce sales. During the review year, e-commerce made up about 32% of the Group's China Mainland apparel sales.

Our operation in custom-made corporate uniforms was also badly hit. Marketing activities and negotiations with clients were disrupted because of the pandemic while ordering remained to be sluggish. As a result, sales decreased year-on-year by approximately 45%.

CHAIRMAN'S STATEMENT

In order to minimize the risk of accumulating excessive inventories following the pandemic, the Group placed stringent control on its procurement activities during the year. Together with the effect of impairment of inventories amounting to HK$23,647,000 provided in the year, net inventories balance of our China Mainland apparel operation therefore stood at HK$150,293,000 at the end of the year, and was remarkably lower than the amount of HK$220,504,000 at the end of last year.

The review year saw the Group continuing to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. To alleviate the grave operating difficulties brought on by the sudden pandemic outbreak, special fee reductions were granted to the licensees early in the year. As a result, licensing income for the year decreased year-on-year by approximately 15% to stand at only HK$102,369,000.

Singapore and Malaysia Markets

Over in Singapore and Malaysia, the local markets were impacted by the outbreak of COVID-19 immediately after the Chinese New Year in late January 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. For over two months, the Group's local retail business was completely shut down. Even when the shops could reopen, they were required to take stringent preventive measures. Shoppers were few and promotional and hot selling activities had to be put on hold. The closure of the remaining counters in Malaysia in October was also a factor. As a result, apparel sales amounted to only HK$34,831,000 for the year, representing a year-on-year decrease of approximately 45%.

At the end of the review year, there were a total of 5 Goldlion shops and 13 counters in Singapore, or down by 5 in number when compared with the end of last year. In light of the operating condition under the pandemic, the Group has ceased its operation in Malaysia and has closed some of the shops in Singapore.

In response to the pandemic, the Group stopped all local purchases to focus on clearing off-season stocks. Because of the extremely weak local consumer market, it was necessary to offer higher discounts to boost sales. As a result, overall profit margin for the year as a whole could only be maintained at 37.5%.

Including net rental income from investment properties of HK$336,000 (HK$497,000 for last year), government grant income of HK$2,385,000 as pandemic relief and impairment of HK$5,030,000 for loss-making shops, operating loss of the Group's Singapore and Malaysia operation for the year stood at HK$14,547,000, which is slightly higher than last year's HK$14,256,000.

Property Investment and Development

The Group's investment property portfolio had no significant changes during the year under review. Value of investment properties recognized by the Group after independent professional valuations amounted to HK$2,950,107,000, of which property holdings in China Mainland, Hong Kong and Singapore were HK$1,799,827,000, HK$1,120,700,000 and HK$29,580,000 respectively. Because of the adoption of a higher RMB exchange rate, total value of investment properties in Hong Kong dollar was higher than last year's HK$2,900,247,000.

Fair value losses on investment properties as based on the same independent professional valuations for the year amounted to HK$60,255,000, which was equivalent to approximately 2% of the total value of property holdings by end of last year. Fair value gains for last year were HK$51,518,000. As our investment properties were held as long-term investments to earn recurring rental income, the fair value losses, being a non-cash item in nature, did not have real impact on the Group's cash flow position. Fair value losses of the year mainly came from the Group's property holding of Goldlion Digital Network Centre in Guangzhou, reflecting the negative effect of the pandemic on the China Mainland market for commercial and office premises.

CHAIRMAN'S STATEMENT

The Group's property investment bore the brunt of the pandemic. Even after the inclusion of full year income from the Guangzhou property in Yuan Village and the Hong Kong property at No. 3 Yuk Yat Street, To Kwa Wan, rental income and building management fees for the year as a whole amounted to only HK$135,577,000 and HK$36,857,000 respectively, representing a decline of approximately 7% in total.

In Guangzhou, rental income and building management fees generated by Goldlion Digital Network Centre fell year-on-year by approximately 14%. This was attributable to pandemic fallout that included shrinking demand, a slowdown in leasing activities, a gap between leases for some of the premises and the need to grant rental concessions to some struggling tenants. Overall occupancy rate for the year was about 81%, which was lower than last year's 90%.

During the review year, the Guangzhou premises in Yuan Village generated rental income and building management fees amounting to approximately HK$9,950,000. An increase of 22% was registered over last year when leasing had just begun. With the last floor already leased out towards the end of the year, the property is now completely leased out.

In Shenyang, leasing of Goldlion Commercial Building was also adversely affected by the pandemic. Turnover rental slumped since some tenants could not open for business. This was aggravated by the need to offer rental concessions to individual tenants. As a result, total rental income and building management fees decreased by approximately 4%.

In Hong Kong, leasing of investment properties was also gloomy under the pandemic. Overall rental income and building management fees generated from Goldlion Holdings Centre in Shatin fell by about 14%. There was not only a gap between leases for certain premises but also a need to offer rental concessions to individual tenants. Occupancy rate stood at about 82% for the year as a whole.

The Hong Kong property at No. 3 Yuk Yat Street, To Kwa Wan, generated annual income in the amount of approximately HK$10,037,000 compared with HK$3,145,000 for last year when leasing had just begun. At present, the property has been completely leased out following the lease of the remaining vacant units after year end.

Regarding the development project "Goldlion Garden" in Meixian, construction works commenced in March last year. By the end of the year, development expenditure amounted to HK$424,548,000, representing an increase of HK$166,466,000 when compared with the end of last year. To be carried out in two phases, this primarily residential development comprises 11 high-rise buildings as well as low-rise buildings and ancillary facilities. Under phase one, a total of 6 high-rise buildings with about 500 residential units will be provided. Since presale in late January 2021, about 60 units have been sold. It is currently expected that phase one can be substantially completed by mid-2022. Provided that all relevant revenue recognition conditions are met, sales proceeds can be booked at that time.

CHAIRMAN'S STATEMENT

PROSPECTS

The COVID-19 pandemic that is ravaging the world has profound ramifications on the global economy and market. Since the road to full recovery is fraught with uncertainties, the business outlook for 2021 is extremely unpredictable. As such, the Group is expected to be faced with challenges in its operation.

Into 2021, there has been isolated outbreaks in some of the localities in China Mainland. Although the situation was soon put under control, it is evident that there will bound to be some unexpected rebounds and resurgences. Therefore, although vaccination has already begun, life can hardly return to normal in the near future and it will be a long time before things will get back on the right track. Even when the pandemic is over, the economic and market conditions are unlikely to compare with what they used to be before the pandemic.

Looking ahead regarding China Mainland, where effective preventive measures have successively brought the pandemic under control, the Group is not overly pessimistic about the prospect of the apparel business in view of the economic growth that has ensued. In the meantime, the Group will continue to clear the stocks that are tied up in its distribution channel, enhance the quality of its products, streamline its sales channels, improve its self-operation capacity and regularly review the operation of its distributors in order to ensure that both market and customer expectations can be met. Besides, as compared with a low comparable amount caused by the pandemic for the corresponding season last year, the Group recorded an expected growth for the pre-order of 2021 fall and winter collections in the sales fair held in early March 2021. The orders will be delivered during the second half of 2021.

In Singapore, the Group will speed up clearance of stocks. In addition, efforts will be made to reduce operating costs, scale down the operation and adjust the number of outlets in a bid to improve operation.

With respect to property investment, occupancy for the Group's holdings has picked up and the leasing rate of individual properties has rebounded. In this light, although the sector is still under pressure, the Group will rise to the challenge in order to minimize the impact. Regarding the development project "Goldlion Garden" in Meixian, the Group will continue with its construction and presale and will closely monitor every aspect of the project for adjustment as and when necessary.

In light of the acute increase in demand for face masks due to the pandemic, the Group set up a mask factory in Meizhou during the year in order to provide a stable supply of surgical masks for hospitals in China Mainland. Currently factory construction is basically completed and investments in machinery, plant and equipment amounted to RMB7,530,000 by end of the year. It is expected that full production can be commenced by mid-2021 when production permits are approved by relevant governmental authorities.

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, 17th March 2021

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2020

INVESTMENT PROPERTIES

Property	Description	Lot Number	Type	Lease term
Hong Kong				
1. 1st to 6th floors, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories	The property, with a gross floor area of 23,077 sq.m., comprises the 1st, 2nd, 3rd, 4th, 5th and 6th floors of a 8-storey factory/warehouse. The building was completed in 1989.	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
2. No. 3 Yuk Yat Street, To Kwa Wan, Kowloon	The property comprises a modified 12-storey building completed in 1971 and completely refurbished in 2019. The property has a total gross floor area of 7,028 sq.m..	Kowloon Inland Lot No. 9676	Industrial/ Office	The property is held for a term of 75 years from 17th November 1969 renewable for a further term of 75 years.
3. Unit A on 5th floor, Unit D on 6th floor, Units A and B on 7th floor, Units A, B, C and D on 14th floor, together with car parking S18 on the ground floor, Ming Wah Industrial Building, 13–33 Wang Lung Street, Tsuen Wan, New Territories	The property comprises units on the 5th, 6th and 7th floor and the 14th floor together with a car parking space on the ground floor of a 24-storey industrial building completed in 1979. The property has a total gross floor area of 3,238 sq.m..	81/1024th shares of and in Tsuen Wan Town Lot No. 134	Industrial	The property is held for a term of 99 years from 1st July 1898 and renewed to 30th June 2047.
4. Unit B on 3rd floor, Acro Industrial Building, 19 Yuk Yat Street, To Kwa Wan, Kowloon	The property comprises a workshop unit on the third floor of a 12-storey plus basement industrial building completed in 1978. The property has a gross floor area of 530 sq.m..	58/1184th shares of and in Kowloon Inland Lot No. 9681	Industrial	The property is held for a term of 75 years from 23rd March 1970 and renewable for a further term of 75 years.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2020

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland				
5. Units 01 to 07 and Units 10 to 12 on Level 1, Levels 2 to 5, Level 7, Units 01 to 05 and Units 09 to 10 on Level 8, Level 9, Unit 01 and Units 03 to 12 on Level 10, Level 11, Unit 01 and Units 03 to 12 on Level 12, Level 13, Units 02 to 05 and Units 08 to 12 on Level 14, Level 15, Unit 01 and Units 03 to 12 on Level 16, Units 07 to 12 on Level 17, Units 03 to 12 on Level 18, Levels 19 to 28, the car parking spaces in the basement levels 1 to 3 and the mezzanine level of the building, Goldlion Digital Network Centre, 136 & 138 Ti Yu Dong Road, Tianhe District, Guangzhou, Guangdong Province	The property is a 29-storey plus 4 basements commercial building built on a site of 6,670 sq.m.. The gross floor area of the commercial and office portions is approximately 47,637 sq.m..	–	Commercial/ Office	The land use right is held for a term of 40 years for commercial use and 50 years for office and car parking uses commencing from 27th January 1997.
6. Shenyang Goldlion Commercial Building, 190 Zhong Jie Lu, Shen He District, Shenyang, Liaoning Province	The property is a 7-storey commercial building built on a site of 5,379 sq.m.. The 2 phases were completed in 1991 and 1993 respectively and was completely refurbished in 2002. The property has a gross floor area of 16,367 sq.m..	–	Commercial	The land use right is held for a term of 40 years for commercial use commencing from 23rd April 2008.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2020

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
7. Unit 07 on Level 24, Units 07 and 08 on Level 26 and Unit 07 on Level 28, 577 Tianhe North Road, Units 07 and 08 on Level 25, Unit 07 on Level 27 and Unit 07 on Level 28, 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province	The property comprises 8 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 754 sq.m..	–	Residential	The land use right is held for a term of 70 years from 12th April 1999.
8. Unit 03 on Level 10, Glorious City Garden, 852 Dongfeng East Road, Yue Xiu District, Guangzhou, Guangdong Province	The property comprises a residential unit in one of the 32-storey buildings of the estate built in 2001. The property has a gross floor area of 158 sq.m..	–	Residential	The land use right is held for a term of 70 years from 7th July 1998.
9. Units C11, C12, C18-101, C18-102A, C18-102B, C20-101, D01, D26 and E17 on Level 1, Units C18, C19, C20-101, D27, D30, E25 and E26 on Level 2, and Unit C18 on Level 3, Goldlion Fashion Walk, Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises units in a commercial podium built in 2008. The property has a gross floor area of 4,432 sq.m..	140209020490 and 140209020608-1	Commercial	The land use right is held for a term of 40 years for commercial use.
10. Units 05 and 06 on Level 1, Block B3, Yuanda Shopping Plaza, 1333 Qunli Disi Da Dao, Daoli District, Harbin, Heilongjiang Province	The property comprises 2 adjoining units located on Level 1 of Block B3 of a complex built in 2013. The property has a gross floor area of 228 sq.m..	–	Commercial	The land use right is held for commercial use up to 29th January 2051.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2020

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
11. Unit A-03 on Levels 1 and 2, Zone A-2 Dongcheng Centre, Dongcheng District, Dongguan, Guangdong Province	The property comprises a shop unit located on Level 1 and Level 2 of a complex built in 2006. The property has a gross floor area of 534 sq.m..	–	Commercial	The land use right is held for commercial use up to 31st December 2062.
12. Levels 2 to 6, Yuan Village Building, 36 & 38 Keyun Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises the 2nd to 6th levels of a 6-storey factory building built in 1998. The property has a gross floor area of 12,117 sq.m..	–	Industrial	The land use right is held for a term of 50 years from 12th January 1998.
Singapore				
13. Units 02 and 03 on Level 4, Goldlion Building, 161 Kampong Ampat	The property comprises 2 units of a 6-storey industrial and warehouse building. The property has a gross floor area of 833 sq.m..	Mukim 24 Kalang Lot 5994/U4 to U6 and 5994/U10 to U12	Industrial	Freehold

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2020

PROPERTIES HELD FOR OWN USE

Property	Description	Lot Number	Type	Lease term
Hong Kong				
1. 7th floor and the car parking spaces on the ground floor, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories	The property comprises the 7th floor and the car parking spaces of a 8-storey factory/warehouse. The building was completed in 1989. The gross floor area of the office portions is approximately 4,277 sq.m..	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
China Mainland				
2. Unit 08 on Level 28, 577 Tianhe North Road, Unit 07 on Level 26 and Unit 08 on Level 28, 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province	The property comprises 3 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 277 sq.m..	–	Residential	The land use right is held for a term of 70 years from 12th April 1999.
3. Units 101 to 106 on Level 1, Block B, Qiaoxinyuan, Yandu Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises 6 domestic units of a 8-storey residential building built in 1995. The property has a gross floor area of 606 sq.m..	–	Residential	The land use right is held for a term of 70 years from 6th January 2000.
4. Units 08 and 09 on Level 1, Level 6, Units 06 to 07 and Units 11 to 12 on Level 8, Units 06 and 07 on Level 14, Level 29 and Unit W07 in the mezzanine level of basement, Goldlion Digital Network Centre, 136 & 138 Ti Yu Dong Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises several units of a 29-storey plus 4 basements commercial building. The property has a gross floor area of 5,220 sq.m..	–	Commercial/ Office	The land use right is held for a term of 40 years for commercial use and 50 years for office use commencing from 27th January 1997.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2020

PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
5. Level 1, Yuan Village Building, 36 & 38 Keyun Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises the 1st level of a 6-storey factory building built in 1998. The property has a gross floor area of 2,423 sq.m..	–	Industrial	The land use right is held for a term of 50 years from 12th January 1998.
6. Block A, B, C and D, Goldlion Industrial Centre, 8 Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises 3 factory buildings (Block A, B and D) and an integrated building (Block C) which were completed in 1995 to 2006 respectively. The property has a gross floor area of 38,623 sq.m..	140209020608	Industrial	The land use right is held for a term up to 26th August 2043.
7. Units D1-601 and 602, Units D2-501 and 601, car parking spaces D2-103 and 107, Goldlion City Garden, and Unit C20 on Level 3, Goldlion Fashion Walk, Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises residential and commercial units built in 2008. The property has a gross floor area of 1,333 sq.m..	140209020490 and 140209020608-1	Residential/ Commercial	The land use right is held for a term of 70 years for residential use and 40 years for commercial use.
8. Unit 16 on Level 20, Building B, Far East International Plaza, 317 Xian Xia Road, Changning District, Shanghai	The property comprises an office unit of a 31-storey plus 2 basements commercial building completed in 1999. The property has a gross floor area of 174 sq.m..	–	Office	The land use right is held for a term commencing on 6th March 2002 and expiring on 19th August 2045.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2020

PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
9. Unit 17 on Level 11, Bright China Chang An Building, 7 Jianguomenni Avenue, Dongcheng District, Beijing	The property comprises an office unit of a 17-storey plus 4 basements commercial building completed in 1996. The property has a gross floor area of 266 sq.m..	–	Office	The land use right is held for a term up to 1st December 2043.
10. Unit 5 on Level 43, 28 Mingquan Road, Yuzhong District, Chongqing	The property comprises an office unit of a 58-storey commercial building. The property has a gross floor area of 225 sq.m..	–	Office	The land use right is held for a term up to 20th December 2044.
Singapore				
11. Units 01 to 03 on Level 2 and Unit 01 on Level 4, Goldlion Building, 161 Kampong Ampat	The property comprises 4 units of a 6-storey industrial and warehouse building. The property has a gross floor area of 1,690 sq.m..	Mukim 24 Kalang Lot 5994/U4 to U6 and 5994/U10 to U12	Industrial	Freehold

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2020

PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Reporting Standards

The Group is pleased to present our Environmental, Social and Governance (ESG) Report for the financial year of 2020, which is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") to fulfil the "comply or explain" provisions set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Reporting Principles

When preparing the report content, the Group has adhered to the 4 reporting principles stated in the ESG Guide, including materiality, quantitative, balance and consistency.

