利 來 集 團 有 限 公 司

*(Incorporated in Hong Kong under the Hong Kong Companies Ordinance)*

**(Stock code: 533)**

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2018

## RESULTS

The Board of Directors (the Board ) is pleased to announce the consolidated results of Goldlion Holdings Limited (the Company ) and its subsidiaries (together the Group ) for the year ended 31st December 2018 together with the comparative figures for the previous year as follows:

**Consolidated Income Statement**
**For the year ended 31st December 2018**

| | Note | **2018** | **2017** |
|---|---|---|---|
| Turnover | 3 | 1,681,364 | 1,602,786 |
| Cost of sales | 5 | (703,938) | (696,946) |
| Gross profit | | 977,426 | 905,840 |
| Other gains | 4 | 91,921 | 91,722 |
| Selling and marketing costs | 5 | (432,179) | (438,074) |
| Administrative expenses | 5 | (203,437) | (171,567) |
| Operating profit | | 433,731 | 387,921 |
| Interest income | | 25,511 | 20,253 |
| Profit before income tax | | 459,242 | 408,174 |
| Income tax expense | 6 | (82,998) | (85,899) |

Profit for the y y y y yProfP

**(82,99**

**Consolidated Statement of Comprehensive Income**
**For the year ended 31st December 2018**

| | 2018 | 2017 |
|---|---|---|
| Profit for the year | 376,244 | 322,275 |
| Other comprehensive income | | |
| *Items that will not be reclassified subsequently to profit or loss* | | |
| Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment | 108,219 | 1,730 |
| Change in fair value of financial assets at fair value through other comprehensive income | 1,113 | - |
| Income tax relating to these items | (21,752) | (434) |
| *Item that may be reclassified subsequently to profit or loss* | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | (85,678) | 120,037 |
| Other comprehensive income for the year | 1,902 | 121,333 |

## Consolidated Balance Sheet
## As at 31st December 2018

| | Note | As at 31.12.2018 HK$ 000 | As at 31.12.2017 HK$ 000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | 46,698 | 44,607 |
| Property, plant and equipment | | 160,269 | 177,320 |
| Investment properties | | 2,847,372 | 2,650,249 |
| Available-for-sale financial assets | | - | 5,900 |
| Financial assets at fair value through other comprehensive income | | 6,813 | - |
| Deferred income tax assets | | 51,282 | 70,751 |
| | | 3,112,434 | 2,948,827 |
| **Current assets** | | | |
| Property under development held for sale | | 174,178 | 138,301 |
| Inventories | | 221,155 | 261,407 |
| Trade receivables | 9 | 122,688 | 102,839 |
| Prepayments, deposits and other receivables | | 40,662 | 43,398 |
| Contract assets | | 65,037 | - |
| Tax recoverable | | 160 | 1,190 |
| Bank deposits | | 906,305 | 1,028,966 |
| Cash and cash equivalents | | 423,632 | 283,292 |
| | | 1,953,817 | 1,859,393 |
| **Total assets** | | **5,066,251** | **4,808,220** |
| **EQUITY** | | | |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | | 1,101,358 | 1,101,358 |
| Reserves | | 3,037,321 | 2,845,776 |
| **Total equity** | | 4,138,679 | 3,947,134 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Other payables and accruals | | 80 | 869 |
| Deferred income tax liabilities | | 421,765 | 418,668 |
| | | 421,845 | 419,537 |
| **Current liabilities** | | | |
| Trade payables | 10 | 53,854 | 73,924 |
| Other payables and accruals | | 176,206 | 339,423 |
| Contract liabilities | | 249,913 | - |
| Current income tax liabilities | | 25,754 | 28,202 |
| | | 505,727 | 441,549 |
| **Total liabilities** | | 927,572 | 861,086 |
| **Total equity and liabilities** | | **5,066,251** | **4,808,220** |

Notes:

## 1. Principal accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong issued by the Hong Kong Institute of Certified Public Accountants 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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the

The financial information relating to the years ended 31st December 2018 and 2017 included in this preliminary announcement of annual results of 2018 does not constitute the Company s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31st December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st December 2018 in due course.

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

(a) New standards, new interpretation and amended standards adopted by the Group

The following new standards, new interpretation and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1st January 2018:

| | |
|---|---|
| HKAS 40 (Amendment) | Transfers of investment property |
| HKFRS 1 and HKAS 28 (Amendments) | Annual improvements 2014-2016 cycle |
| HKFRS 2 (Amendment) | Classification and measurement of share-based payment transactions |
| HKFRS 4 (Amendment) | Applyin HKFRS 4 |
| HKFRS 9 | Financial instruments |
| HKFRS 15 | Revenue from contracts with customers |
| HKFRS 15 (Amendment) | Clarifications to HKFRS 15 |
| HK (IFRIC) 22 | Foreign currency transactions and advance consideration |

## 1. Principal accounting policies *(continued)*

(a) New standards, new interpretation and amended standards adopted by the Group *(continued)*

The impact of the adoption of these standards are disclosed in note 2 below. The other standard □ □ □ □ □ □ □ □ accounting policies and did not require retrospective adjustments.

(b) The following new standards, new interpretation and amended standards have been issued but are not effective for the financial year beginning on 1st January 2018 and have not been early adopted by the Group

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| HKAS 19 (Amendment) | Plan amendment, curtailment or settlement | 1st January 2019 |
| HKAS 28 (Amendment) | Long-term interests in an associate and joint ventures | 1st January 2019 |
| HKFRS 9 (Amendment) | Prepayment features with negative compensation | 1st January 2019 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture | Not yet established by HKICPA |
| HKFRS 16 | Leases | 1st January 2019(i) |
| HKFRS 17 | Insurance contracts | 1st January 2021 |
| HKFRSs (Amendments) | Annual improvements 2015-2017 cycle | 1st January 2019 |
| HK (IFRIC) 23 | Uncertainty over income tax treatments | 1st January 2019 |
| Conceptual Framework for Financial Reporting 2018 | Revised conceptual framework for financial reporting | 1st January 2020 |

**1. Principal accounting policies *(continued)***

(b) The following new standards, new interpretation and amended standards have been issued but are not effective for the financial year beginning on 1st January 2018 and have not been early adopted by the Group *(continued)*

The above new standards, new interpretation and amended standards are not expected to have a material impact on the consolidated financial statements of the Group, except those set out below:

(i)

*Nature of change*

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

*Impact*

The standard will affect prima

As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$48,093,000. Of these commitments, approximately HK$18,294,000 relate to short-term leases which will be recognized on a straight-line basis as expense in profit or loss in the year ending 31st December 2019. For the remaining lease commitments, the Group expects to recognize right-of-use assets of approximately HK$25,858,000 and lease liabilities of HK$27,928,000 (after adjustments for prepayments and accrued lease payments) on 1st January 2019 with a corresponding adjustment of HK$2,307,000 to the opening balance of retained earnings.

*Date of adoption by the Group*

HKFRS 16 is mandatory for financial years starting on or after 1st January 2019. The new standard is not expected to be applied by the Group until the financial year ending 31st December 2019. The Group intends to apply the modified retrospective approach and will recognize the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1st January 2019 and will not restate comparative information. Right-of-use assets will be measured on transition as if the new rules had always been applied 212.9 Tm0 g0 G 0.12 Tc[on )]8871 0 595.3

## 2. Changes in accounting policies

This note explains t [illegible] financial statements and the new accounting policies that have been applied from 1st January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As explained in notes 2(b) and 2(c) below, HKFRS 9 and HKFRS 15 were generally adopted by the Group without restating comparative information. As a result of the [illegible] es, certain reclassifications and adjustments are therefore not reflected in the consolidated balance sheet as at 31st December 2017, but are recognized in the opening consolidated balance sheet on 1st January 2018.