- **Materiality:** Stakeholder engagement and materiality assessment were conducted to identify and prioritize material ESG issues in our business operations.
- **Quantitative:** Quantitative metrics are disclosed in this report to keep track of and evaluate our ESG performance.
- **Balance:** This report provides an unbiased assessment on the Group's ESG performance by highlighting both our achievements and areas for improvement on ESG management.
- **Consistency:** Consistent methodologies were adopted for year-on-year comparisons of the Group's ESG performance, unless otherwise specified.

Reporting Scope and Boundary

This report covers the Group's ESG management and performance for our core business activities, including apparel distribution and manufacturing, property investments and office operation in the People's Republic of China (the "PRC"), Hong Kong SAR, Singapore and Malaysia, from 1st January 2020 to 31st December 2020 (the "Reporting Period"), unless otherwise specified.

Board Approval

This report was reviewed and approved by the Board of Directors of the Company (the "Board") on 17th March 2021.

Feedback

We welcome stakeholders' opinions on our ESG management and disclosure. Should you have any inquiries and comment, please feel free to contact us via our communication channel. Your feedback is highly appreciated and will help us to enhance our overall ESG performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR ESG MANAGEMENT APPROACH

The Group integrates ESG elements in our businesses as we move towards a sustainable future. We continue to strengthen our ESG governance to facilitate effective management across our business portfolios. The Group is establishing a designated ESG working group for formulating ESG strategies, monitoring ESG performance and optimizing ESG disclosure.

Ethical Business Operation

Ethical business practice is crucial to our long-term business success. The Group adheres to all applicable laws and regulations including but not limited to the Prevention of Bribery Ordinance (Cap. 201 of the laws of Hong Kong SAR) and Anti-money Laundering Law of the PRC, relating to bribery, extortion, fraud and money laundering. Internal policies are in place to facilitate effective management practices and shape ethical organizational culture.

The Group upholds the highest standard of business ethics and maintains zero-tolerance to any form of corruptions. The Group developed Anti-bribery Policy to guide our employees in handling gifts from business partners. Meanwhile, the conflict of interest policy in our employee handbook clearly delineates our expectation to our employees and their relatives on preventing conflicts of interest to the Group.

We have set up a whistleblowing policy and mechanism to enable employees to raise concerns about any misconduct or malpractice through confidential channels. The policy ensures the Group would conduct formal and thorough investigations and handle the information of whistleblower in strict confidentiality without the fear of retaliation. Whistleblowers can make their reports in person or in written form with as much details as possible and with evidence if possible. In general, reported cases are handled by the Group's Internal Audit Function and final reports will be reviewed and discussed by the Audit Committee.

During the Reporting Period, we were not aware of any non-compliance cases regarding bribery, extortion, fraud and money laundering in our business operations nor any concluded legal cases regarding corrupt practices brought against the Group or our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR ESG MANAGEMENT APPROACH *(continued)*

Stakeholder Engagement

The Group attaches great importance to listen to our stakeholder's concern and address them accordingly. We actively engage with our internal and external stakeholders to understand their opinions and suggestions to our ESG management and performance, thereby enhancing our ESG management approaches to align with their expectations.

Stakeholder Group	Engagement Method
Employees and labour union	• Internal meetings • Interviews • Internal circulars • Staff performance appraisal reviews
Shareholders and investors	• Annual general meetings • Financial reports • Corporate website • Press releases
Customers	• Customer service hotline • Daily personal contact • Corporate website • Third-party e-commerce platforms
Media	• Press releases
Suppliers	• Tendering processes • Meetings and conferences • Site visits
Community	• Voluntary services

During the preparation of this report, the Group commissioned an independent consultant to conduct a stakeholder engagement exercise to identify and analyze material ESG issues in our business operations. Key stakeholders, including management, general staff, suppliers and customers, were invited to comment on the Group's ESG issues through online survey.

OUR ESG MANAGEMENT APPROACH *(continued)*

Materiality Assessment

Materiality assessment guides us to formulate strategies on ESG aspects that are important to our business operations. We adopted a four-step approach in our materiality assessment.

1. **Identification:** The Group reviewed the Stock Exchange ESG Reporting Guide and industry practices to identify a list of potentially material ESG issues.

2. **Prioritization:** We invited our stakeholder to rank the materiality of the list of ESG issues and share their opinions regarding the Group's ESG performance and disclosure. Over 80 valid questionnaire responses were received.

3. **Analysis:** Analyzed the survey results to map out the materiality of ESG issues. A total of 19 ESG issues were identified as material.

4. **Validation:** The results of materiality assessment was reviewed and endorsed by the Board. The Board is also responsible for the ongoing monitoring of the identified ESG issues to ensure their materiality to the Group.

The material ESG issues are listed below:

ESG Aspects	Material ESG Issues
Operating practices	• Product quality and safety • Customer service and satisfaction • Advertisement and labelling • Customer data protection and privacy • Ethical business compliance • Intellectual property rights • Anti-corruption • Product responsibility compliance • Supply chain management • Sustainable procurement practice
Employment practices	• Occupational health and safety • Training and development • Equal opportunity, diversity and non-discrimination • Employment relations • Employment compliance • Labour standards
The Environment	• Environmental compliance • Employees' environmental awareness • Water management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR OUR CUSTOMER

Product Responsibility

The Group is committed to achieve product excellence and deliver the finest services to our customers in compliance with relevant laws and regulations including but not limited to the Product Quality Law, Advertisement Law and Law on Protection of Consumer Rights and Interests of the PRC. During the Reporting Period, we observed no non-compliance cases regarding laws and regulations relating to health and safety, advertising, labelling of our products and services.

Product and Service Quality

To uphold our requirements on product and service quality, we follow the requirements of the government and industry and integrate these requirements into our quality management system. In our sales contracts, we also specify our quality standards of using material complying with national and industry standards. Product testing is conducted by qualified third-party institutions prior to product delivery to ensure product quality. During the outbreak of COVID-19, the Group introduced a non-contact product delivery service, which minimized the potential transmission of COVID-19 and protected our customers' health.

The Group also strives to maintain building safety in our property investment operation. Qualified engineers are tasked to maintain building facilities. Leasing officers are also responsible for inspecting any defects in our premises. Tenants can check on the status of the rental space prior to signing tenancy agreement to ensure quality of the rental space.

With our robust quality management system in place, the Group has no product recall cases relating to product health and safety during the Reporting Period.

Customer Satisfaction

We actively listen to our customers for suggestions and comment on our product and service quality. These suggestions and comment can drive continuous improvement in our business operations.

We provide various communication channels to collect our customer's feedback. In our apparel business, we listen to our customer through regular channels such as email and social media page for general customers, and a 24-hour online service centre for e-commerce customers. We also conduct customer satisfaction survey and phone interviews from time to time to collect customer's opinions on our product quality. For our property investment operation in Hong Kong SAR, we also place QR code at the lobby of our premises to collect tenants' feedback.

We aim to efficiently and effectively respond to our customers' feedback. The Group provides guidance on handling customers' feedback following a five-step approach for our employees. We also put in place standardized mechanisms for handling product returns. Customers can initiate product returns within specified time upon receipt of the goods. Designated staff is responsible to review the conditions of the goods and reasons for product return and decide if the request would be accepted. Depending on the cases, quality control staff may further inspect the returned products to make a final decision on the request. Once the review process is completed, we will contact our customers immediately and arrange for refunds. These product return cases will be discussed in our regular meetings to seek improvement measures. E-commerce customers in PRC can enjoy product returns according to the conditions listed on each platform.

CARING FOR OUR CUSTOMER *(continued)*

Intellectual Property Rights

Intellectual property is vital to the apparel manufacturing and distribution industry. The Group adopts various measure to protect our and others' intellectual property rights. For example, we protect our intellectual properties through trademark opposition, legal proceedings against trademark infringement and strong action against counterfeits. We also conduct compliance audit on promotional materials to prevent copyright infringement. We communicate our requirement on the use of our trademarks, patents and copyrights to our business partner by developing specific clauses and confidentiality provisions in our contracts.

We only allow employees to use authentic software in our daily operations and strictly prohibited installing unauthorized or pirated software in the workplace.

Customer Data Privacy

Safeguarding the data privacy of customers is of paramount important to our business operation as we process customer data to deliver quality products and services to our customers. We adhere to data privacy laws and regulations in the jurisdictions where we operate including but not limited to the Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong SAR), Law of the PRC on the Protection of the Rights and Interests of Consumers and Personal Data Protection Act 2012 of the Republic of Singapore.

We have stringent internal control on handling and managing our customer's data. The data are strictly confined to intended operational use. Only authorized personnel can access the data system. Dated customer data are securely destructed after use. We also require our employees to sign non-disclosure agreement upon joining the company and return all confidential information when they resign.

CARING FOR OUR SUPPLY CHAIN

Overview of Our Supply Chain

To offer high-quality products and services to our customers, we engage suppliers to provide quality input including garment, apparel, and accessory and packaging. During the Reporting Period, we worked with 69 suppliers, out of which 58 suppliers are from China Mainland, and 11 suppliers are from Southeast Asia.

Supply Chain Management

The Group emphasize on the quality and traceability of our supply chain. We strive to deliver quality products in collaboration with suppliers providing high-quality raw materials. During our procurement process, we request our suppliers to submit honest declaration on the type and nature of raw materials of apparels and accessories, which enables us to confirm the quality and track the source of raw materials. Documentation and approvals are required from the Group in case of subcontracting to ensure traceability of our supply chain.

To maintain a sound and reliable supply chain, we only select and cooperate with credible and ethical suppliers. We will disqualify and blacklist our suppliers if they have significant non-compliance cases on laws and regulations that can jeopardize our business operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR OUR SUPPLY CHAIN *(continued)*

Supplier Evaluation

The Group evaluates the abilities and performance of our suppliers to continuously optimize our supply chain management.

We consider suppliers' social and environmental performances in the selection processes. Potential suppliers with records of employing child labour and forced labour are strictly not considered. We also examine our suppliers' compliance with environmental legislation and national production safety standards when screening suppliers. Potential suppliers are screened out in case of non-compliance to any of these requirements. During supplier selection process, we conduct in-depth interviews and factory visits to understand our suppliers' corporate qualifications, environmental performance and social contributions. We also perform ongoing monitoring on our current suppliers through regular face-to-face meetings and interviews. Supplier evaluation is conducted regularly to review suppliers' overall performance.

CARING FOR OUR EMPLOYEES

Employment Practices

Employees are one of the most valuable assets to our Group and we are committed to provide them a fulfilling career in an equal and inclusive working environment. We adhere to all applicable employment laws and regulations of the jurisdictions where we operate including but not limited to the Employment Ordinance (Cap. 57 of the laws of Hong Kong SAR), Labour Law of the PRC and Employment Act of the Republic of Singapore.

We adopt responsible employment practices to nurture our employees. The Group provides fair, competitive and rewarding remuneration packages with comprehensive fringe benefits to our employees based on regular market research and "pay-for-performance" principle. We also provide attractive career advancement opportunities for high-performing employees.

The Group follows the local regulations regarding retirement benefits, including Mandatory Provident Fund Scheme in Hong Kong SAR, the Five Social Insurance and One Housing Fund in China Mainland, Central Provident Fund (CPF) in Singapore and the Employee Provident Fund (EPF) in Malaysia. In 2020, we contributed HK$24,595,000 to these funds for our employees.

The Group promotes employees' wellbeing by advocating work-life balance and creating a harmonious workplace. We strive to promote inclusiveness and diversity with zero tolerance on employment discrimination based on race, gender, disabilities, religion, sexual orientation, marital status and pregnancy. Labour union represents the interests of our employees in PRC and organizes various employee wellbeing programs. Separately, the Group also organized sporting events such as basketball and badminton competitions on weekly basis to encourage our employees to be physically active. We also have arrangements with a fitness club for employees to gain access to fitness facilities. Gatherings are organized for our employees to relax and celebrate during festive seasons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR OUR EMPLOYEES *(continued)*

Employment Practices *(continued)*

As at 31st December 2020, we employed a total of 1,688 employees across our business operations. During the Reporting Period, we performed business restructuring in our Malaysia and Singapore business, leading to a higher turnover rate recorded.

Employee Profile in 2020	Number	Percentage
Composition of employees by gender		
Female	1,229	73%
Male	459	27%
Composition of employees by employment type		
Full-time	1,659	98%
Part-time	29	2%
Composition of employees by age group		
Age < 30	184	11%
Age 30–50	1,278	76%
Age > 50	226	13%
Composition of employees by employment category		
Managerial employees	139	8%
General staff	1,549	92%
Composition of employees by geographical region		
China Mainland	1,569	93%
Hong Kong SAR	39	2%
Singapore and Malaysia	80	5%

Employee Turnover Rate	2020	2019
The Group	22%	19%
Employee turnover rate by gender		
Female	21%	19%
Male	23%	19%
Employee turnover rate by age group		
Age < 30	51%	41%
Age 30–50	16%	16%
Age > 50	28%	12%
Employee turnover rate by geographical region		
China Mainland	19%	19%
Hong Kong SAR	3%	11%
Singapore and Malaysia	80%	19%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR OUR EMPLOYEES *(continued)*

Health and Safety

Safeguarding employees' health and safety has always been the Group's priority. We conform with relevant laws and regulations with respect to occupational health and safety (OHS) including but not limited to the Occupational Safety and Health Ordinance (Cap. 509 of the laws of Hong Kong SAR) and Law of the PRC on Prevention and Control of Occupational Diseases. To demonstrate our commitment on health and safety, we adopt a host of OHS programs to minimize the occurrence of accidents and instill a safety culture in our workplace. Our production site in Meizhou has attained the OHSAS 18001 certification to demonstrate effectiveness and efficiency of our OHS management system.

To strengthen occupational safety, we have a set of equipment safety procedures to raise our employees' awareness of the safe operations of all equipment in the workplace. Safety training programs were provided for all employees to enhance their OHS knowledge and skills, covering first aid, fire safety and production safety laws and regulations. To strengthen our employees' emergency preparedness and response capabilities, an annual fire drill was organized at the Guangzhou Goldlion Digital Network Building in November 2020.

To safeguard our employees' health, we offer medical insurance for full-time permanent employees, covering doctor visits, hospital outpatient services, hospitalization and certain eligible surgeries. We also arrange a mandatory annual physical examination for our employees in PRC.

In response to the outbreak of COVID-19, the Group has taken prompt and precautionary measures to help mitigate the risk of spreading the virus in our workplace. We distributed medical supplies including surgical face masks and hand sanitizers to employees in PRC and Hong Kong SAR. We also adopted work-from-home arrangement for employees in our headquarter in Hong Kong SAR. The Group played educational videos on COVID-19 prevention and transmission in our offices in the PRC. The video covers topics including proper use of masks, transmissions of COVID-19 and special guidelines for work resumption, commuting and daily office operation.

During the Reporting Period, we are not aware of any work-related fatality cases with a total of 32 lost days, which is lower than the 68 lost days in 2019. In cases of work-related injury, we conduct thorough investigation and review all relevant documents. Corresponding preventive measures would be employed to avoid recurrence of the accidents.

Development and Training

We offer support and resources to employees to thrive in their career pathway. A variety of training is organized for employees to sharpen their skills and knowledge, thereby strengthening their core competencies and developing a stronger workforce.

Based on job nature, we offer tailored training courses to employees of different ranks. For managerial employees, we provide training focusing on supervisory skills development such as in-house mini-MBA programs. Meanwhile, we arrange training on operational skills and behaviors, such as professional knowledge of products, product display and retail customer services, for our general staff. We also organized management trainee program for developing talents in the PRC.

The Group organizes regular in-house training for our employees. For instance, "Lunch & Learn" training sessions were hosted by our senior executives to teach employees about work-related knowledge and skills during their lunch hour. To construct a flexible learning environment for employees, we have established an E-Learning platform that provides soft skills and hard skills training, covering the topics of communication, presentation, critical thinking, first-aid, information security and coaching. Besides, an orientation training program was organized for new employees to be familiar with the Group's development. The half-day briefing course introduces corporate information, office rules and regulations, occupational health and safety, appraisal system and career development opportunities to the new employees.

CARING FOR OUR EMPLOYEES *(continued)*

Development and Training *(continued)*

Apart from taking internal training, we encourage our employees to pursue professional training at external educational institutions. Qualified employees are granted financial subsides to join external trainings that are approved by the Group. In order to ensure the quality and effectiveness of our in-house courses, we also collaborated with professional education institutions to deliver the programs for our employees. These training courses cover practical topics such as branding and design, accounting and taxation, property management, new retail and big data analysis, communication and management and sales and leadership.