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

**Consolidated balance sheet (extract)**

| | As at 31st December 2017 | HKFRS 9 | HKFRS 15 | As at 1st January 2018 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Available-for-sale financial assets | 5,900 | (5,900) | - | - |
| Financial assets at fair value through other comprehensive income | - | 5,900 | - | 5,900 |
| **Current assets** | | | | |
| Contract assets | - | - | 58,396 | 58,396 |
| **Current liabilities** | | | | |
| Other payables and accruals | 339,423 | - | (184,507) | 154,916 |
| Contract liabilities | - | - | 242,903 | 242,903 |

## 2. Changes in accounting policies *(continued)*

(b)

HKFRS 9 replaces the provisions of Recognition and measureme n, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions in HKFRS 9 (7.2.15), comparative figures have not been restated.

*(i) Classification and measurement*

On 1st January 2018 management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this classification are as follows:

- Equity investments previously classified as available-for-sale financial assets

  The Group elected to p ges in the fair value of its equity investments previously classified as available-for-sale financial assets, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$5,900,000 were reclassified from available-for-sale financial assets to financial assets at fair value through other

  The Group subsequently measures all equity investments at fair values. Where the ed to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognized in consolidated income statement as other income when payments is established.

Other than that, there were no changes to the classification and measurement of financial instruments.

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

(b) □□ □ *(continued)*

*(ii) Impairment of financial assets*

The Group has two types of financial assets □ □ □ □ □ □ □ expected credit loss model:

□□ □ □
□□ □ al assets carried at amortized cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While restricted cash, short-term bank deposits and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

*Trade receivables*

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses experienced from the past 3 years and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. Management has closely monitored the credit qualities and the collectability of the trade receivables. The adoption of the simplified expected credit loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1st January 2018.

*Other financial assets carried at amortized cost*

For other financial assets carried at amortized cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the impairment will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortized cost and considers that the expected credit loss is immaterial.

## 2. Changes in accounting policies *(continued)*

(c) HKFRS 15 Revenue from contracts with customers

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the
Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The adoption of HKFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognize the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. Thus the comparative figures have not been restated.

onstruction contracts
related interpretations. The impacts of the adoption of HKFRS 15 are as follows:

*Refund liabilities with the adoption of HKFRS 15*

It is cy to sell goods to wholesale customers with a right of returns in a designated time period for specific seasons of goods. Prior to the adoption of HKFRS 15, 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 which was measured on a net basis at the margin on the sale based on accumulated experience and the terms in the sales contracts with distributors.

Upon the adoption of HKFRS 15, the Group has reclassified HK$139,810,000 from other payables and accruals to refund liabilities and recognized a contract asset for the right to recover products from customers upon return of HK$58,396,000 separately in the consolidated balance sheet as at 1st January 2018 to reflect the adoption of the new standard.

*Presentation of contract liabilities*

Receipt in advance from cust e previously included in other payables and accruals, amounting to HK$42,853,000 and HK$60,240,000 respectively as at 1st January 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

*Timing of revenue recognition*

The adoption of HKFRS 15 does not have a significant impact on when the Group recognizes revenue from sales of goods.

## 3. Turnover and segment information

The Group is principally engaged in the distribution and manufacturing of garments, leather goods and accessories, licensing of brand name, and property investment and development. Turnover recognized during the year is as follows:

| | **2018** | **2017** |
|---|---:|---:|
| | | 0 |
| **Revenue recognized under HKFRS 15** | | |
| Sales of goods | 1,384,596 | 1,324,163 |
| Building management fees | 36,638 | 35,441 |
| Licensing income | 115,530 | 102,396 |
| | 1,536,764 | 1,462,000 |
| **Revenue recognized under other accounting standard** | | |
| Rental income from investment properties | 144,600 | 140,786 |
| | 1,681,364 | 1,602,786 |
| | | |
| **Timing of revenue recognition** | | |
| At a point in time | 1,408,618 | 1,341,062 |
| Over time | 128,146 | 120,938 |
| | 1,536,764 | 1,462,000 |

The segments are managed separately as each business offers different products and services and requires different marketing strategies. The Group has three reportable segments including apparel in China Mainland and Hong Kong SAR, apparel in Singapore and Malaysia as well as property investment and development.

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

### 3. Turnover and segment information *(continued)*

An analysis of the Group s segment information by operating segment is as follows:

| | **2018 Segment turnover** HK$ 000 | **2017 Segment turnover** HK$ 000 | **2018 Segment results** HK$ 000 | **2017 Segment results** HK$ 000 |
|---|---|---|---|---|
| Operating segments | | | | |
| Apparel in China Mainland and Hong Kong SAR | 1,441,639 | 1,363,834 | 323,094 | 277,964 |
| Apparel in Singapore and Malaysia | 62,268 | 66,007 | (9,771) | (19,531) |
| Property investment and development | 190,086 | 184,660 | 207,287 | 201,464 |
| Inter-segment sales | (12,629) | (11,715) | - | - |
| | 1,681,364 | 1,602,786 | 520,610 | 459,897 |
| Unallocated costs | | | (61,368) | (51,723) |
| Profit before income tax | | | 459,242 | 408,174 |
| Income tax expense | | | (82,998) | (85,899) |
| Profit for the year | | | 376,244 | 322,275 |

### 4. Other gains

| | **2018** HK$ 000 | **2017** HK$ 000 |
|---|---|---|
| Fair value gains on investment properties | 91,921 | 91,722 |

## 5. Expenses by nature

| | 2018<br>HK$ 000 | 2017<br>HK$ 000 |
|---|---|---|
| Cost of inventories sold | 665,141 | 617,755 |
| (Reversal of)/provision for impairment for inventories | (842) | 40,408 |
| Direct operating expenses arising from investment properties that generated rental income | 39,127 | 38,125 |
| Operating lease rentals - land and buildings | 89,249 | 89,742 |
| Amortization of land use rights | 1,871 | 1,766 |
| Depreciation of property, plant and equipment | 23,366 | 20,704 |
| Reversal of impairment of property, plant and equipment | (219) | - |
| Staff costs including directors emoluments | 242,935 | 230,006 |
| Auditors remuneration - audit services | 4,482 | 3,785 |
| Advertising and promotion expenses | 124,843 | 129,408 |
| Write off of trade receivables | - | 1,764 |
| Reversal of provision for onerous contract | (1,925) | (3,729) |
| Net exchange loss/(gain) | 6,877 | (301) |
| Other expenses | 144,649 | 137,154 |
| | 1,339,554 | 1,306,587 |
| Representing: | | |
| Cost of sales | 703,938 | 696,946 |
| Selling and marketing costs | 432,179 | 438,074 |
| Administrative expenses | 203,437 | 171,567 |
| | 1,339,554 | 1,306,587 |

## 6. Income tax expense

| | 2018<br>HK$ 000 | 2017<br>HK$ 000 |
|---|---|---|
| Hong Kong profits tax: | | |
| Current year | 528 | 733 |
| Over-provision in prior year | (20) | (42) |
| | 508 | 691 |
| Taxation outside Hong Kong: | | |
| Current year | 70,930 | 70,587 |
| Under-provision in prior year | 108 | 150 |
| | 71,038 | 70,737 |
| Deferred income tax | 11,452 | 14,471 |
| Total income tax expense | 82,998 | 85,899 |

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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% (2017: 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.

## 7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$376,244,000 (2017: HK$322,275,000) and the number of ordinary shares in issue of 982,114,035 (2017: 982,114,035) during the year.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2018 and 2017.