Percentage of employees trained	2020
The Group	68%
Percentage of employees trained by gender	
Female	67%
Male	70%
Percentage of employees trained by employment category	
Managerial employees	81%
General staff	66%

Average training hours	2020
The Group	21.8
Average training hours by gender	
Female	22.5
Male	19.9
Average training hours by employment category	
Managerial employees	29.3
General staff	21.1

Labour Standards

The Group strictly complies with laws and regulations relating to child labour and forced labour including but not limited to Employment Ordinance (Cap. 57 of the laws of Hong Kong SAR), Labour Law, Special Protection for Female and Juvenile Workers and Provisions on the Prohibition against the Use of Child Labour of the PRC. We uphold our labour standards and we have formulated "child labour prohibition policies and remedial procedures" to forbid the use of child labour. Regarding our recruitment practices, we have developed an employment screening process to ensure our employees are at the legal working age (i.e. aged 18 or above). Our recruitment personnel are responsible for verifying the applicants' identification documents to confirm their age and eligibility for employment. Personal information and credentials of job applicants are kept in a secured data system with strict control of access rights. Personal data of unsuccessful job applicants will only be used in a subsequent recruitment exercises or a directly related purpose.

As a responsible organization, the Group has observed and obeyed the labour laws and regulations of the jurisdictions where it operates. We also committed to prohibit any act of forced labour. The Group is cognizant of what constitutes forced labour and has confirmed that the Group has never had any occurrences of forced labour. The Group is in full compliance with the Employment Ordinance in Hong Kong SAR, Special Protection for Female and Juvenile Workers, Chapter VII, and Labour Law of the PRC and Provisions on the Prohibition against the Use of Child Labour (State Council Order No. 364) in China Mainland operation.

During the Reporting Period, we were not aware of any non-compliance cases of laws and regulations relating to related to child or forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR THE ENVIRONMENT

Environmental Management Approach

The Group is committed to reducing our environmental impacts and continuously monitoring and improving our environmental performance. We strictly comply with all applicable environmental laws and regulations. During the Reporting Period, we were not aware of any non-compliance cases in relation to environmental protection laws and regulations.

Due to the regional coverage of the Group's business, it is important to control the environmental impacts of our local operational activities aiming at lowering their environmental impacts. For example, our subsidiaries in the PRC are operating in full compliance to the national and local environmental protections laws and regulations including:

- the Environmental Protection Law of the PRC;
- the Water Pollution Prevention and Control Law of the PRC;
- the Atmospheric Pollution Prevention and Control Law of the PRC;
- the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes;
- the Regulations on the Administration of Construction Project Environmental Protection; and
- the Regulation on the Administration of Collection and Use of Pollutant Discharge Fees.

Our manufacturing site in Meizhou has obtained the ISO 14001 Environmental Management System certification to demonstrate our systematic environmental management effort.

Energy Management and Greenhouse Gas Emissions

We reckon that energy consumption is the main source of greenhouse gas emissions of the Group that might contribute to the intensification of climate change. As such, we implemented various energy saving measures to reduce our carbon footprint. We conducted a condition survey for reviewing the energy efficiency of chiller in Goldlion Holdings Centre to explore opportunities for enhancing energy efficiency. In our property investment in China Mainland, we replaced over 3,200 LED lightings which can save around 360,000 kWh annually. We are also retrofitting chiller system with more energy efficient model to save more than 570,000 kWh of electricity consumption each year.

We also practice energy saving measures in our workplace. For example, we use energy-saving products and devices whenever possible. We also switch off electronic devices during lunch hours and when leaving office to reduce energy wastage.

In 2020, our diesel consumption decreases significantly due to varying diesel consumption across construction phases in our property development projects. As we have more workers working in our property development projects, we recorded notable increase in LPG consumption by our canteen. Since business travel reduced significantly due to outbreak of COVID-19, scope 3 greenhouse gas emissions also dropped sharply.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR THE ENVIRONMENT *(continued)*

Water Management

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

Most of the water were used for the water-cooled chiller system at the Group's investment properties mainly commercial buildings and Meixian property development project. The Meizhou factories as our manufacturing support, were also responsible for a portion of the water the Group consumed during the year. We have scaled up our water management efforts to mitigate the environmental impacts. We reduce our water consumption in manufacturing processes by selecting raw materials that require less water usage and encouraging suppliers to apply government-certified dyeing technologies. In 2020, we optimized the chiller system loading and operation time in our investment properties in China Mainland, reducing our annual water usage by over 1,100 tonnes. To strengthen our water conservation practices, we collect and use rainwater for gardening purposes.

We adhere to relevant government laws and regulations in relation to wastewater treatment and discharge of the jurisdiction where we operate. We treat our wastewater up to the authorities' discharge standards before discharging into the local sewage systems.

Material Use and Waste Management

Our waste management practices are underpinned by the "4Rs" principles, including Reduce, Reuse, Recycle and Replace. We employ a range of measures to reduce our solid waste generation in our operations. For instance, we adopted a minimal waste design approach to produce apparels with less fabric wastage. To help minimize textile waste, we also encourage customers to donate unwanted clothes to the underserved communities and raise their awareness of the environmental and social benefits of apparel reuse. Moreover, reuse and recycling programs were carried out in the workplace. In addition to reducing paper consumption, we advised our employees to reuse papers and adopt double-sided printing. We also discourage the use of plastic bottles by encouraging employees to start a bring-your-own-mug habit.

The packaging materials used by the Group are mainly plastic bags, plastic wrappings and cardboard paper boxes. We embrace and adopt biodegradable packaging materials in some of our products, which helps lower the environmental impacts of our waste.

Air Emissions

Air pollution is currently one of the biggest threats to human health. According to the World Health Organization, outdoor and indoor air pollution are leading contributing factors to respiratory and other diseases which may have adverse impacts on public health, and may potentially lead to fatalities.

Some quantities of air pollutants are generated during the apparel manufacturing process. However, the majority of our products are manufactured by external suppliers and only a small portion of our products (mainly ties, leather goods and corporate uniforms) are made by our factories in Meizhou. As such, the Group's direct contribution to the emissions of air pollutants from product manufacturing should not be significant.

Except a minimal consumption of gas for our canteen cooking purpose, the Group did not involve in any activities in its production facilities that lead to the direct air pollutant emissions to the atmosphere. However, the transportation vehicles that are responsible for the delivery of our products to different locations emit some quantities of exhaust gases.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR THE ENVIRONMENT *(continued)*

Air Emissions *(continued)*

We encourage our employees to replace business travels with other alternatives, such as utilizing conference calls and other electronic communication channels. When it is necessary to go on business trips, we prefer our employees to take the train instead of a flight when travelling shorter distances. We also advocate green lifestyle in the workplace. We endeavor to promote environmental protection actions and cultivate environmental consciousness among our employees.

The Environmental and Natural Resources

The Group welcomes employees' feedback on our environmental commitments and practices. To pursue continuous improvement in our environmental performance, we collect and analyze suggestions from our employees on a regular basis.

Environmental Data Summary

The following table summarizes our environmental performance in 2019 and 2020. For intensity figure, we have excluded the performance from property development operations as its performance fluctuates significantly across construction phases and cannot provide meaningful comparison across years.

Performance Metrics	Units	Performance in 2020	Performance in 2019
Greenhouse gas (GHG) emissions			
Scope 1 Emissions	**tonne CO_2 equivalent (tCO_2e)**	**1,078**	**2,065**
Offices	tCO_2e	228	210
Apparel distribution and manufacturing	tCO_2e	448	346
Property development	tCO_2e	402	1,509
Scope 2 Emissions	**tCO_2e**	**5,829**	**5,498**
Offices	tCO_2e	691	740
Apparel distribution and manufacturing	tCO_2e	1,931	2,177
Property investment	tCO_2e	2,968	2,295
Property development	tCO_2e	239	286
Scope 3 GHG emissions	**tCO_2e**	**376**	**1,121**
Business travel	tCO_2e	275	1,018
Others	tCO_2e	101	103
Total GHG emissions	**tCO_2e**	**7,283**	**8,684**
GHG emissions per employees	tCO_2e/employee	4.31	4.68
GHG emissions per floor area	tCO_2e/m^2	0.08	0.10
Energy consumption			
Total energy consumption	**kWh**	**13,963,876**	**17,298,629**
Electricity consumption	kWh	9,690,845	8,989,419
Petrol consumption	Litre	81,268	72,100
Diesel consumption	Litre	327,062	715,626
LPG consumption	Litre	2,141	1,114
Energy consumption per employee	kWh/employee	8,272	9,320
Energy consumption per floor area	kWh/m^2	149	125

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CARING FOR THE ENVIRONMENT *(continued)*

Environmental Data Summary *(continued)*

Performance Metrics	Units	Performance in 2020	Performance in 2019
Water Consumption			
Total water consumption	m^3	113,641	126,586
Water consumption per employee	m^3/employee	67.3	68.2
Water consumption per floor area	m^3/m^2	1.3	1.5
Waste management and packaging materials			
Total hazardous waste produced	tonne	N/A	N/A
Total non-hazardous waste produced	tonne	46.5	70.4
Total packaging material	tonne	116.9	110.6
Air emissions			
Total NOx emissions	kg	94.5	167.8
Total SOx emissions	kg	1.2	1.2
Total PM emissions	kg	8.8	15.9

CARING FOR OUR COMMUNITY

Being a Caring Corporate Citizen

The Group attaches great importance to community investment and strives to create long-term values for our society. By adopting an array of initiatives to respond to the community needs, we aim to drive positive changes in society and foster community development. Over the years, we have been actively participating in a wide range of volunteer services and donations.

In 2020, the COVID-19 crisis has posed significant challenges to the communities around the globe. To help our society overcome this difficult period, we spare no effort to deliver much-needed assistance to the community, thereby mitigating the impacts of this pandemic.

Community Investment Activities

During the Reporting Period, the Group made a wide range of donations to facilitate community empowerment. In order to show our support towards the education development, with the aid of the Hong Kong and Macau Affairs Office of the Guangdong Provincial Government, we set up the Goldlion Education Scholarship of RMB500,000 in Meizhou in July 2020. In terms of non-monetary donations, we donated clothes to the destitute groups in Tibet and Department of Civil Affairs of Guangdong Province in July 2020.

As a corporate responsible citizen, we endeavor to mitigate the spread of COVID-19. To express our heartfelt gratitude and appreciation to frontline medical workers, we donated medical equipment and supplies including around 120,000 surgical masks, 60,000 medical gloves, 900 N95 masks and 200 air disinfection machines to hospitals in China Mainland in 2020. In light of the increasing demand for surgical face masks due to the outbreak of COVID-19, we are setting up a mask factory in Meizhou to increase the production of surgical masks. The factory can help ensure a stable supply of surgical masks for the hospitals in China Mainland, thereby protecting the healthcare workers against COVID-19.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P.32–35
KPI A1.1	The types of emissions and respective emissions data.	P.34–35
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.34
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.35
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.35
KPI A1.5	Description of measures to mitigate emissions and results achieved.	P.32–34
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P.33

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
A. Environmental *(continued)*		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P.32–35
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P.34
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P.35
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	P.32
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P.33
KPI A2.5	Total packaging material used for finished products.	P.33
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	P.34
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P.34

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P.28–31
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	P.29
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	P.29
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P.30
KPI B2.1	Number and rate of work-related fatalities.	P.30
KPI B2.2	Lost days due to work injury.	P.30
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P.30

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P.30–31
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P.31
KPI B3.2	The average training hours completed per employee by gender and employee category.	P.31
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P.31
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	P.31
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	P.31
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P.27–28
KPI B5.1	Number of suppliers by geographical region.	P.27
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P.27–28

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P.26–27
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P.26
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	P.26
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	P.27
KPI B6.4	Description of quality assurance process and recall procedures.	P.26
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P.27

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P.23
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P.23
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P.23
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P.35
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P.35
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	P.35

CORPORATE GOVERNANCE REPORT

The Board and the management of the Company are committed to maintain a high standard of corporate governance. The Board believes that to carry on the business in an accountable and transparent manner and following good corporate governance practices serve the long-term value to shareholders and stakeholders.

During the year under review, the Company complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for derivation as specified and explained below.

The Directors continue to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

Overall Accountability

The Board assumes full responsibility for leadership, control and development of the Company and is collectively responsible for promoting the success and sustainable development of the Company. It provides direction in matters concerning the Company's business strategies, policies and plans whereas daily business operations are delegated to the senior management. In discharging the corporate accountability, each Director is required to pursue excellence in the interests of the shareholders as a whole and fulfill his/her fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

Board Composition

The Board has a balance of skills and experience appropriate for the requirements of the Group's businesses. Currently, the Board comprises six members in total including two executive Directors, a non-executive Director and three independent non-executive Directors. Non-executive Directors provide the Board with diversified expertise and experience. The Board believes that the presence of independent non-executive Directors can provide sufficient checks and balances that safeguard the interests of shareholders and the Group as a whole.

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

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

Biographical details of the Directors are set out on pages 58 to 59. Save as Mr. Tsang Chi Ming, Ricky is a son of Madam Wong Lei Kuan, there are no family or other material relationships among the Directors.

BOARD OF DIRECTORS *(continued)*

Responsibilities and Delegation

The Company has clear policy to ensure that all Directors have a proper understanding of the business and operations of the Group and that they are fully aware of their roles and responsibilities as Directors under relevant legislations and regulatory requirements.

The Board is accountable for the supervision of the management in the business and affairs of the Company and the Group. Apart from its statutory and fiduciary duties, the Board sets the Group's objectives and approves strategic plans, key operational targets, capital expenditure, major investments and financing decisions. Day-to-day management of the Company is delegated to the executive Directors and the officers in charge of each business unit and function who are required to report to the Board.

All Board members are provided with full and timely information about the conduct of the business and development of the Company including monthly reports and updates on major matters. The Board reviews businesses and performance of the Group regularly.

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

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

Board Meetings

The Board meets regularly and as and when required. In the year under review, four regular full Board meetings had been held. The Directors discussed the overall strategies of the Group, monitored financial and operational performance, approved the Group's financial statements as well as other material contracts and significant matters at the Board meetings.

Details of Directors' attendance records in 2020 are set out below:

	Attendance (%)	
Executive Directors		
Mr. Tsang Chi Ming, Ricky	(4/4)	100%
Madam Wong Lei Kuan	(4/4)	100%
Non-executive Director		
Mr. Ng Ming Wah, Charles	(4/4)	100%
Independent Non-executive Directors		
Dr. Lau Yue Sun	(4/4)	100%
Mr. Li Ka Fai, David	(4/4)	100%
Mr. Nguyen, Van Tu Peter (passed away on 16th June 2020)	(2/2)	100%
Mr. Ngan on Tak (appointed on 8th September 2020)	(1/1)	100%

Dates of regular Board meetings are scheduled in the prior year to provide sufficient notice for all the Directors an opportunity to attend. For special Board meetings, reasonable notice will be given.

BOARD OF DIRECTORS *(continued)*

Board Meetings *(continued)*

The Company Secretary assists the Chairman in establishing the meeting agenda, and each of the Directors may request inclusion of items in the agenda. Board members are also provided with timely and adequate information prior to the Board meetings, and on an on-going basis, can have separate and independent access to the Group's senior management. Where queries are raised by Directors, prompt and full responses will be given if possible.

At the Board meetings, there is open atmosphere for Directors to contribute alternative views and major decisions would only be taken after a full discussion at the meetings. For matters on transactions where Directors are considered having conflict of interests, the Directors concerned would not be counted in quorum of meeting and shall abstain from voting on the relevant resolution.

The Directors can have separate and independent access to the Company Secretary. Minutes of the meetings are kept by the Company Secretary and copies are provided to Directors.

All Directors have full and timely access to all relevant information about the Group so that they can discharge their duties and responsibilities as Directors effectively. Where any member of the Board, whether individual or as a group, needs independent professional advice, the Company will appoint a professional advisor to render such service. The costs of such professional services will be borne by the Company.

A directors' and officers' liabilities insurance in respect of legal actions against Directors and officers has also been arranged.

Chairman and Chief Executive Officer

In respect of the requirement under Code Provision A.2.1, the positions of the Chairman and the Chief Executive Officer are held by the same individual, namely, Mr. Tsang Chi Ming, Ricky during the year. As Mr. Tsang Chi Ming, Ricky has joined the Group for over thirty years and has good understanding of the Group's businesses, 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.

In addition, out of the six Board members, there are one non-executive Director and three independent non-executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards.

The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings of which they are members.

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

BOARD OF DIRECTORS *(continued)*

Appointments, Re-election and Removal of Directors

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

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

With a view to ensuring that the Board has members with the right profile of expertise, skill and ability as well as an appropriate balance of independent directors, the Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The Committee develops selection procedures for candidates, and considers different criteria including appropriate professional knowledge and industry experience, as well as consults external recruitment professionals when required.

The Company has adopted a set of nomination policy to formalize the nomination practice. The policy sets out the selection criteria and procedures for the nomination of suitable candidates to the Board. In accordance with the policy, the Committee will evaluate potential candidates by considering various factors including but not limiting to their integrity, personal ethics, qualification and business experience, ability to provide insights and practical intelligence, commitment to enhancing shareholder value, time devotion and ability to maintain good working relationship. The Board will also take Board diversity into consideration.