## 8. Dividend

| | 2018<br>HK$ 000 | 2017<br>HK$ 000 |
|---|---|---|
| 2017 interim dividend, paid, of 6.0 HK cents per ordinary share | - | 58,927 |
| 2017 final dividend, paid, of 12.5 HK cents per ordinary share | - | 122,764 |
| 2018 interim dividend, paid, of 6.5 HK cents per ordinary share | 63,837 | - |
| 2018 final dividend, proposed, of 13.0 HK cents per ordinary share | 127,675 | - |
| | 191,512 | 181,691 |

## 9. Trade receivables

The Group grants credit terms to customers ranging from cash on delivery, letter of credit or 30 to 90 days after delivery. The ageing of the trade receivables based on the invoice date, net of provision, was as follows:

| | As at 31.12.2018<br>HK$ 000 | As at 31.12.2017<br>HK$ 000 |
|---|---|---|
| 1-30 days | 100,073 | 90,056 |
| 31-90 days | 6,994 | 6,030 |
| Over 90 days | 15,621 | 6,753 |
| | 122,688 | 102,839 |

## 10. Trade payables

The ageing of the trade payables based on invoice date was as follows:

| | As at 31.12.2018<br>HK$ 000 | As at 31.12.2017<br>HK$ 000 |
|---|---|---|
| 1-30 days | 37,918 | 59,813 |
| 31-90 days | 11,823 | 4,976 |
| Over 90 days | 4,113 | 9,135 |
| | 53,854 | 73,924 |

## FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 13.0 HK cents per share (2017: 12.5 HK cents per share) for the year ended 31st December 2018, totalling HK$127,675,000 (2017: HK$122,764,000). Subject to the shareholders approval at the forthcoming annual general meeting, the final dividend will be paid on or about 5th June 2019 to shareholders whose names appear on the Register of Members as at 24th May 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATING RESULTS

### Turnover and gross profit

During the year under review, the Group recorded a turnover of HK$1,681,364,000, representing an increase of approximately 5% over HK$1,602,786,000 of last year. Except for the year-on-year decline in the sales of the apparel business in Singapore, the Group's major businesses recorded an increase in turnover.

Gross profit for the year was HK$977,426,000, representing an increase of about 8% from HK$905,840,000 of last year. The overall gross profit margin was 58.1%, up by about 1.6 percentage points from 56.5% of last year. This was mainly due to the reversal of provision for impairment of inventories of HK$842,000 for the year, against a provision for impairment of HK$40,408,000 over last year. Gross profit margin for the apparel business in China Mainland was 52.3%, representing an increase of 1.5 percentage points. If excluding the impact of provision for impairment of inventories, the gross profit margin for the Mainland operation would be 52.4%, slightly lower than that of last year by about 1.3 percentage points mainly due to the offer of higher discounts for clearance of off-season stocks.

### Operating expenses and operating profit

Selling and marketing costs for the year were HK$432,179,000, slightly dropped by HK$5,895,000 or 1% from last year. Administrative expenses were recorded at HK$203,437,000, representing an increase of 19% over HK$171,567,000 of last year. Apart from the exchange loss of HK$6,877,000 caused by the Renminbi exchange rate fluctuation during the year, this was also attributable to the increase in rental expenses by HK$7,055,000 resulted from the rental of new warehouses in China (for transferring the Guangzhou Yuan Village warehousing property to investment property), and the rise in manpower costs as well as the accrual of staff bonus following the growth in profit.

During the year, the Group recorded fair value gains on investment properties of HK$91,921,000, compared with HK$91,722,000 of last year.

Operating profit for the year amounted to HK$433,731,000, compared with HK$387,921,000 of last year, representing an increase of 12%. The operating profit margin was approximately 25.8%, higher than 24.2% of last year, which was mainly due to the improvement in the overall gross profit.

### Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year was HK$376,244,000, increased by 17% from HK$322,275,000 of last year. Profit for the year would be HK$287,556,000 if fair value gains after tax on investment properties of HK$88,688,000 were excluded. Such profit marked an increase of 19% from HK$240,734,000 of last year if fair value gains after tax on investment properties of HK$81,541,000 were excluded.

## BUSINESS REVIEW

### Apparel Business

*China Mainland and Hong Kong SAR Markets*

After experiencing favorable condition and steady growth in China Mainland in the first half of 2018, retail suffered a setback amid uncertainties posed by trade tensions with the US and fluctuations in the stock markets in the second half of the year. Operating environment took a turn for the worse as a result. For the year as a whole, overall turnover in China Mainland amounted to HK$1,322,328,000, representing a year-on-year increase of approximately 5%. The increase was mainly attributable to sales from wholesaling.

In China Mainland, the Group has continued to conduct its apparel operation primarily through wholesaling to distributors in various cities and provinces, through self-operated retail shops (including factory outlets) located mainly in Guangzhou, Shanghai, Beijing and Chongqing, as well as through e-commerce and custom-ordering.

Regarding our wholesaling operation, there was not yet any significant growth in the sales of the [illegible] stributors and their business confidence still needed to be strengthened. In the absence of major return and exchange arrangements, growth in both order amount and sales of products for the coming season at the end of the year resulted in a year-on-year increase of about 9% for sales to distributors.

Business for our self-operated retail shops was impacted by the dampened consumer sentiment in the second half of the year and the warm weather towards the end of the year. For the year as a whole, sales of self-operated retail shops (excluding factory outlets) dropped by approximately 2%. Except for Chongqing where sales decreased by about 10%, business remained stable in all other areas. In the meantime, the Group is restructuring and modifying its operation in Chongqing.

To clear products returned from distributors, th [illegible] ctory outlets have boosted the sale of off-season stocks to a proportion of 70% while lowering the proportion of special selected items accordingly. As a result, annual sales decreased by approximately 3%. Since the profit margin of off-season stocks was relatively low, the overall performance of our factory outlets compared less favorably with that of last year.

[illegible] approximately 945 retail outlets in China, among which 104 were self-operated (including 36 factory outlets). During the year under review, our retail outlets remained stable and the total number was comparable with that at the end of last year.

Growth i [illegible] -commerce began to turn moderate during the review year. Focus was placed on the sale of special selected items, which continued to account for approximately 90% of the Gr [illegible] -commerce sales. With a year-on-year growth of approximately 3%, e-commerce [illegible] parel sales.

During the review period, the Group continued to expand its custom-ordering business that aims to produce custom-made corporate uniforms mainly for the Mainland clientele. Annual sales rose by approximately 27%. Since this business unit is still at a development stage, it contributed about 4% [illegible] erall apparel sales in the China Mainland market.

The year also saw the Group continuing to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. Business was generally stable throughout the entire period. Largely because of the growth in e-commerce sales and in turn recognition of e-commerce turnover license fees, licensing income grew year-on-year by approximately 13% to stand at HK$115,530,000.

*Singapore and Malaysia Markets*

The o business in Singapore and Malaysia began to stabilize during the year under review. Total sales amounted to HK$62,268,000, representing a year-on-year decrease of approximately 6%. The decrease was mainly attributable to the closure of a number of loss-making shops since last year and the need to offer bigger discounts to help clear off-season stocks.

Owing to the relatively significant changes in the portfolio of the local outlets, comparability of remaining comparable retail outlets in Singapore was relatively low with sales accounting for 60% of total sales. Sales by these comparable retail outlets grew by approximately 10%. Following the closure of low-performing shops, there were a total of 5 Goldlion shops and 18 counters in Singapore, or down by four when compared with the end of last year. Over in Malaysia, there were a total of 13 counters, or down by two when compared with the end of last year.

The gross profit margin for these local markets during the review year was approximately 45.4%, which was higher than the 40.1% for the previous year. This was mainly attributable to the reversal of inventory provision amounting to HK$2,520,000 (against the provision of HK$2,813,000 last year).