The Committee will also consider the independence of candidates if they will be appointed as independent non-executive Directors. The Committee will then make recommendation of suitable candidates to the Board for consideration of appointment. In case of re-appointment of retiring Directors, the Committee will review the rotation and retirement of Directors and make recommendations to the Board accordingly.

The Committee also reviews the size, structure and composition of the Board and assesses the independence of the independent non-executive Directors. The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Appointments, Re-election and Removal of Directors *(continued)*

The Nomination Committee held two meetings during the year to review the structure, size and composition of the Board including diversity consideration. It also discussed the nominations of Director and other relevant matters. The attendance records were as follows:

Members	Attendance (%)	
Dr. Lau Yue Sun (Chairman)	(2/2)	100%
Mr. Li Ka Fai, David	(2/2)	100%
Mr. Nguyen, Van Tu Peter (passed away on 16th June 2020)	(1/1)	100%
Mr. Ngan On Tak (appointed on 8th September 2020)	(0/0)	N/A
Mr. Ng Ming Wah, Charles	(2/2)	100%
Mr. Tsang Chi Ming, Ricky	(2/2)	100%

Training and Support for Directors

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

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

	Type of trainings
Executive Directors	
Mr. Tsang Chi Ming, Ricky	A, B
Madam Wong Lei Kuan	A, B
Non-executive Director	
Mr. Ng Ming Wah, Charles	A, B
Independent Non-executive Directors	
Dr. Lau Yue Sun	A, B
Mr. Li Ka Fai, David	A, B
Mr. Nguyen, Van Tu Peter (passed away on 16th June 2020)	N/A
Mr. Ngan On Tak (appointed on 8th September 2020)	A, B

A: attending seminars and/or conferences

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

BOARD OF DIRECTORS *(continued)*

Compliance with Model Code

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

REMUNERATION COMMITTEE

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

The key role of the Committee is to establish a formal and transparent procedure for developing remuneration policy and to review the remuneration packages of the executive Directors and members of the senior management with reference to the Board's corporate goals. The main objective of the remuneration policy is to ensure that the Company is able to attract, retain and motivate a high-calibre team of staff.

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

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

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

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

The Remuneration Committee held two meetings during the year to review the remuneration packages of individual executive Directors and senior management. The attendance records were as follows:

Members	**Attendance (%)**	
Mr. Nguyen, Van Tu Peter (Chairman, passed away on 16th June 2020)	(2/2)	100%
Mr. Ngan On Tak (Chairman, appointed on 8th September 2020)	(0/0)	N/A
Dr. Lau Yue Sun	(2/2)	100%
Mr. Li Ka Fai, David	(2/2)	100%
Mr. Ng Ming Wah, Charles	(2/2)	100%
Mr. Tsang Chi Ming, Ricky	(2/2)	100%

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for overseeing the preparation of financial statements of each financial period which give a true and fair view of the financial position of the Group and the results for the corresponding period, as well as inside information and other financial disclosures as required. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. In preparing the financial statements for the year, the Directors have:

– selected suitable accounting policies and applied them consistently;

– adopted accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants;

– made judgements and estimates that are reasonable; and have prepared the financial statements on the going concern basis.

Audit Committee

The Audit Committee was established in 1998. Currently the Committee comprises three independent non-executive Directors and a non-executive Director, and is chaired by Mr. Li Ka Fai, David who has extensive accounting and auditing experiences.

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

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

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

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

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

ACCOUNTABILITY AND AUDIT *(continued)*

Audit Committee *(continued)*

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

Members	Attendance (%)	
Mr. Li Ka Fai, David (Chairman)	(5/5)	100%
Mr. Nguyen, Van Tu Peter (Deputy Chairman, passed away on 16th June 2020)	(3/3)	100%
Dr. Lau Yue Sun	(5/5)	100%
Mr. Ngan On Tak (appointed on 8th September 2020)	(1/1)	100%
Mr. Ng Ming Wah, Charles	(5/5)	100%

RISK MANAGEMENT AND INTERNAL CONTROL

Overall Responsibility

Effective risk management and internal control systems are the essential element for the achievement of corporate goals. The Board therefore acknowledges its responsibility to evaluate and determine the nature and extent of the risks of the Group is willing to take. Senior management of the Group should formulate and implement the internal control system to facilitate risk management.

The Board, through the Audit Committee, is also responsible for ensuring, maintaining and reviewing the effectiveness of the risk management and internal control systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management Strategy

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

– provide clear responsibility and accountability structures for risk management;

– determine the Group's risk profile within risk appetite;

– hold regular meetings to review the management of these risks and the effectiveness of mitigation plans and controls;

– actively identify the positive business opportunities in relation to these risks;

– embed risk management in core operations and decision-making process;

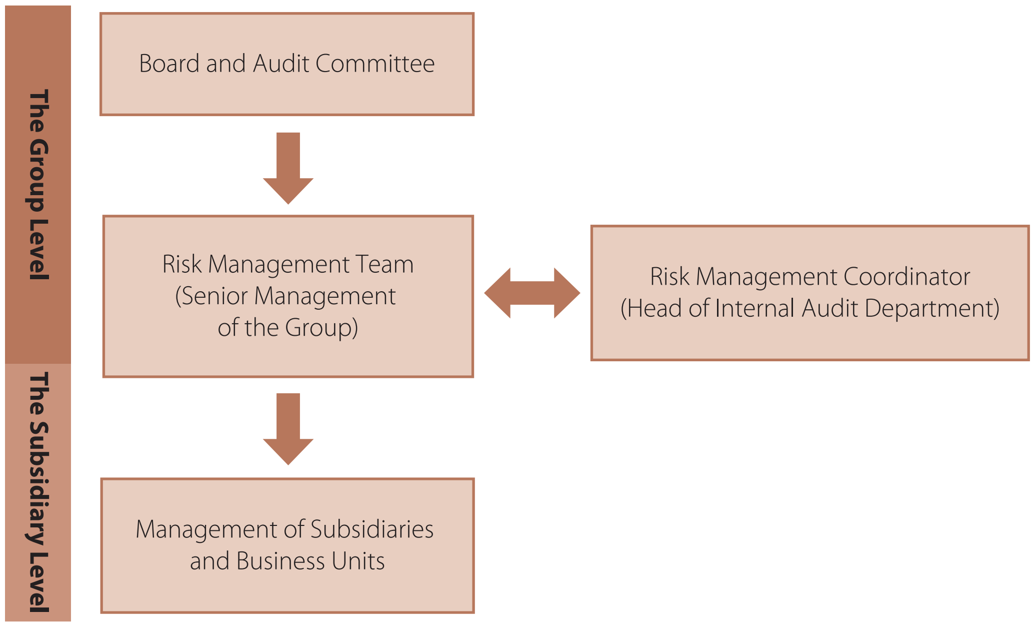
– allocate sufficient resources to develop, maintain and streamline risk management strategies and its policies.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Structure

In order to improve the Group's risk management and to enhance its management standards and ability to mitigate risks, the Board has established its organizational structure on risk management. The Group's risk management organizational structure includes a 3-tier framework, namely the Board and Audit Committee, Risk Management Team comprising of senior management of the Group and management of subsidiaries and business units. Details of which are set out as follows:



Key roles performed by various parties within the risk management structure are set out below:

Board and Audit Committee

- Overseeing the structure and duties of the risk management functions;
- Assessing the effectiveness of the underlying risk management system;
- Reviewing assessment reports on major risk factors and other various risk management reports.

Risk Management Team (Senior Management of the Group)

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

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Structure *(continued)*

Risk Management Coordinator (Head of Internal Audit Department)

- Organizing and coordinating departments and business units of the Group for the promotion of risk management functions;
- Facilitating the Risk Management Team in assessing risks and proposing respective risk management measures;
- Facilitating the Risk Management Team in reporting significant risks, material changes and the associated mitigating actions and highlights to the Audit Committee to enhance the accountability and quality of the risk management process;
- Assisting the Risk Management Team in promoting the risk management culture of the Group and various risk control and assessment duties.

Management of Subsidiaries and Business Units

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

Risk Management Process

The Group has adopted a "Risk Management Manual" setting out the Group's risk management cycle. The five major steps included in the cycle are risk identification, risk analysis, risk handling, risk monitoring and risk reporting.

If there are any new or change in risk factors, responsible risk owners are required to reassess the existing risk management measures and promptly propose new ones if necessary. Being an integral part of the Group's Risk Management Team to provide assurance on the effectiveness of the Group's risk management process and system of internal control, the Internal Audit Department carries out assessment on the risk management progress and risk responses submitted by risk owners.

During the year, the Group coordinated the management of all major business units to walk through the risk management cycle. To maintain a sustainable and profitable business model is the major risk of the Group identified from this assignment.

During the year, the Group was not aware of any unexpected adverse changes that were significant to the risks related to the Group's business. The Board has also received a confirmation from management on the effectiveness of the Group's risk management and internal control systems.

The Group has implemented appropriate procedures and control for the handling and dissemination of inside information. Guidelines setting out respective statutory and regulatory requirements, definition of inside information, reporting channel, timing and mode for the disclosure and other necessary information are in place. Designated staff will review the nature and materiality of the subject matter and identify whether it would constitute an inside information in the first instance. Appropriate actions, including consultation of external professional advice in confidentiality, will be taken to ensure the information is handled and disseminated properly in accordance with relevant requirements.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Internal Controls

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

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

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

– a distinct organizational structure exists with defined lines of authority and control responsibilities;

– a comprehensive management accounting system is in place to provide financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose;

– policies and procedures are designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication;

– systems and procedures are also in place to identify, measure, manage and control risks including reputation, strategic, legal, credit, market, liquidity, interest rate and operational risks;

– procedures are designed to ensure compliance with applicable laws, rules and regulations;

– Audit Committee reviews recommendations submitted by external auditors to the Group's management in connection with the annual audit and interim review.

The Group's Internal Audit Department plays a major role in monitoring the internal control of the Group. The Department conducts systematic reviews of the Group's risk management and internal control systems by using a risk-based audit approach and reviews the effectiveness of the Group's internal control system against the Integrated Internal Control Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in order to provide reasonable assurance of the effectiveness of the system. The Department reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and internal control system. The Department summarizes audit findings and control weaknesses and reports to the Audit Committee on a regular basis. If any material internal control defects are identified, the Department would report to the Audit Committee promptly and help ensure proper remedial actions are taken by management to resolve the internal control defects.

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

During the year, the Audit Committee, as delegated by the Board, has conducted an annual review on the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls as well as risk management functions for the calendar year 2020. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

External Auditors and their Remuneration

The external audit function provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. A statement by the Company's external auditors, PricewaterhouseCoopers, in respect of their reporting responsibilities is set out in the Independent Auditor's Report on page 66.

During the year, total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$3,018,000, of which a sum of HK$2,680,000 was paid to PricewaterhouseCoopers. The remuneration for PricewaterhouseCoopers and its affiliated firms, for services rendered is broken down below:

	HK$
Statutory audit and interim review fee	2,680,000
Tax and other consulting services	168,000
Total	2,848,000

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS *(continued)*

The 2020 annual general meeting was held on 15th May 2020. Due to the outbreak of COVID-19, certain precautionary measures had been taken in the meeting. The attendance records of the Directors at the meeting were as follows:

	Attended/held
Executive Directors	
Mr. Tsang Chi Ming, Ricky	1/1
Madam Wong Lei Kuan	0/1
Non-executive Director	
Mr. Ng Ming Wah, Charles	1/1
Independent Non-executive Directors	
Dr. Lau Yue Sun	1/1
Mr. Li Ka Fai, David	1/1
Mr. Nguyen, Van Tu Peter (passed away on 16th June 2020)	1/1

Note: Mr. Ngan On Tak was appointed as an independent non-executive Director after the meeting on 8th September 2020.

The Company has also adopted a dividend policy during the year. In considering the declaration and distribution of dividends, the Board will take into account a number of factors including the Group's financial results, cash flow status, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that the Board may consider relevant. In addition, the Group shall maintain adequate cash reserves to meet its working capital requirements, future business expansion and its shareholding value in recommending or declaring dividends.

Convening a General Meeting on Requisition by Shareholders

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

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

During the year ended 31st December 2020, the Company has not made any changes to its Articles of Association. The latest version of the same is available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2020.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 to the financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 74.

The Directors declared an interim dividend of 3.0 HK cents (2019: 5.5 HK cents) per ordinary share, totalling HK$29,463,000 (2019: HK$54,016,000), which was paid on 15th September 2020.

The Directors recommend the payment of a final dividend of 6.5 HK cents (2019: 9.5 HK cents) per ordinary share totalling HK$63,838,000 (2019: HK$93,301,000) in respect of the year ended 31st December 2020. Subject to the shareholders' approval at the Annual General Meeting to be held on 14th May 2021, the final dividend will be paid on or about 1st June 2021.

BUSINESS REVIEW

Further discussion and analysis of the Group's business as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622) is set out in the Chairman's Statement on pages 8 to 13. Those relevant contents form part of this Report of the Directors. Details of the Group's financial risk management are disclosed in note 3 to the financial statements.

Relevant details of the Company's environment policies and performance and key relationships with employees, customers and suppliers are set out in the Environmental, Social and Governance Report on pages 22 to 41. The Directors were not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the year.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$2,789,000 (2019: HK$1,634,000).

PRINCIPAL PROPERTIES

Details of the principal properties of the Group held for investment, own use and development purposes at 31st December 2020 are set out on pages 14 to 21.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31st December 2020 are set out in note 17 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2020, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$182,019,000 (2019: HK$308,115,000).

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of Hong Kong, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 140.

DIRECTORS

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

Executive Directors:

Mr. Tsang Chi Ming, Ricky
Madam Wong Lei Kuan

Non-executive Director:

Mr. Ng Ming Wah, Charles

Independent Non-executive Directors:

Dr. Lau Yue Sun
Mr. Li Ka Fai, David
Mr. Nguyen, Van Tu Peter (passed away on 16th June 2020)
Mr. Ngan On Tak (appointed on 8th September 2020)

In accordance with Article 92 of the Company's Articles of Association, Mr. Ngan On Tak holds office until the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 101 of the Company's Articles of Association, Mr. Ng Ming Wah, Charles retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received confirmation from each of the independent non-executive Directors concerning their independence from the Company and considers them to be independent.

REPORT OF THE DIRECTORS

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

During the year and up to the date of this report, Mr. Tsang Chi Ming, Ricky, Madam Wong Lei Kuan and Mr. Ng Ming Wah, Charles were also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report were:

Ms. Chan Ngan Ling, Barbara (resigned on 31st October 2020)
Ms. Farah Hazleda Binti Zulcaffle
Mr. Kam Yiu Kwok
Mr. Quek Chew Teck
Ms. Siew Ah Ngan (resigned on 31st December 2020)
Mr. Tsang Chi Mao, Jimmy
Mr. Tsang Wing Hong
Mr. Wang Bing Hong

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Descriptions of the Directors and Senior Management of the Group are set out as follows:

Executive Directors

Mr. Tsang Chi Ming, Ricky, J.P., aged 54, is the Chairman and Chief Executive Officer of the Group. Mr. Tsang joined the Group in 1989 and was appointed as an executive Director in 2001 and as the Chief Executive Officer in 2005. Mr. Tsang was re-designated as Chairman in April 2018. He has extensive commercial experience and is a member of the National Committee of the C.P.P.C.C.. Mr. Tsang is also vice chairman of Guangdong Federation of Industry & Commerce, vice chairman of Guangdong Province Federation of Returned Overseas Chinese, chairman of The Association of Overseas and Domestic Guangdong Hakka, vice chairman of the Chinese General Chamber of Commerce, founding chairman of Hong Kong Guangdong Youth Association, executive chairman of Hong Kong Hakka Associations, executive chairman of Hong Kong Federation of Meizhou Associations, chairman of Hong Kong Meizhou General Chamber of Commerce, vice president of Centum Charitas Foundation, chairman of Proactive Think Tank Limited and an honorary citizen of Guangzhou and Meizhou. He is a son of Madam Wong Lei Kuan, executive Director of the Company.

Madam Wong Lei Kuan, aged 83, is a founder of the Group. She is honorary executive committee member of the All-China Women's Federation, life honorary chairman of Hong Kong Meizhou General Chamber of Commerce and a supervising advisor of the Hong Kong Federation of Women. Madam Wong is also honorary chairman of Ladies' Sub-Committee of the Chinese General Chamber of Commerce and director of the China Council for the Promotion of Peaceful National Reunification. Besides, Madam Wong has served as standing committee member of the Chinese General Chamber of Commerce, standing council member of the China Women's Development Foundation and a member of the C.P.P.C.C. Guangdong of the PRC from the Seventh through the Ninth session. She is the mother of Mr. Tsang Chi Ming, Ricky, executive Director of the Company.

Non-executive Director

Mr. Ng Ming Wah, Charles, aged 71, was appointed to the Board in July 1992. Mr. Ng graduated from Loughborough University in England in 1972 with a B.Sc. degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies (London Business School) in England in 1974 with an M.Sc. degree in Business Studies. Mr. Ng has over 45 years of experience in corporate finance and investment banking. He is a director of Somerley Capital Limited, the principal business of which is the provision of corporate financial advisory services. Mr Ng is also a non-executive director and member of the audit committee of King Fook Holdings Limited (stock code: 280).