Inclusive of the reversal of provision for impairment losses for the leases and decoration of certain loss-making shops of HK$3,187,000 (reversal of HK$5,465,000 for last year), operating loss for the Singapore and Malaysia markets for the review year stood at HK$9,771,000, which was lower than the amount of HK$19,531,000 of last year. Excluding the reversal of provisions for stocks and impairment losses mentioned above, operating loss stood at HK$15,478,000, which was also lower when compared with the amount of HK$22,183,000 of last year.

**Property Investment and Development**

Except for the transfer of the properties at Yuan Village in Guangzhou and two units in Singapore from warehousing properties to investment properties by investment property portfolio had no significant changes since the end of last year.

Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK$91,921,000 s property holdings in Hong Kong, especially the Go gains stood at HK$91,722,000.

Rental income and building management fees for the year amounted to HK$144,600,000 and HK$36,638,000 respectively, representing a year-on-year increase of approximately 3% in total.

Tianhe, Guangzhou, remained stable. The rental income and building management fees were largely comparable with those of last year. Owing to a gap between leases for some of the premises, occupancy rate fell to around 89%. For this reason, no growth was registered in spite of the increased overall rental.

In Shenyang, leasing of Goldlion Commercial Building continued to remain good with overall occupancy rate maintained at 100%. With turnover rental higher than that of last year, rental income and building management fees increased by approximately 8%.

In Hong Kong, leasing of ly good. Overall rental income and building management fees increased year-on-year by approximately 10%. This was mainly attributable to a general upward adjustment in rental for new leases entered into since the middle of last year. At the end of the year, all the premises in the property were leased out. At present, planning for revitalization is still underway and there is not yet any timetable. Turning to the property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong, large-scale refurbishment was completed in early 2019. Total expenditure for the works amounted to approximately HK$52,000,000. The property is currently for lease.

Regarding the piece of land with a site area of approximately 75,949 square meters in Meixian, selection of the main contractor for relevant construction works by tender has already completed. The Group has entered into the main construction contract amounting to HK$688,000,000 in mid-March 2019 and works are expected to commence soon. The entire project will be carried out in two phases and is initially expected to be completed around the year 2022. This primarily residential development comprises 11 high-rise buildings and 26 low-rise ones, as well as ancillary facilities. At the end of the year, the capital expenditure authorized but not contracted for this project was HK$870,000,000, including the main construction contract of HK$688,000,000. Relevant expenditure is expected to be paid by the Group resources and funds received in advance from sales of properties.

## PROSPECTS

Over the past year, dramatic swings in the China Mainland market, prolonged US-China trade disputes, possibly rising interest rates and fluctuations of the RMB all dealt a blow to both consumer confidence and spending. It is therefore prudent for the Group to expect a slowdown in the Chinese economy and a difficult climate for retailers in 2019.

Business o in China Mainland is not expected to bounce back in the near future, especially with sales of related products impacted by the warm winter in 2018. The Group will continue to provide appropriate support to boost their sales and does not rule out the possibility of taking over individual low-performing distributors. At th nter collections sales fair held in early March, initial figures reflected the reservation of our distributors in the market outlook and there was an approximately 10% decrease in order amount when compared with the corresponding season last year. The orders will be delivered during the second half of 2019. The Group will also launch replenishment ordering activities to fill the decrease.

Despite the uncertainties continue to consolidate the business of its self-operated retail shops and factory outlets and to strive for sustained business growth. To further reduce the risk of excessive inventories on hand, off-season stocks will continue to be cleared through our factory outlets. While expecting e-commerce sales to keep growing in the coming year, the Group will continue to make more efforts to expand its custom-ordering business.

To reverse the present losing trend in Singapore, operational strategies in the local market will continue to be adjusted. In addition to enhancing operational cost-effectiveness, product variety and quality will be improved to cater more precisely to the demand and expectations of the local consumers.