REPORT OF THE DIRECTORS

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

Independent Non-executive Directors

Dr. Lau Yue Sun, B.B.S., aged 80, is the managing director of New Products Investment Limited and Jip Fair Development Limited. Dr. Lau has over 45 years of experience in manufacturing, electronics, plastic injection products and import/export business. He is a member of the Election Committee of Hong Kong SAR, an honorary standing committee member of the Chinese General Chamber of Commerce, permanent honorary president of Hong Kong Industrial & Commercial Association and director of Hong Kong Guangdong Chamber of Foreign Investors. He is also an advisor of Guangdong Education Foundation, vice chairman of Zhongkai University of Agriculture and Engineering, as well as honorary citizen of Shenzhen, Heyuan, Meizhou and Xingning. Previously, Dr. Lau served as member of the Eighth, Ninth, Tenth and Eleventh session of the National Committee of the C.P.P.C.C.. He was appointed to the Board in December 1994.

Mr. Li Ka Fai, David, aged 66, is a fellow of the Association of Chartered Certified Accountants, U.K. and currently a senior advisor of SHINEWING (HK) CPA Limited. Mr. Li is an independent non-executive director and chairman of the audit committee of each of Shanghai Industrial Urban Development Group Limited (stock code: 563) and Wai Yuen Tong Medicine Holdings Limited (stock code 897). He is also an independent non-executive director, chairman of the audit committee, member of the nomination committee and member of the remuneration committee of each of China-Hongkong Photo Products Holdings Limited (stock code: 1123) and Cosmopolitan International Holdings Limited (stock code: 120), an independent non-executive director, member of the audit committee, member of the nomination committee and chairman of the remuneration committee of China Merchants Port Holdings Company Limited (stock code: 144), an independent non-executive director, member of the audit committee and member of the remuneration committee of AVIC International Holding (HK) Limited (stock code: 232) and an independent non-executive director, chairman of the audit committee and chairman of the remuneration committee, member of the nomination committee of CR Construction Group Holdings Limited (stock code: 1582). Mr. Li was appointed to the Board in August 2010.

Mr. Ngan On Tak, aged 70, graduated from the University of Hong Kong with a Bachelor of Laws Degree in 1976 and obtained a Postgraduate Certificate in Laws in 1977. Mr. Ngan was admitted as a solicitor in Hong Kong in 1979. He became a partner of F. Zimmern & Co., a law firm in Hong Kong, in 1982 and a senior partner in 2005. Mr. Ngan retired from the partnership in 2019 and ceased to be a consultant of the firm in 2020. He was a member of the Hong Kong Law Society's Title Registration Working Party and was its chairman from 2008 to 2012. Mr. Ngan was appointed to the Board in September 2020.

Senior Management

Mr. Tsang Wing Hong, aged 58, was appointed as the Deputy Chief Executive Officer of the Group in May 2012 and also as the chief executive officer of the Group's China Mainland operations in December 2012. He reports to the Chief Executive Officer of the Group and assists in discharging executive duties relating to the supervision and management of the day-to-day operations. Mr. Tsang graduated from the University of Birmingham in the United Kingdom with a Bachelor's Degree in Mathematics in 1986 and obtained his MBA Degree from the Kellogg School of Management at Northwestern University and the Hong Kong University of Science and Technology EMBA Program in 2008. In addition, He has completed executive programs in leading universities including Harvard University, INSEAD and TsingHua University. Mr. Tsang has over 30 years of experience in retail management, sales and marketing management, and operational management. Prior to joining the Company, Mr. Tsang spent 8 years with the Hong Kong Jockey Club (the "Club"). He was the Club's Head of Betting Services (Off-course) from May 2004 to March 2009 and the Head of Betting Services (Cashbet) from April 2009 to May 2012 respectively. Before that, Mr. Tsang worked in Hong Kong Telecommunications Limited (and subsequently PCCW Limited) for 10 years, where he held several general manager positions before he was made the director of retail and direct sales.

REPORT OF THE DIRECTORS

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

Senior Management *(continued)*

Mr. Kam Yiu Kwok, aged 58, is the Chief Financial Officer and Company Secretary of the Group. Mr. Kam joined the Group in 1999 as an accounting manager. He was appointed as Secretary of the Company in 2000 and also as Chief Financial Officer in 2010. Mr. Kam takes full responsibility for the Group's financial management, investor relations and company secretarial functions. He has extensive experience in accounting and finance, and is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. Wang Bing Hong, aged 57, re-joined the Group in January 2016 as the Deputy Executive General Manager and was appointed as the General Manager of the Group's China Mainland apparel operation in January 2018. He oversees the sales and operations of our apparel activities in the Mainland. Mr. Wang graduated from the Hunan Normal University with a Bachelor's Degree in Mathematics in 1985 and obtained a Master of Engineering Management from the Ocean University of China in 1988. He has over 25 years solid experience in sales and marketing of apparel products in China Mainland. Mr. Wang worked with the Group from 1994 and was the project director of our China Mainland apparel operation prior to his leave in 2009.

Mr. Tsang Pui Yuen, aged 53, joined the Group in December 2013 as the Group's General Manager, Property. He is fully in charge of the Group's property activities in China Mainland and Hong Kong. Mr. Tsang is a Registered Professional Surveyor and is a member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. Mr. Tsang has over 25 years of experience in the real estate profession. Prior to joining the Group, Mr. Tsang held senior position in a Hong Kong listed company with wide range of property investment and development activities.

Mr. Tu Wu Yi, aged 59, graduated with an Executive Master of Business Administration Degree. Mr. Tu is a qualified accountant in China Mainland and has more than 30 years of experience in finance. He has extensive experience in working with large enterprises and listed companies in China Mainland. He joined the Group in 2000 and is now the chief financial officer of the Group's operations in China Mainland in charge of various financial matters of our Mainland operation.

Ms. Zhou Yan Ling, aged 48, joined the Group in February 2013 as the human resources director of our China Mainland operation. Ms. Zhou graduated from Nankai University in the PRC with a Bachelor's Degree in Physical Electronics and obtained a Master's Degree in Business Administration from the Sun Yat-sen University in the PRC. She has over 20 years of experience in human resources. Prior to joining the Group, Ms. Zhou held senior human resources positions from multinational corporations, including P&G and Novartis China.

REPORT OF THE DIRECTORS

SHARE OPTIONS

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF 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 31st December 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 to be kept by the Company under section 352 of Part XV of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Ordinary shares of the Company at 31st December 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.

(b) Save as disclosed above, as at 31st December 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.

(c) Save as disclosed above, at no time during the year ended 31st December 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 undertakings or other associated corporation.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 31st December 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.

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.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Other than as disclosed under the section "Connected Transactions" below, no transactions, arrangements and contracts of significance to which the Company's subsidiaries was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

The following transaction between a connected party (as defined in the Listing Rules) and the Group has been entered into and/or is ongoing and is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

(a) The Group paid professional fees of HK$320,000 to Equitas Capital Limited during the year in the ordinary course of its business. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and the principal shareholder of Equitas Capital Limited.

The related party transactions as disclosed under notes 34(a) and 34(b) to the consolidated financial statements constitute connected transactions or continuing connected transactions under the Listing Rules.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

There is no advance (including guarantee given by the Company and any of its subsidiaries), which is of non-trading nature, to any of the affiliated companies as at 31st December 2020 as defined under Chapter 13 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased 10% and 32% of its inventories from its largest supplier and five largest suppliers in aggregate respectively, and sold 3% and 10% of its goods to its largest customer and five largest customers in aggregate respectively.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest (as defined in the Listing Rules) in these major suppliers and customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates are considered to have interests in a business which compete or are likely to compete, either directly or indirectly, with the Group's business pursuant to Rule 8.10 of the Listing Rules during the year.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 42 to 54.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors of the Company is currently in force and was in force throughout this year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

AUDITOR

The financial statements for the year ended 31st December 2020 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

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

Hong Kong, 17th March 2021

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries ("the Group") set out on pages 72 to 139, which comprise:

- the consolidated balance sheet as at 31st December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Carrying value of inventory
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Carrying value of inventory	
Refer to note 12 to the consolidated financial statements The Group held inventory of HK$156 million as at 31st December 2020. When assessing the carrying value of inventory at each period end, the Group consistently applies a provisioning methodology for slow moving inventory based on inventory ageing and makes specific provision for obsolete inventory. We focused on this area because the estimation of provision percentages applied to different aged inventory categories and the estimation of specific provision for obsolete inventory are subject to high degree of estimation uncertainty. The inherent risk in relation to carrying value of inventory is considered significant as it involved significant judgement based on historical experience of selling products of similar nature through various sales channels as well as expectation of future sales under current market condition. These estimations are also subject to uncertainty as a result of change of market trends, customer preference and competitor actions.	We obtained an understanding of the management's internal control and assessment process of the carrying value of inventory and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We examined the basis of the methodology with respect to inventory provision and evaluated, amongst others, the outcome of management's estimations in prior year, analysis and assessment made by management with respect to slow moving and obsolete inventory. We evaluated the assumptions and estimates applied by management to determine the provisioning percentages applicable to individual ageing category of inventory by testing the accuracy of historical information involved, comparing with current year and historical sales trends of similar products and performing sensitivity analysis on changes of major assumptions of future sales, such as sales through rate and sales margin. We tested the accuracy of the ageing profile of the inventory used in the calculation of provision. We performed a recalculation of the inventory provision and the net realizable value using the ageing profile of the inventory as at 31st December 2020 and the provision percentages determined by management. Based on the procedures described, we considered management's judgement and estimates, which formed the basis of the carrying value of inventory, were supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 8 to the consolidated financial statements. The Group held investment properties of HK$2,950 million as at 31st December 2020 which were stated at fair values. The fair value losses from the investment properties for the year ended 31st December 2020 approximates to HK$60 million. We focused on this area because the aggregate carrying amounts represented approximately 56% of total assets of the Group as at 31st December 2020 and the fair values are dependent on the methodologies used and are sensitive to changes of inputs used in the valuations. Fair values of the Group's investment properties are supported by valuation performed by independent professional valuers. The valuers adopted the income approach, which took into account the rental values and gross reversionary yields, and direct comparison approach, which largely used unobservable inputs including market rent, yield, etc.	We obtained an understanding of the management's internal control and assessment process of the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We assessed the competency, capability and objectivity of the independent external valuers by considering their qualifications, relevant experience and relationship with the Group. We involved our internal valuation specialist in our discussion with the external valuers to understand the rationale of the chosen valuation methods and the assumptions applied; and based on which we assessed the appropriateness of the methodologies used and the reasonableness of assumptions applied, where applicable, we further compared, on a sample basis, the data inputs and assumptions used in the valuation models, such as gross reversionary yields and rental values, to market and industry data. Based on the procedures described, we considered the methodologies used and key assumptions applied in the valuation of the Group's investment properties were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chow Shiu Hay, Antonio.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17th March 2021

CONSOLIDATED BALANCE SHEET

As at 31st December 2020

	Note	As at 31st December 2020 HK$'000	As at 31st December 2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**142,299**	148,136
Right-of-use assets	7	**50,321**	69,121
Investment properties	8	**2,950,107**	2,900,247
Financial assets at fair value through other comprehensive income	9	**6,215**	6,209
Deferred income tax assets	20	**51,580**	54,876
		3,200,522	3,178,589
Current assets			
Property under development held for sale	11	**424,548**	258,082
Inventories	12	**156,479**	243,095
Trade receivables	14	**99,257**	109,704
Prepayments, deposits and other receivables	14	**121,930**	98,760
Contract assets	15	**49,442**	84,662
Tax recoverable		**472**	215
Bank deposits	16	**745,102**	822,169
Cash and cash equivalents	16	**492,715**	385,832
		2,089,945	2,002,519
Total assets		**5,290,467**	5,181,108
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	17	**1,101,358**	1,101,358
Reserves	18	**3,318,880**	3,122,016
Total equity		**4,420,238**	4,223,374

CONSOLIDATED BALANCE SHEET

As at 31st December 2020

	Note	As at 31st December 2020 HK$'000	As at 31st December 2019 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables and accruals	19	**33,116**	20,739
Lease liabilities	21	**2,806**	9,900
Deferred income tax liabilities	20	**445,477**	424,219
		481,399	454,858
Current liabilities			
Trade payables	19	**25,171**	49,806
Other payables and accruals	19	**152,989**	160,375
Contract liabilities	15	**189,733**	264,340
Lease liabilities	21	**7,710**	16,530
Current income tax liabilities		**13,227**	11,825
		388,830	502,876
Total liabilities		**870,229**	957,734
Total equity and liabilities		**5,290,467**	5,181,108

On behalf of the Board

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

Madam Wong Lei Kuan
Executive Director

The notes on pages 78 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2020

	Note	2020 HK$'000	2019 HK$'000
Turnover	5	**1,239,276**	1,591,930
Cost of sales	23	**(512,776)**	(678,577)
Gross profit		**726,500**	913,353
Other (losses)/gains	22	**(60,255)**	51,518
Selling and marketing costs	23	**(354,888)**	(443,324)
Administrative expenses	23	**(145,949)**	(171,280)
Operating profit		**165,408**	350,267
Interest income	28	**21,265**	23,902
Interest expense	28	**(1,186)**	(1,538)
Profit before income tax		**185,487**	372,631
Income tax expense	29	**(37,201)**	(66,603)
Profit for the year attributable to owners of the Company		**148,286**	306,028
		HK cents	HK cents
Earnings per share for profit attributable to owners of the Company during the year – Basic and diluted	31	**15.10**	31.16

The notes on pages 78 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2020

	2020 HK$'000	2019 HK$'000
Profit for the year	**148,286**	306,028
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss		
Revaluation of investment property upon reclassification from right-of-use assets and property, plant and equipment	**–**	5,670
Change in fair value of financial assets at fair value through other comprehensive income	**(382)**	(484)
Income tax relating to these items	**96**	(1,296)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**171,628**	(41,791)
Other comprehensive income/(loss) for the year	**171,342**	(37,901)
Total comprehensive income for the year attributable to owners of the Company	**319,628**	268,127

The notes on pages 78 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2020

	Share capital HK$'000	Other reserves (note 18) HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January 2019	1,101,358	315,336	2,720,244	4,136,938
Comprehensive income				
Profit for the year	–	–	306,028	306,028
Other comprehensive loss				
Revaluation of investment property upon reclassification from right-of-use assets and property, plant and equipment	–	4,253	–	4,253
Change in fair value of financial assets at fair value through other comprehensive income	–	(363)	–	(363)
Currency translation differences	–	(41,791)	–	(41,791)
Total other comprehensive loss for the year	–	(37,901)	–	(37,901)
Total comprehensive (loss)/income for the year	–	(37,901)	306,028	268,127
Final dividend relating to 2018	–	–	(127,675)	(127,675)
Interim dividend relating to 2019	–	–	(54,016)	(54,016)
Total transactions with owners in their capacity as owners	–	–	(181,691)	(181,691)
Balance at 31st December 2019	1,101,358	277,435	2,844,581	4,223,374
Balance at 1st January 2020	**1,101,358**	**277,435**	**2,844,581**	**4,223,374**
Comprehensive income				
Profit for the year	**–**	**–**	**148,286**	**148,286**
Other comprehensive income				
Change in fair value of financial assets at fair value through other comprehensive income	**–**	**(286)**	**–**	**(286)**
Currency translation differences	**–**	**171,628**	**–**	**171,628**
Total other comprehensive income for the year	**–**	**171,342**	**–**	**171,342**
Total comprehensive income for the year	**–**	**171,342**	**148,286**	**319,628**
Appropriation to reserves (note 18(i))	**–**	**1**	**(1)**	**–**
Final dividend relating to 2019 (note 30)	**–**	**–**	**(93,301)**	**(93,301)**
Interim dividend relating to 2020 (note 30)	**–**	**–**	**(29,463)**	**(29,463)**
Total transactions with owners in their capacity as owners	**–**	**1**	**(122,765)**	**(122,764)**
Balance at 31st December 2020	**1,101,358**	**448,778**	**2,870,102**	**4,420,238**

The notes on pages 78 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**118,185**	181,944
Interest paid	28	**(1,186)**	(1,538)
Income tax paid		**(34,872)**	(74,405)
Net cash generated from operating activities		**82,127**	106,001
Cash flows from investing activities			
Purchases of property, plant and equipment	6	**(13,332)**	(7,085)
Additions to investment properties	8	**(4,243)**	(31,863)
Proceeds from disposals of property, plant and equipment	32(a)(i)	**394**	93
Decrease in bank deposits with maturity over 3 months		**113,132**	73,506
Interest received		**22,270**	24,469
Net cash generated from investing activities		**118,221**	59,120
Cash flows from financing activities			
Principal elements of lease payments	32(c)	**(17,170)**	(13,390)
Dividends paid to owners of the Company		**(122,764)**	(181,691)
Net cash used in financing activities		**(139,934)**	(195,081)
Net increase/(decrease) in cash and cash equivalents		**60,414**	(29,960)
Cash and cash equivalents at 1st January		**385,832**	423,632
Effect of foreign exchange rate changes		**46,469**	(7,840)
Cash and cash equivalents at 31st December	16	**492,715**	385,832

The notes on pages 78 to 139 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 to the financial statements.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 7th floor, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong SAR.

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17th March 2021.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and the significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

2.1 Basis of preparation

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

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

(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$3,486,000 have been credited to the consolidated income statement within "selling and marketing costs".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) Amended 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

(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

The above new and amended standards are not expected to have a material impact on the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement.

Translation differences on non-monetary assets such as equities classified as FVOCI are recognized in other comprehensive income ("OCI").

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognized in OCI. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to the income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment

Land and buildings comprise mainly factories, retail outlets and offices other than investment properties as mentioned in note 2.6. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated depreciation rates as follows:

Buildings	2% to 5%
Plant and machinery	10% to 20%
Furniture and fixtures	20% to 33%
Computers	20% to 33%
Motor vehicles	20% to 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

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

2.6 Investment properties

Investment properties, principally comprising leasehold land, land use right and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases is classified and accounted for as investment properties when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment properties are measured initially at their costs, including related transaction costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other (losses)/gains.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Impairment of investments in subsidiaries and non-financial assets

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Property under development held for sale

Property under development held for sale is stated at the lower of cost and net realizable value. Development cost of property comprises cost of land use rights, construction costs and professional fees incurred during the development period. Upon completion, the property is transferred to completed property held for sale.

Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to completion.

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

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

– those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated income statement.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement. Dividends received from such investments continue to be recognized in the consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "other income and gains – net" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

(d) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 "Financial instruments" ("HKFRS 9"), which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

2.11 Offsetting financial instruments

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

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See note 14 for further information about the Group's accounting for trade receivables and note 2.10(d) for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.14 Share capital

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Trade and other payables

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

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The deferred tax liability in relation to investment properties that are measured at fair value is determined assuming the properties will be recovered entirely through use and through sale for investment properties in the PRC and other region respectively.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in the income statement, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

(b) Profit sharing and bonus plans

The expected costs of profit sharing and bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within the next twelve months and are measured at the amounts expected to be paid when they are settled.

(c) Pension obligations

The Group operates defined contribution retirement schemes which are available for all qualified employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. For the retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and/or are reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the Group's contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in China Mainland and is required to make annual contributions to these schemes. The municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contributions under these schemes. The contributions are charged to the income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Revenue recognition

(a) Sale of goods – wholesale

The Group manufactures and sells a range of garments, leather goods and accessories to distributors. Sales are recognized when control of the products has transferred, being when the products are delivered to the distributors, at a point in time.

The goods are often sold with volume discounts based on aggregate sales. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. A liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present. Sales return provisions are recorded based on the contracted return of goods. The Group estimates the sales return provision based on accumulated experience and the terms in the sales contracts with distributors.

(b) Sale of goods – retail

The Group sells garments, leather goods and accessories through chain of retail stores and e-commerce platform. Revenue from the sale of goods is recognized when a group entity sells a product to the customer, the point in time when the control of the goods has been transferred to the customer. Payment of the transaction price is due immediately when the customer purchases the goods.

(c) Rental income from investment properties

Rental income from investment properties is recognized on a straight-line basis over the period of the respective leases.

(d) Licensing income and building management fee

Licensing income and building management fee are recognized in the accounting period in which the services are rendered.

2.19 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Leases

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.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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 FINANCIAL STATEMENTS

For the year ended 31st December 2020

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Leases *(continued)*

(a) Variable lease payments

Estimation uncertainty arising from variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. There is a wide range of sales percentages applied for different stores. For the year ended 31st December 2020, 50% of the total lease payments is charged on a term of variable payment basis. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

(b) 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.

2.21 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders for final dividend and Board of Directors for interim dividend.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of an asset, liability or highly probable forecast transaction denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group operates in various regions and is exposed to foreign exchange risk primarily arising from bank deposits, cash and cash equivalents, trade receivables and interest receivables which are denominated in Renminbi and Singapore dollar, and net investments in foreign subsidiaries in China Mainland and Singapore.

At 31st December 2020, if Hong Kong dollar had weakened/strengthened by 6% against Renminbi with all other variables held constant, post-tax profit for the year would have been HK$3,397,000 (2019: HK$1,192,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated bank deposits, cash and cash equivalents, trade receivables and interest receivables.

Management believes that the appreciation/depreciation of Singapore dollar against Hong Kong dollar would not have a material effect on the Group's post-tax profit for the year. Therefore, no sensitivity analysis for Singapore dollar is presented.

(ii) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates, except for the interest income derived from bank deposits. Apart from bank deposits, the Group has no significant interest bearing assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is managed on a group basis and individual basis. Credit risk arises from cash and cash equivalents and deposits with banks, credit exposures to wholesale and retail customers and other parties, including outstanding receivables and deposits and other receivables.

(i) Risk management

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

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

As at 31st December 2020, the financial assets of the Group that are exposed to credit risk and their maximum exposures are as follows:

	As at 31st December 2020		As at 31st December 2019	
	Carrying amount in balance sheet HK$'000	**Maximum exposure to credit risk HK$'000**	Carrying amount in balance sheet HK$'000	Maximum exposure to credit risk HK$'000
Financial assets:				
Trade receivables	**99,257**	**99,257**	109,704	109,704
Deposits and other receivables	**21,646**	**21,646**	25,790	25,790
Bank deposits and cash and cash equivalents	**1,237,817**	**1,237,761**	1,208,001	1,207,915

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets

Cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements under HKFRS 9, yet the identified impairment loss is immaterial because the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC.

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets without financing components.

To measure the ECL, trade receivables have been grouped based on the settlement profiles of customers, shared credit risk characteristics and the days past due. The contract assets arise from the right to recover products from customer on settling right of return obligation. The Group has therefore concluded that the loss rates for contract assets should be considered separately from trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 1st January 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factor affecting the ability of the customers to settle the receivables.

On this basis, ECL rate of contract assets is assessed to be close to zero, as at 31st December 2020. In respect of trade receivables, the ECL rate is determined according to a provision matrix where overdue balances are provided for at expected losses rate of 1% to 20% (2019: 1% to 16%).

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

Other receivables and deposits

Other receivables and deposits are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime ECL. As at 31st December 2020, no impairment loss of deposits and other receivables was identified.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Company employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. There were no available banking facilities as at 31st December 2020 (2019: nil).

The table below analyzes the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31st December 2020				
	Less than 1 year HK$'000	**Between 1 year and 2 years HK$'000**	**Between 2 years and 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Financial liabilities:					
Trade payables	**25,171**	**–**	**–**	**–**	**25,171**
Other payables	**43,638**	**9,870**	**15,312**	**7,656**	**76,476**
Lease liabilities	**8,960**	**3,082**	**333**	**–**	**12,375**
	77,769	**12,952**	**15,645**	**7,656**	**114,022**

	As at 31st December 2019				
	Less than 1 year HK$'000	Between 1 year and 2 years HK$'000	Between 2 years and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities:					
Trade payables	49,806	–	–	–	49,806
Other payables	66,090	6,306	11,672	2,403	86,471
Lease liabilities	17,719	7,597	2,780	–	28,096
	133,615	13,903	14,452	2,403	164,373

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The Group monitors capital on the basis of the gearing ratio. Gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total lease liabilities less cash and cash equivalents. The gearing ratios at 31st December 2020 and 2019 were as follows:

	2020 **HK$'000**	2019 HK$'000
Total lease liabilities (note 21)	**10,516**	26,430
Less: cash and cash equivalents (note 16)	**(492,715)**	(385,832)
Net cash	**(482,199)**	(359,402)
Total equity	**4,420,238**	4,223,374
Gearing ratio	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value at 31st December 2020 and 2019, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 3	
	2020 HK$'000	2019 HK$'000
Asset		
Financial assets at fair value through other comprehensive income	**6,215**	6,209

There were no transfers among levels 1, 2 and 3 during the year.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

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

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

(b) Estimate of fair value of investment properties

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

(c) Income taxes

The Group is subject to income taxes in a number of different jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(d) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge prospectively where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(e) Recognition of right of return obligation

Right of return obligation is recorded based on the estimated expected sales amount in future and they are recorded when the relevant sales of goods are recognized or when there are other contractual obligations on sales return. The Group estimates the sales return provision based on contractually bound sales return amount, special sales return credit granted during the year and past experience as basis to provide for amount of sales returns at each financial report date.

(f) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, including, among others, the economic impact of the unprecedented COVID-19 pandemic on the operations of the Group and the countries in which it operates. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair values less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the assets in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's reported balance sheet and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the statement of profit or loss.

(g) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical and existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1.

5 OPERATING SEGMENTS

The Group has three reportable segments. The segments are managed separately as each business segment offers different products and services and requires different marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

Apparel in China Mainland and Hong Kong SAR – Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name in China Mainland and Hong Kong SAR.

Apparel in Singapore and Malaysia – Distribution and manufacturing of garments, leather goods and accessories in Singapore and Malaysia.

Property investment and development – Investment in and development of properties in China Mainland, Hong Kong SAR and Singapore.

The Group reports the results of its operating segments based on the internal reports reviewed by the chief operating decision maker for the purpose of making strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

5 OPERATING SEGMENTS *(continued)*

(a) Reportable segment profit before income tax and other selected financial information by operating segment

	2020					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore and Malaysia HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,032,011	34,831	172,434	1,239,276	–	1,239,276
Inter-segment sales	71	–	8,933	9,004	(9,004)	–
	1,032,082	34,831	181,367	1,248,280	(9,004)	1,239,276
Segment results	199,807	(14,883)	45,589	230,513		230,513
Unallocated costs						(45,026)
Profit before income tax						185,487
Income tax expense						(37,201)
Profit for the year						148,286
Interest income	10,745	47	6,375	17,167	4,098	21,265
Depreciation of property, plant and equipment	13,457	1,250	4,263	18,970	2,501	21,471
Depreciation of right-of-use assets	14,754	2,887	266	17,907	224	18,131
Impairment of property, plant and equipment	–	702	–	702	–	702
Impairment of right-of-use assets	–	4,328	–	4,328	–	4,328
Reportable segment assets:						
Property, plant and equipment	78,593	7,687	17,907	104,187	38,112	142,299
Right-of-use assets	46,213	479	3,432	50,124	197	50,321
Investment properties	–	–	2,950,107	2,950,107	–	2,950,107
Deferred income tax assets	–	–	–	–	51,580	51,580
Property under development held for sale	–	–	424,548	424,548	–	424,548
Inventories	150,293	6,186	–	156,479	–	156,479
Bank deposits and cash and cash equivalents	669,382	13,698	443,810	1,126,890	110,927	1,237,817
Contract assets	49,442	–	–	49,442	–	49,442
Others	115,197	6,861	96,918	218,976	8,898	227,874
Reportable segment liabilities:						
Trade payables	22,681	2,265	208	25,154	17	25,171
Other payables and accruals	58,075	1,874	109,622	169,571	16,534	186,105
Contract liabilities	185,969	–	3,764	189,733	–	189,733
Lease liabilities	5,402	4,808	100	10,310	206	10,516
Current income tax liabilities	–	–	–	–	13,227	13,227
Deferred income tax liabilities	–	–	–	–	445,477	445,477
Capital expenditure	11,600	219	5,756	17,575	–	17,575

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

5 OPERATING SEGMENTS *(continued)*

(a) Reportable segment profit before income tax and other selected financial information by operating segment *(continued)*

	2019					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore and Malaysia HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,342,736	63,420	185,774	1,591,930	–	1,591,930
Inter-segment sales	5,413	–	8,701	14,114	(14,114)	–
	1,348,149	63,420	194,475	1,606,044	(14,114)	1,591,930
Segment results	268,168	(14,753)	168,903	422,318		422,318
Unallocated costs						(49,687)
Profit before income tax						372,631
Income tax expense						(66,603)
Profit for the year						306,028
Interest income	7,639	82	8,938	16,659	7,243	23,902
Depreciation of property, plant and equipment	13,755	1,864	4,127	19,746	2,514	22,260
Depreciation of right-of-use assets	13,067	2,188	174	15,429	449	15,878
Reportable segment assets:						
Property, plant and equipment	78,178	9,641	19,759	107,578	40,558	148,136
Right-of-use assets	57,436	7,952	3,312	68,700	421	69,121
Investment properties	–	–	2,900,247	2,900,247	–	2,900,247
Deferred income tax assets	–	–	–	–	54,876	54,876
Property under development held for sale	–	–	258,082	258,082	–	258,082
Inventories	220,504	22,591	–	243,095	–	243,095
Bank deposits and cash equivalents	517,364	7,698	549,060	1,074,122	133,879	1,208,001
Contract assets	84,662	–	–	84,662	–	84,662
Others	126,521	9,874	67,765	204,160	10,728	214,888
Reportable segment liabilities:						
Trade payables	43,667	5,896	225	49,788	18	49,806
Other payables and accruals	67,314	2,855	90,378	160,547	20,567	181,114
Contract liabilities	260,245	30	4,065	264,340	–	264,340
Lease liabilities	18,072	7,917	–	25,989	441	26,430
Current income tax liabilities	–	–	–	–	11,825	11,825
Deferred income tax liabilities	–	–	–	–	424,219	424,219
Capital expenditure	17,093	2,219	19,636	38,948	–	38,948

Central costs (mainly costs of support functions that centrally provide services to all of the operating segments) are included as unallocated costs. Taxation charge is not allocated to reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

5 OPERATING SEGMENTS *(continued)*

(b) Geographical information

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

	2020 HK$'000	2019 HK$'000
China Mainland	1,151,393	1,475,857
Hong Kong SAR	52,435	51,909
Singapore and Malaysia	35,448	64,164
	1,239,276	1,591,930

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

	2020 HK$'000	2019 HK$'000
China Mainland	1,950,547	1,906,822
Hong Kong SAR	1,160,649	1,169,718
Singapore and Malaysia	37,746	47,173
	3,148,942	3,123,713

(c) Information about major customers

In 2020 and 2019, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

5 OPERATING SEGMENTS *(continued)*

(d) Disaggregation of revenue

	2020 **HK$'000**	2019 HK$'000
Revenue recognized under HKFRS 15		
Sales of goods	**964,473**	1,285,900
Building management fees	**36,857**	38,976
Licensing income	**102,369**	120,256
	1,103,699	1,445,132
Revenue recognized under other accounting standard		
Rental income from investment properties	**135,577**	146,798
	1,239,276	1,591,930
Timing of revenue recognition		
At a point in time	**976,785**	1,314,627
Over time	**126,914**	130,505
	1,103,699	1,445,132

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2019						
Cost	265,762	47,192	105,506	38,625	28,091	485,176
Accumulated depreciation	(145,762)	(46,501)	(80,657)	(34,801)	(17,186)	(324,907)
Net book amount	120,000	691	24,849	3,824	10,905	160,269
Year ended 31st December 2019						
Opening net book amount	120,000	691	24,849	3,824	10,905	160,269
Effect of adoption of HKFRS 16	–	–	(199)	–	–	(199)
Opening net book amount, as restated	120,000	691	24,650	3,824	10,905	160,070
Additions	37	425	4,450	527	1,646	7,085
Disposals	–	–	(1,271)	(9)	–	(1,280)
Transfer from investment properties	18,482	–	–	–	–	18,482
Transfer to investment properties	(13,084)	–	–	–	–	(13,084)
Depreciation	(10,042)	(203)	(7,298)	(1,583)	(3,134)	(22,260)
Exchange differences	(315)	(12)	(394)	(49)	(107)	(877)
Closing net book amount	115,078	901	20,137	2,710	9,310	148,136
At 31st December 2019						
Cost	265,588	46,779	102,770	38,377	29,272	482,786
Accumulated depreciation	(150,510)	(45,878)	(82,633)	(35,667)	(19,962)	(334,650)
Net book amount	115,078	901	20,137	2,710	9,310	148,136
Year ended 31st December 2020						
Opening net book amount	**115,078**	**901**	**20,137**	**2,710**	**9,310**	**148,136**
Additions	**55**	**7,870**	**3,057**	**2,350**	**–**	**13,332**
Disposals	**–**	**–**	**(147)**	**(21)**	**(27)**	**(195)**
Depreciation	**(10,596)**	**(156)**	**(6,531)**	**(1,100)**	**(3,088)**	**(21,471)**
Impairment loss	**–**	**–**	**(702)**	**–**	**–**	**(702)**
Exchange differences	**1,204**	**538**	**976**	**228**	**253**	**3,199**
Closing net book amount	**105,741**	**9,153**	**16,790**	**4,167**	**6,448**	**142,299**
At 31st December 2020						
Cost	**271,852**	**58,102**	**109,586**	**42,444**	**26,060**	**508,044**
Accumulated depreciation	**(166,111)**	**(48,949)**	**(92,796)**	**(38,277)**	**(19,612)**	**(365,745)**
Net book amount	**105,741**	**9,153**	**16,790**	**4,167**	**6,448**	**142,299**

Depreciation expense of HK$520,000 (2019: HK$735,000) has been expensed in cost of sales, HK$1,539,000 (2019: HK$1,609,000) in selling and marketing costs and HK$19,412,000 (2019: HK$19,916,000) in administrative expenses.