As for property investment, the Group will continue to enhance the leasing potential of its properties on hand for maintaining a stable rental income. Growth is expected with the property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong, starting to generate rental income in the first half of 2019 and the transfer of the Guangzhou Yuan Village property for leasing purposes at the end of last year. Furthermore, the Meixian development project will commence as scheduled.

## FINANCIAL POSITION

As at 31st December 2018, the Group had cash and bank balances of approximately HK$1,329,937,000, which was HK$17,679,000 higher than that at the end of last year. During the year, the Group recorded a net cash inflow from operating activities of HK$283,996,000 and received interest income of HK$25,916,000. However, the Group also paid dividends of HK$186,601,000 and increased fixed assets of HK$70,818,000. Besides, changes in foreign exchange rate during the year resulted in a decrease in cash and bank balances of HK$37,406,000. As at 31st December 2018, the Group did not have any bank loans or overdrafts.

As at 31st December 2018, the Group s current assets and current liabilities were HK$1,953,817,000 and HK$505,727,000 respectively, with a current ratio at 3.9. Total current liabilities were 12.5% of the average capital and reserves attributable to owners of the Company of HK$4,042,907,000.

As at 31st December 2018, the Group did not have any material contingent liabilities and had not The Group has incurred capital commitments in relation to investment property of HK$18,142,000 in which HK$11,954,000 is for the refurbishment of its investment property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong. As at 31st December 2018, the total capital expenditure authorized but not contracted for the Meixian property development project was HK$870,000,000. The Group subsequently entered into the main construction contract amounting to HK$688,000,000 in mid-March 2019.

## HUMAN RESOURCES

At 31st December 2018, the Group had approximately 1,850 employees. Staff costs including directors emoluments of the year amounted to HK$242,935,000. The Group ensures that muneration packages are competitive and are determined mainly on factors including job nature, market conditions, individual performance, qualification and experience. The Group also provides other benefits to its employees and training as and when required.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining sharehold nt to attend and vote at the forthcoming annual general meeting to be held on 17th May 2019 9 Register of Members of the Company will be closed from 14th May 2019 to 17th May 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2019 AGM, all transfers accompanied by the relevant shares certificates must be lodged by 4:30 p.m. on Friday, 10th May 2019 with the Company s Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen s Road East, Wan Chai, Hong Kong.

(b) For the purpose of determin posed final dividend, the Register of Members of the Company will be closed on 23rd May 2019 and 24th May 2019 (two days), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend of the year, all transfers accompanied by the relevant shares certificates must be lodged by 4:30 p.m. on Wednesday, 22nd May 2019 with the Company s Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen s Road East, Wan Chai, Hong Kong.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Ru on The Stock Exchang n for the year ended 31st December 2018. In respect of Code Provision A.2.1, the positions of the Chairman of the Board and the Chief Executive Officer are held by the same individual, namely, Mr. Tsang Chi Ming, Ricky, following Dr. Tsang Hin Chi tirement from the position of Chairman of the Board and resignation as an executive Director on 16th April 2018. As Mr. Tsang Chi Ming, Ricky has acted as the Deputy Chairman and Chief Executive Officer for more than ten years and has deep understanding of the

Gro [illegible] holding the positions of both Chairman and Chief Executive Officer by Mr. Tsang Chi Ming, Ricky provides the Group with more effective planning and execution of long term business strategies and enhances efficiency in decision-making. The Board also believes that an effective corporate governance structure of the Group has been in place to ensure an appropriate monitoring of Management.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed [illegible] Appendix 10 of the Listing Rules. During the year, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

**AUDIT COMMITTEE**

The Company has formed an Audit Committee to review and supervise the financial reporting process, risk management and internal control procedures of the Group. As at the date of this announcement, the Audit Committee has four members comprising Mr. Li Ka Fai, David