7 RIGHT-OF-USE ASSETS

	2020 HK$'000	2019 HK$'000
At 1st January	**69,121**	72,818
Additions	**2,241**	12,559
Disposal	**(622)**	(58)
Transfer to investment properties	**–**	(2,940)
Transfer from investment properties	**–**	3,604
Depreciation	**(18,131)**	(15,878)
Impairment loss	**(4,328)**	–
Exchange differences	**2,040**	(984)
At 31st December	**50,321**	69,121

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

	2020 HK$'000	2019 HK$'000
Land use rights in China Mainland	**44,997**	44,872
Buildings	**4,976**	23,612
Machinery and equipment	**222**	350
Furniture and fixtures	**28**	287
Motor vehicle	**98**	–
	50,321	69,121

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

7 RIGHT-OF-USE ASSETS *(continued)*

Depreciation charge of right-of-use assets:

	2020 HK$'000	2019 HK$'000
Land use rights in China Mainland	**1,901**	1,865
Buildings	**15,910**	13,622
Machinery and equipment	**127**	201
Furniture and fixtures	**101**	190
Motor vehicle	**92**	–
	18,131	15,878

Impairment assessment of plant and equipment and right-of-use assets

During the year ended 31st December 2020, the Group's business performance has been negatively impacted by COVID-19. Management has performed an assessment on the Group's non-current assets, primarily comprising plant and equipment and right-of-use assets as at 31st December 2020. In this connection, management reviewed the results of operation of each retail store, representing different cash-generating units ("CGUs") in determining whether any impairment indicator exists with each of the CGUs under review. For those retail stores where an impairment indicator was noted, management assessed the recoverable amount of the CGU based on value-in-use calculation using projected cashflow over the lease term of each retail store.

In preparing the value-in-use calculation of the relevant CGU, management considered the unprecedented economic impact of COVID-19 on the Group's operation and the expected pace of recovery of the economy of China Mainland and Singapore, together with major assumptions such as change in revenue, change in operating cost and change in gross profit. Discount rate of 7.62% is adopted in the impairment assessment, which was determined based on the market's weighted average cost of capital.

The results of the assessment indicated that impairment provision of HK$702,000 (note 6) and HK$4,328,000 on plant and equipment and right-of-use assets respectively were made as at 31st December 2020. Impairment losses were included in selling and marketing costs in the consolidated income statement.

8 INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At 1st January	**2,900,247**	2,847,372
Additions	**4,243**	31,863
Transfer from right-of-use assets and property, plant and equipment	**–**	21,694
Transfer to right-of-use assets and property, plant and equipment	**–**	(22,086)
Fair value (losses)/gains (note 22)	**(60,255)**	51,518
Exchange differences	**105,872**	(30,114)
At 31st December	**2,950,107**	2,900,247

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

	2020 HK$'000	2019 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**243,700**	244,900
Leases of between 10 and 50 years	**877,000**	881,300
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**1,799,827**	1,744,467
Freehold outside Hong Kong	**29,580**	29,580
	2,950,107	2,900,247

The periods of leases whereby the Group leases out its investment properties range from 1 month to 120 months.

Independent valuations of the Group's investment properties were performed by the independent professional valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Jones Lang LaSalle Property Consultants Pte Ltd, to determine the fair values of the investment properties as at 31st December 2020 and 2019. The fair value (losses)/gains were included in "Other (losses)/gains" in income statement (note 22). The following table analyzes the investment properties carried at fair value, by valuation method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

8 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

Description	Fair value measurements at 31st December 2020 using		
	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements			
Investment properties:			
– Hong Kong	–	–	1,120,700
– China Mainland	–	–	1,799,827
– Singapore	–	–	29,580

Description	Fair value measurements at 31st December 2019 using		
	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements			
Investment properties:			
– Hong Kong	–	–	1,126,200
– China Mainland	–	–	1,744,467
– Singapore	–	–	29,580

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, 2 and 3 during the year.

8 INVESTMENT PROPERTIES *(continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Hong Kong HK$'000	China Mainland HK$'000	Singapore HK$'000	Total HK$'000
At 1st January 2020	**1,126,200**	**1,744,467**	**29,580**	**2,900,247**
Additions	**2,443**	**1,800**	**–**	**4,243**
Fair value losses	**(7,943)**	**(52,312)**	**–**	**(60,255)**
Exchange differences	**–**	**105,872**	**–**	**105,872**
At 31st December 2020	**1,120,700**	**1,799,827**	**29,580**	**2,950,107**

	Hong Kong HK$'000	China Mainland HK$'000	Singapore HK$'000	Total HK$'000
At 1st January 2019	1,072,700	1,745,602	29,070	2,847,372
Additions	13,603	18,260	–	31,863
Transfer from right-of-use assets and property, plant and equipment	–	21,694	–	21,694
Transfer to right-of-use assets and property, plant and equipment	–	(22,086)	–	(22,086)
Fair value gains	39,897	11,621	–	51,518
Exchange differences	–	(30,624)	510	(30,114)
At 31st December 2019	1,126,200	1,744,467	29,580	2,900,247

Valuation techniques

The valuations were based on income capitalization approach (term and reversionary method) and direct comparison approach which largely used unobservable inputs (e.g. market rent, yield, etc.) and taking into account the significant adjustment on term yield to account for the risk upon reversionary after expiry of current lease and adjustment on rental value to account for the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties (Level 3 approach).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

8 INVESTMENT PROPERTIES *(continued)*

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

Description	Fair value at 31st December 2020 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	**1,799,827**	Income approach (term and reversionary method)	Monthly rental value	RMB36–1,050/m²	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	2.5% to 8% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	**1,120,700**	Income approach (term and reversionary method)	Monthly rental value	HK$91–122/m²	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	4.25% to 4.5% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Singapore	**29,580**	Direct comparison	Price per square meter	S$6,512–7,788/m²	The higher the assumed price per square meter, the higher the fair value

8 INVESTMENT PROPERTIES *(continued)*

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

Description	Fair value at 31st December 2019 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	1,744,467	Income approach (term and reversionary method)	Monthly rental value	RMB38–1,050/m^2	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	3% to 8% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	1,126,200	Income approach (term and reversionary method)	Monthly rental value	HK$91–123/$m^2$	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	4.25% to 4.5% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Singapore	29,580	Direct comparison	Price per square meter	S$5,517–8,120/$m^2$	The higher the assumed price per square meter, the higher the fair value

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000	2019 HK$'000
At 1st January	**6,209**	6,813
Fair value loss transfer to equity	**(382)**	(484)
Exchange differences	**388**	(120)
At 31st December	**6,215**	6,209

The fair value of the unlisted equity investment that is denominated in RMB and not traded in an active market is determined by an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The valuation falls within level 3 of the fair value measurement hierarchy, for details, please refer to note 3.3.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

10 SUBSIDIARIES

The following is a list of principal subsidiaries, which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest	
				2020	2019
Goldlion (China) Limited [2]	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$18,000,000	**100%**	100%
Goldlion Clothes Making Company Limited [2]	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$6,934,000	**100%**	100%
Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	10,000 ordinary shares of S$100 each	**100%**	100%
Goldlion Distribution (M) Sdn. Bhd.	Malaysia Limited liability company	Distribution of garments in Malaysia	1,200,000 ordinary shares of MYR1 each	**100%**	100%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution of garments and property holding in Hong Kong, and licensing of brand name in the PRC	2 ordinary shares and 500,000 non-voting deferred shares	**100%**	100%
Goldlion Group (B.V.I.) Limited [1]	British Virgin Islands Limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US$1 each	**100%**	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares	**100%**	100%
Guangzhou Goldlion Investment Consultancy Company Limited [2]	PRC Limited liability company	Property holding in the PRC	HK$10,000,000	**100%**	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Investment holding in the British Virgin Islands	50,000 ordinary shares of US$1 each	**100%**	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each	**100%**	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

10 SUBSIDIARIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest	
				2020	2019
Meizhou Silver Dip Property Management Limited (2)	PRC Limited liability company	Property management in the PRC	RMB595,000	**100%**	100%
Shenyang Goldlion Commercial Mansion Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB70,000,000	**100%**	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property holding in Hong Kong	2 ordinary shares	**100%**	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares	**100%**	100%
Meizhou Goldlion Properties Development Limited (2)	PRC Limited liability company	Property holding and development in the PRC	HK$50,000,000	**100%**	100%
Guangzhou Silver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000	**100%**	100%
Shenyang Sliver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000	**100%**	100%
Guangzhou Goldlion City Properties Company Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB360,681,188	**100%**	100%
Joint Corporation Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	1 ordinary share	**100%**	100%
Meizhou Goldlion Leather Investment Company Limited (2)	PRC Limited liability company	Investment holding in PRC	RMB5,100,000	**100%**	100%

(1) Subsidiary held directly by the Company. Except for Goldlion Group (B.V.I.) Limited, other subsidiaries are held indirectly by the Company.

(2) English names of the subsidiaries are direct translations of their Chinese registered names.

NOTES TO THE FINANCIAL STATEMENTS

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11 PROPERTY UNDER DEVELOPMENT HELD FOR SALE

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

	2020 **HK$'000**	2019 HK$'000
Land use rights	**114,066**	109,200
Development costs	**310,482**	148,882
	424,548	258,082

The property under development held for sale is located in Meixian Area, China Mainland. Under the 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$424,548,000 (2019: HK$258,082,000).

12 INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Raw materials	**1,607**	2,611
Work in progress	**13,945**	16,857
Finished goods	**140,927**	223,627
	156,479	243,095

The cost of inventories recognized as expense and included in cost of sales amounted to HK$455,415,000 (2019: HK$623,757,000) (note 23).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

13 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2020 HK$'000	2019 HK$'000
Financial assets at amortized cost		
Trade receivables (note 14)	**99,257**	109,704
Deposits and other receivables (note 14)	**21,646**	25,790
Bank deposits and cash and cash equivalents (note 16)	**1,237,817**	1,208,001
Financial assets at fair value through other comprehensive income (note 9)	**6,215**	6,209
Total	**1,364,935**	1,349,704
Financial liabilities, at amortized cost		
Trade payables (note 19)	**25,171**	49,806
Other payables	**76,476**	86,471
Lease liabilities	**10,516**	26,430
Total	**112,163**	162,707

14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**100,613**	111,306
Less: provision for impairment	**(1,356)**	(1,602)
Trade receivables – net	**99,257**	109,704
Purchase deposits	**3,954**	4,689
Prepayments	**86,167**	59,494
General deposits	**9,131**	12,632
Interest receivable	**8,076**	9,081
VAT recoverable	**10,163**	8,787
Others	**4,439**	4,077
Total of prepayments, deposits and other receivables	**121,930**	98,760

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

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

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

The Group's sales are on cash on delivery or credit terms ranging from 30 days to 180 days after delivery. At 31st December 2020, an ageing analysis of the trade receivables based on invoice date is as follows:

	2020 HK$'000	2019 HK$'000
1–30 days	92,028	99,093
31–90 days	5,214	7,594
Over 90 days	3,371	4,619
Trade receivables	100,613	111,306
Less: provision for impairment of trade receivables	(1,356)	(1,602)
Trade receivables – net	99,257	109,704

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers dispersed in China Mainland and Singapore. The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates.

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

	2020 HK$'000	2019 HK$'000
Renminbi	207,608	189,181
Singapore dollar	6,861	9,875
Hong Kong dollar	6,718	9,408
	221,187	208,464

Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

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

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

	2020 HK$'000	2019 HK$'000
At 1st January	1,602	–
(Reversal of)/provision for impairment of trade receivables, net	(258)	1,602
Receivables written off during the year as uncollectible	(8)	–
Exchange differences	20	–
At 31st December	1,356	1,602

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

15 CONTRACT ASSETS AND CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract assets		
Arising from the right to recover products from customers on settling right of return obligation	49,442	84,662
Contract liabilities		
Receipt in advance from customers	26,128	32,073
Right of return obligation	119,033	184,263
Deferred revenue	44,572	48,004
	189,733	264,340

Revenue that was included in the contract liability balance at the beginning of the reporting period was fully recognized in the reporting period. The balance of contract liabilities at 31st December 2020 is expected to be recognized as revenue within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

16 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash at bank and in hand	366,184	374,701
Bank deposits with maturity less than 3 months	126,531	11,131
Cash and cash equivalents as stated in the consolidated cash flow statement	492,715	385,832
Bank deposits with maturity over 3 months	745,102	822,169
Bank deposits and cash and cash equivalents as stated in the balance sheet	1,237,817	1,208,001
Maximum exposure to credit risk	1,237,761	1,207,915

Bank deposits and cash and cash equivalents in the balance sheet are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
Renminbi	1,027,809	938,115
Hong Kong dollar	196,311	262,188
Singapore dollar	13,697	7,698
	1,237,817	1,208,001

These bank balances and cash of the Group held in the PRC are subject to the rules and regulations of foreign exchange control promulgated by the Chinese government.

17 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 31st December	982,114	1,101,358	982,114	1,101,358

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

18 RESERVES

	Capital reserve HK$'000	Revaluation reserve HK$'000	Other reserves[i] HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2020	(34,204)	100,987	99,393	111,259	277,435	2,844,581	3,122,016
Profit for the year	–	–	–	–	–	148,286	148,286
Change in fair value of financial assets at fair value through other comprehensive income	–	(286)	–	–	(286)	–	(286)
Currency translation differences	–	–	–	171,628	171,628	–	171,628
Total comprehensive income	–	(286)	–	171,628	171,342	148,286	319,628
Appropriation of reserves	–	–	1	–	1	(1)	–
2019 final dividend paid	–	–	–	–	–	(93,301)	(93,301)
2020 interim dividend paid	–	–	–	–	–	(29,463)	(29,463)
Balance at 31st December 2020	(34,204)	100,701	99,394	282,887	448,778	2,870,102	3,318,880
Representing:							
Reserves	(34,204)	100,701	99,394	282,887	448,778	2,806,264	3,255,042
2020 final dividend proposed	–	–	–	–	–	63,838	63,838
	(34,204)	100,701	99,394	282,887	448,778	2,870,102	3,318,880

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For the year ended 31st December 2020

18 RESERVES *(continued)*

	Capital reserve HK$'000	Revaluation reserve HK$'000	Other reserves(i) HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2019	(34,204)	97,097	99,393	153,050	315,336	2,720,244	3,035,580
Profit for the year	–	–	–	–	–	306,028	306,028
Revaluation of investment property upon reclassification from right-of-use assets and property, plant and equipment	–	4,253	–	–	4,253	–	4,253
Change in fair value of financial assets at fair value through other comprehensive income	–	(363)	–	–	(363)	–	(363)
Currency translation differences	–	–	–	(41,791)	(41,791)	–	(41,791)
Total comprehensive income	–	3,890	–	(41,791)	(37,901)	306,028	268,127
2018 final dividend paid	–	–	–	–	–	(127,675)	(127,675)
2019 interim dividend paid	–	–	–	–	–	(54,016)	(54,016)
Balance at 31st December 2019	(34,204)	100,987	99,393	111,259	277,435	2,844,581	3,122,016
Representing:							
Reserves	(34,204)	100,987	99,393	111,259	277,435	2,751,280	3,028,715
2019 final dividend proposed	–	–	–	–	–	93,301	93,301
	(34,204)	100,987	99,393	111,259	277,435	2,844,581	3,122,016

(i) Other reserves are attributable to certain subsidiaries established in China Mainland. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in China Mainland. The amount set aside is determined by the directors of these subsidiaries at their financial year end. The fund can only be used to make up losses incurred, increase registered capital or used for collective welfare of employees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Trade payables (note a)	**25,171**	49,806
Other payables and accruals (note b)	**186,105**	181,114
Less: non-current portion (note c)	**(33,116)**	(20,739)
Current portion	**152,989**	160,375

Notes:

(a) At 31st December 2020, the ageing analysis of the trade payables based on invoice date is as follows:

	2020 HK$'000	2019 HK$'000
1–30 days	**23,812**	46,516
31–90 days	**1,293**	2,627
Over 90 days	**66**	663
	25,171	49,806

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

	2020 HK$'000	2019 HK$'000
Renminbi	**22,889**	43,892
Singapore dollar	**2,265**	5,896
Hong Kong dollar	**17**	18
	25,171	49,806

(b) Nature of other payables and accruals is as follows:

	2020 HK$'000	2019 HK$'000
Deposits received	**56,369**	63,517
Accruals and others	**129,736**	117,597
	186,105	181,114

(c) The non-current portion of other payables and accruals represents the deposits received from tenants which will be refunded in a period over twelve months from 31st December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

20 DEFERRED INCOME TAX

	2020 HK$'000	2019 HK$'000
Deferred income tax assets	(51,580)	(54,876)
Deferred income tax liabilities	445,477	424,219
	393,897	369,343

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

	2020 HK$'000	2019 HK$'000
At 1st January	369,343	369,911
Charged to consolidated income statement (note 29)	1,184	6,182
Charged to other comprehensive income	(96)	1,296
Exchange differences	23,466	(8,046)
At 31st December	393,897	369,343

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$909,714,000 (2019: HK$894,461,000), of which HK$605,567,000 (2019: HK$545,624,000), HK$22,392,000 (2019: HK$31,349,000) and HK$69,970,000 (2019: HK$47,792,000) are subject to agreement by the Inland Revenue Department in Hong Kong and the relevant tax authorities in the PRC and Singapore, respectively, to carry forward against future taxable income. Out of the unrecognized tax losses, HK$887,322,000 (2019: HK$863,112,000) have no expiry date and the remaining amount will expire at various dates up to and including 2025.

20 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities

	Accelerated taxation depreciation		Fair value (losses)/gains		Dividend withholding tax		Others		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
At 1st January	**139,405**	139,816	**270,900**	271,197	**48,507**	43,905	**30,607**	29,940	**489,419**	484,858
Exchange differences	**9,538**	(2,585)	**15,742**	(4,687)	**3,286**	(1,966)	**1,294**	(825)	**29,860**	(10,063)
Charged/(credited) to consolidated income statement	**2,138**	2,174	**(12,883)**	3,094	**4,069**	6,568	**(9,903)**	1,492	**(16,579)**	13,328
(Credited)/charged to other comprehensive income	**–**	–	**(96)**	1,296	**–**	–	**–**	–	**(96)**	1,296
At 31st December	**151,081**	139,405	**273,663**	270,900	**55,862**	48,507	**21,998**	30,607	**502,604**	489,419

Deferred income tax assets

	Provisions		Others		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
At 1st January	**(53,270)**	(51,149)	**(66,806)**	(63,798)	**(120,076)**	(114,947)
Exchange differences	**(3,699)**	898	**(2,695)**	1,119	**(6,394)**	2,017
(Credited)/charged to consolidated income statement	**(5,912)**	(3,019)	**23,675**	(4,127)	**17,763**	(7,146)
At 31st December	**(62,881)**	(53,270)	**(45,826)**	(66,806)	**(108,707)**	(120,076)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

21 LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Current liabilities	7,710	16,530
Non-current liabilities	2,806	9,900
	10,516	26,430

The total cash payment for lease for the year ended 31st December 2020 was HK$85,107,000 (2019: HK$96,894,000).

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 (note 2.20(b)). 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 and 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.

Future aggregate minimum lease payment under non-cancellable short-term leases amounted to HK$11,825,000 (2019: HK$12,938,000).

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

22 OTHER (LOSSES)/GAINS

	2020 HK$'000	2019 HK$'000
Fair value (losses)/gains on investment properties	(60,255)	51,518

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

23 EXPENSES BY NATURE

	2020 HK$'000	2019 HK$'000
Cost of inventories sold	**455,415**	623,757
Provision for impairment of inventories	**24,704**	16,373
Direct operating expenses arising from investment properties that generated rental income	**32,137**	37,712
Expenses relating to:		
– short-term leases	**24,047**	30,835
– variable lease payments (note)	**42,704**	51,131
Depreciation of property, plant and equipment (note 6)	**21,471**	22,260
Depreciation of right-of-use assets (note 7)	**18,131**	15,878
Impairment of property, plant and equipment (note 6)	**702**	–
Impairment of right-of-use assets (note 7)	**4,328**	–
Staff costs including directors' emoluments (note 24)	**195,562**	236,393
Auditors' remuneration – audit services	**3,018**	3,939
Advertising and promotion expenses	**77,767**	112,063
(Reversal of)/provision for impairment of trade receivables, net (note 14)	**(258)**	1,602
Net exchange gain	**(655)**	(441)
Other expenses	**114,540**	141,679
	1,013,613	1,293,181
Representing:		
Cost of sales	**512,776**	678,577
Selling and marketing costs	**354,888**	443,324
Administrative expenses	**145,949**	171,280
	1,013,613	1,293,181

Note: Rent concessions related to COVID-19 pandemic of HK$3,486,000 (2019: nil) have been credited in profit or loss and included in selling and marketing costs for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

24 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2020 HK$'000	2019 HK$'000
Staff costs		
– Wages and salaries (note a)	170,967	194,158
– Retirement benefit costs (note 25)	24,595	40,931
– Post-retirement benefit costs (note b)	–	1,304
	195,562	236,393

Notes:

(a) Jobs Support Scheme ("JSS") was introduced by the Singapore Government in February 2020 to provide relief and assistance to companies amidst the outbreak of COVID-19, with the aim of helping businesses retain their local employees during this period of uncertainty. Under JSS, Goldlion Enterprise (Singapore) Pte Limited (as eligible employers) would receive government grant up to 75% of the gross monthly wage of each local employee (Singapore Citizens and Permanent Residents), subject to a monthly wage cap of S$4,600 per employee. The JSS is intended to provide companies support on wages incurred for the month of April 2020 to December 2020. For the year ended 31st December 2020, HK$2,385,000 has been credited in profit or loss and included in staff costs for the year.

(b) Post-retirement benefit costs represent the medical expenses reimbursed to the late Dr. Tsang Hin Chi, who retired as Chairman on 16th April 2018.

25 RETIREMENT BENEFIT COSTS

	2020 HK$'000	2019 HK$'000
Defined contribution schemes for:		
Hong Kong employees (note (a))	1,054	1,052
Singapore employees (note (b))	2,202	3,531
China Mainland employees (note (c))	21,339	36,348
	24,595	40,931

Notes:

(a) Under the Mandatory Provident Fund (the "MPF") scheme, both the employer and employee have to contribute 5% of the employee's relevant income or HK$1,500, whichever is lower, as mandatory contribution. The employer and employee may further contribute certain percentage of the employee's relevant income, as voluntary contribution.

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK$1,054,000 (2019: HK$1,052,000) without any forfeited contributions (2019: nil). The forfeited contributions represent contributions to the retirement scheme prior to the MPF scheme for those employees who leave prior to vesting fully on the employer's contributions. Contributions totalling HK$163,000 (2019: nil) payable to the MPF scheme at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2019: nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$2,202,000 (2019: HK$3,531,000). Contributions totalling HK$259,000 (2019: HK$446,000) payable to the schemes at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2019: nil).

(c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contribution payable (2019: nil) to the municipal governments at year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

26 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

Pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefit of Directors) Regulation (Cap. 622G) and the Listing Rules, the remuneration of every Director and the Chief Executive for the year ended 31st December 2020:

	2020					
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits [1] HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Director						
Madam Wong Lei Kuan	–	1,951	1,003	29	–	2,983
Mr. Ng Ming Wah, Charles	360	–	–	–	–	360
Dr. Lau Yue Sun	360	–	–	–	–	360
Mr. Li Ka Fai, David	360	–	–	–	–	360
Mr. Nguyen, Van Tu Peter [2]	165	–	–	–	–	165
Mr. Ngan On Tak [3]	113	–	–	–	–	113
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	–	4,936	4,012	13	18	8,979

	2019					
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits [1] HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Director						
Madam Wong Lei Kuan	–	1,951	1,647	36	–	3,634
Mr. Ng Ming Wah, Charles	360	–	–	–	–	360
Dr. Lau Yue Sun	360	–	–	–	–	360
Mr. Li Ka Fai, David	360	–	–	–	–	360
Mr. Nguyen, Van Tu Peter	360	–	–	–	–	360
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	–	4,935	6,587	8	18	11,548

Notes:

(1) Estimated money value of other benefits includes medical expenses reimbursement.

(2) Mr. Nguyen passed away on 16th June 2020.

(3) Mr. Ngan was appointed on 8th September 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

26 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the Directors in respect of their services as Directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking through defined benefit pension plans (2019: nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of Directors' services were paid or made, directly or indirectly, to the Directors; nor are any payable (2019: nil).

(d) Consideration provided to third parties for making available Directors' services

During the year, no consideration was provided to or receivable by third parties for making available Directors' services (2019: nil).

(e) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

During the year, there are no loans, quasi-loans or other dealings in favor of the Directors, their controlled body corporates and connected entities (2019: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: nil).

27 EMOLUMENTS OF SENIOR MANAGEMENT

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year includes two (2019: two) Directors whose emoluments are reflected in the analysis presented in note 26(a) above. The emoluments payable to the remaining three (2019: three) individuals during the year are as follows:

	2020 HK$'000	2019 HK$'000
Basic salaries, housing and other allowances	12,116	11,558
Bonuses	1,755	4,106
Retirement benefit costs	528	570
	14,399	16,234

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
HK$2,500,001–HK$3,000,000	1	–
HK$3,000,001–HK$3,500,000	1	1
HK$4,500,001–HK$5,000,000	–	1
HK$8,000,001–HK$8,500,000	1	1

(b) Other than disclosed in notes 26(a) and 27(a) above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. Two executive Directors agreed to waive their emoluments totalling HK$1,254,000 (2019: nil) for the year. Other than the aforementioned, none of the Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

(c) Emoluments of senior management

Other than the emoluments of Directors and five highest paid individuals disclosed in notes 26(a) and 27(a) respectively, the emoluments of the senior management fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
HK$1,000,001–HK$1,500,000	2	–
HK$1,500,001–HK$2,000,000	–	1
HK$2,500,001–HK$3,000,000	1	2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

28 INTEREST INCOME AND INTEREST EXPENSE

	2020 HK$'000	2019 HK$'000
Interest income:		
– Interest income from bank deposits	**21,265**	23,902
Interest expense:		
– Interest expense on lease liabilities	**(1,186)**	(1,538)
	20,079	22,364

29 INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Hong Kong profits tax:		
Current year	**–**	572
Over-provision in prior year	**–**	(111)
	–	461
Taxation outside Hong Kong:		
Current year	**35,863**	60,002
Under/(over)-provision in prior year	**154**	(42)
	36,017	59,960
Deferred income tax (note 20)	**1,184**	6,182
Total income tax expense	**37,201**	66,603

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the year at the rate of 25% (2019: 25%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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For the year ended 31st December 2020

29 INCOME TAX EXPENSE *(continued)*

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

	2020 HK$'000	2019 HK$'000
Profit before income tax	**185,487**	372,631
Calculated at a tax rate of 16.5%	**30,605**	61,484
Effect of different taxation rates in other countries	**(2,707)**	2,236
Income not subject to tax	**(8,325)**	(15,694)
Expenses not deductible for tax purposes	**6,042**	3,114
Utilization of unrecognized tax losses	**(821)**	(635)
Tax losses not recognized	**8,282**	9,605
Withholding tax on profits retained by the PRC subsidiaries	**4,069**	6,568
Others	**56**	(75)
Total income tax expense	**37,201**	66,603

Corporate withholding income tax on dividend distribution

Under the CIT Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividends which arise from profits of foreign investment enterprises earned after 1st January 2008 at a tax rate of 5% (2019: 5%).

30 DIVIDENDS

	2020 HK$'000	2019 HK$'000
2019 interim dividend, paid, of 5.5 HK cents per ordinary share	**–**	54,016
2019 final dividend, paid, of 9.5 HK cents per ordinary share	**–**	93,301
2020 interim dividend, paid, of 3.0 HK cents per ordinary share	**29,463**	–
2020 final dividend, proposed, of 6.5 HK cents per ordinary share (note)	**63,838**	–
	93,301	147,317

Note:

At a meeting held on 17th March 2021, the Directors declared a final dividend of 6.5 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

31 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to owners of the Company (HK$'000)	**148,286**	306,028
Number of shares in issue	**982,114,035**	982,114,035
Basic earnings per share (HK cents)	**15.10**	31.16

(b) Diluted

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

32 CASH FLOW INFORMATION

(a) Cash generated from operations

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

	2020 HK$'000	2019 HK$'000
Profit before income tax	**185,487**	372,631
Adjustments for:		
– Depreciation of property, plant and equipment (note 6)	**21,471**	22,260
– Depreciation of right-of-use assets (note 7)	**18,131**	15,878
– Impairment of property, plant and equipment (note 6)	**702**	–
– Impairment of right-of-use assets (note 7)	**4,328**	–
– Provision for impairment of inventories	**24,704**	16,373
– Interest income (note 28)	**(21,265)**	(23,902)
– Interest expense (note 28)	**1,186**	1,538
– (Gains)/losses on disposals of property, plant and equipment (note 32(a)(i))	**(199)**	1,187
– Gains on disposal of right-of-use assets	**(579)**	(5)
– Fair value losses/(gains) on investment properties	**60,255**	(51,518)
– (Reversal of)/provision for impairment of trade receivables, net (note 14)	**(258)**	1,602
Changes in working capital:		
– Property under development held for sale	**(150,336)**	(86,960)
– Inventories	**47,079**	(34,930)
– Trade receivables, prepayments, deposits, other receivables and contract assets	**21,730**	(67,140)
– Trade payables, other payables, accruals and contract liabilities	**(94,251)**	14,930
Net cash generated from operations	**118,185**	181,944

Note:

(i) Disposals of property, plant and equipment

	2020 HK$'000	2019 HK$'000
Net book amount	**195**	1,280
Gains/(losses) on disposals of property, plant and equipment	**199**	(1,187)
Proceeds received	**394**	93

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

32 CASH FLOW INFORMATION *(continued)*

(b) Major non-cash financing activities

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$2,241,000 and HK$2,241,000 (2019: HK$12,559,000 and HK$12,281,000), respectively, in respect of lease arrangements for buildings and equipment and disposals of right-of-use assets and lease liabilities of HK$622,000 and HK$1,201,000, respectively, in respect of lease arrangements for building (2019: HK$58,000 and HK$63,000, respectively, in respect of lease arrangements for equipment).

(c) Reconciliation of liabilities arising from financing activities

Lease liabilities

	2020 HK$'000	2019 HK$'000
At 1st January	**26,430**	27,997
Changes from financing cash flows	**(17,170)**	(13,390)
Additions	**2,241**	12,281
Disposal	**(1,201)**	(63)
Exchange differences	**216**	(395)
At 31st December	**10,516**	26,430

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

33 COMMITMENTS

(a) Capital commitments

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

	2020 HK$'000	2019 HK$'000
Property, plant and equipment		
Contracted but not provided for	**5,026**	297
Investment properties		
Contracted but not provided for	**–**	622

(b) Commitments for property development expenditure

	2020 HK$'000	2019 HK$'000
Contracted but not provided for	**460,006**	542,057
Authorized but not contracted for	**132,000**	183,000
	592,006	725,057

(c) Future aggregate minimum lease payments receivable under non-cancellable leases

	2020 HK$'000	2019 HK$'000
Rental receivables		
– not later than one year	**135,141**	123,960
– later than one year and not later than five years	**236,876**	183,264
– later than five years	**24,058**	26,088
	396,075	333,312

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

34 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. The remaining 31.83% of the issued shares are widely held.

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

(a) Sales of services

	2020 HK$'000	2019 HK$'000
Rental and building management fees received from a related company	**–**	47

Note:

For the year ended 31th December 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.

(b) Purchases of services

	2020 HK$'000	2019 HK$'000
Professional fees paid to a related company	**320**	320

Note:

Equitas Capital Limited acted as financial advisor to the Group for which a professional fees of HK$320,000 was paid by the Company during the year. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and the principal shareholder of Equitas Capital Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

34 RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

	2020 HK$'000	2019 HK$'000
Salaries, directors' emoluments and other short-term employee benefits	**32,460**	39,121
Retirement benefit costs	**570**	660
	33,030	39,781

(d) Year-end balances arising from purchases of services

	2020 HK$'000	2019 HK$'000
Accruals		
– Equitas Capital Limited	**160**	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

35 BALANCE SHEET OF THE COMPANY

		As at 31st December 2020 HK$'000	As at 31st December 2019 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**10**	10
Current assets			
Amount due from a subsidiary		**1,282,482**	1,408,289
Prepayments		**172**	172
Cash and cash equivalents		**1,798**	2,226
		1,284,452	1,410,687
Total assets		**1,284,462**	1,410,697
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**1,101,358**	1,101,358
Retained earnings	note (a)	**182,019**	308,115
Total equity		**1,283,377**	1,409,473
LIABILITIES			
Current liabilities			
Accruals		**1,085**	1,224
Total equity and liabilities		**1,284,462**	1,410,697

On behalf of the Board

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

Madam Wong Lei Kuan
Executive Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

35 BALANCE SHEET OF THE COMPANY *(continued)*

Note:

(a) Retained earnings movement of the Company

	Retained earnings HK$'000
At 1st January 2020	**308,115**
2019 final dividend paid	**(93,301)**
2020 interim dividend paid	**(29,463)**
Loss for the year	**(3,332)**
At 31st December 2020	**182,019**
Representing:	
Reserves	**118,181**
2020 final dividend proposed	**63,838**
	182,019
At 1st January 2019	394,732
2018 final dividend paid	(127,675)
2019 interim dividend paid	(54,016)
Profit for the year	95,074
At 31st December 2019	308,115
Representing:	
Reserves	214,814
2019 final dividend proposed	93,301
	308,115

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31st December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to owners of the Company	**148,286**	306,028	376,244	322,275	388,844
Assets and liabilities					
Total assets	**5,290,467**	5,181,108	5,066,251	4,808,220	4,407,978
Total liabilities	**(870,229)**	(957,734)	(927,572)	(861,086)	(717,850)
Total equity	**4,420,238**	4,223,374	4,138,679	3,947,134	3,690,128

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