Goldlion®
金利來

GOLDLION HOLDINGS LIMITED
金 利 來 集 團 有 限 公 司

(Incorporated in Hong Kong under the Hong Kong Companies Ordinance)
(Stock code: 533)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2010

RESULTS

The Board of Directors announces the unaudited condensed consolidated results of Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30th June 2010 as follows:

Condensed Consolidated Income Statement
For the six months ended 30th June 2010

		Unaudited	
		Six months ended	
	Note	**30.6.2010** HK$'000	**30.6.2009** HK$'000 (Restated)
Turnover	2	667,089	649,394
Cost of sales	3	(267,275)	(279,192)
Gross profit		399,814	370,202
Other gain - fair value gains on investment properties		15,406	4,600
Selling and marketing costs	3	(110,439)	(116,378)
Administrative expenses	3	(89,858)	(91,789)
Operating profit		214,923	166,635
Interest income		4,025	3,260
Profit before income tax		218,948	169,895
Income tax expense	4	(57,013)	(51,485)
Profit for the period		161,935	118,410
Profit attributable to:			
Equity holders of the Company		161,535	118,013
Non-controlling interests		400	397
		161,935	118,410
Earnings per share for profit attributable to the equity holders of the Company during the period	5	*HK cents*	*HK cents*
- basic		16.48	12.06
- diluted		16.45	12.02

	30.6.2010 HK$'000	**30.6.2009** HK$'000
Dividends	68,748	58,706

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th June 2010

	Unaudited Six months ended	
	30.6.2010	**30.6.2009**
	HK$'000	HK$'000
Profit for the period	161,935	118,410
Other comprehensive income		
Exchange differences on translation of financial statements of overseas subsidiaries	15,858	11,136
Total comprehensive income for the period	177,793	129,546
Attributable to:		
Equity holders of the Company	177,393	129,149
Non-controlling interests	400	397
Total comprehensive income for the period	177,793	129,546

Condensed Consolidated Balance Sheet
As at 30th June 2010

	Note	As at 30.6.2010 (Unaudited) HK$'000	As at 31.12.2009 (Audited) HK$'000 (Restated)
ASSETS			
Non-current assets			
Land use rights		12,985	13,701
Property, plant and equipment		187,046	192,917
Investment properties		1,769,491	1,742,660
Deferred income tax assets		50,374	45,805
		2,019,896	1,995,083
Current assets			
Completed property held for sale		19,056	33,175
Inventories		120,221	160,930
Trade receivables	6	36,555	44,565
Prepayments, deposits and other receivables		49,397	25,656
Cash and cash equivalents		784,709	775,226
		1,009,938	1,039,552
Total assets		**3,029,834**	**3,034,635**
EQUITY			
Capital and reserve attributable to the Company's equity holders			
Share capital		98,211	98,211
Reserves		2,280,783	2,171,736
Proposed dividend		68,748	117,633
		2,447,742	2,387,580
Non-controlling interests		1,711	1,311
Total equity		2,449,453	2,388,891
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		259,979	249,403
Current liabilities			
Trade payables	7	35,465	68,657
Other payables and accruals		273,105	285,519
Current income tax liabilities		11,832	42,165
		320,402	396,341
Total liabilities		580,381	645,744
Total equity and liabilities		**3,029,834**	**3,034,635**
Net current assets		689,536	643,211
Total assets less current liabilities		2,709,432	2,638,294

Notes:

1. Principal accounting policies

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2010 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants, and applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2009.

Certain comparative figures have been reclassified upon adoption of the amendment to HKAS 17 as detailed below.

The Group previously disclosed impairment on certain property, plant and equipment within 'administrative expenses'. Management considers that the inclusion of such amount in 'costs of sales' is a more appropriate presentation to reflect the Group's activities. Such reclassifications have resulted in an increase in cost of sales and decrease in administrative expenses for the six months ended 30 June 2009 by HK$7,853,000 but with no impact on the Group's net profit and/or financial position.

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2009, as described in those annual financial statements.

The following new standards and amendment to standard are mandatory for the first time for the financial year beginning on or after 1st January 2010.

HKFRS 3 (Revised) "Business Combination" introduces significant changes in the accounting for business combinations occurring on or after 1 January 2010. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reporting results.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss.

These standards do not have any impact on the Group's condensed consolidated interim financial information for the six months ended 30 June 2010, as the Group has not entered into any business combination during the period.

As part of improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease prepayments in the consolidated balance sheet. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the leasee.

The effect of the adoption of this amendment is as below:

	As at 30.6.2010 HK$'000	**As at 31.12.2009** HK$'000	**As at 1.1.2009** HK$'000
Decrease in leasehold land and land use rights	50,418	51,101	96,325
Increase in property, plant and equipment	50,418	51,101	96,325

The following new standards, amendments and interpretations to existing standards are effective in 2010 but not relevant to the Group.

HKFRS 1 (Revised), 'First-time adoption of HKFRSs'
HKFRS 1 (Amendment), 'Additional exemptions for first-time adopters'
HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction'
HKAS 38 (Amendment), 'Intangible assets'
HKAS 39 (Amendment), 'Eligible hedged items'
HK(IFRIC) – Int 14 (Amendment), 'Prepayments of a minimum funding requirement'
HK(IFRIC) – Int 17, 'Distribution of non-cash assets to owners'
HK(IFRIC) – Int 18, 'Transfers of assets from customers'
HK – Int 4 (Amendment), 'Determination of length of lease term in respect of Hong Kong land leases'
HKFRSs (Amendments), 'Amendment to HKFRS 5 as part of improvements to HKFRSs 2008'
HKFRSs (Amendments), 'Improvements to HKFRSs 2009'

2. 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 period were as follows:

	Six months ended 30.6.2010 HK$'000	Six months ended 30.6.2009 HK$'000
Sales of goods	532,127	511,170
Gross rental income from investment properties	57,558	57,818
Building management income	15,878	15,018
Licensing income	26,232	25,010
Sales of properties	35,294	40,378
	667,089	649,394

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

	Six months ended 30.6.2010 Segment turnover HK$'000	Six months ended 30.6.2009 Segment turnover HK$'000	Six months ended 30.6.2010 Segment results HK$'000	Six months ended 30.6.2009 Segment results HK$'000
Operating segments				
Apparel in China Mainland and Hong Kong SAR	491,486	472,717	150,023	116,594
Apparel in Singapore and Malaysia	66,873	63,389	9,743	4,208
Apparel in other countries	-	74	-	(1,725)
Property investment and development	111,258	117,036	78,176	73,133
Inter-segment sales	(2,528)	(3,822)	-	-
	667,089	649,394	237,942	192,210
Unallocated costs			(18,994)	(22,315)
Profit before income tax			218,948	169,895
Income tax expense			(57,013)	(51,485)
Profit for the period			161,935	118,410

3. Expenses by nature

	Six months ended 30.6.2010 HK$'000	30.6.2009 HK$'000 (restated)
Cost of properties sold	17,119	15,660
Cost of inventories sold	224,617	245,047
Provision/(reversal) for impairment of inventories	6,767	(3,279)
Impairment loss on property, plant and equipment	1,050	7,853
Direct operating expenses arising from investment properties	14,181	13,912
Amortization of land use rights	785	780
Depreciation of property, plant and equipment	11,869	13,347
Staff costs including directors' emoluments	87,667	87,689
Other expenses	103,517	106,350
	467,572	487,359
Representing:		
Cost of sales	267,275	279,192
Selling and marketing costs	110,439	116,378
Administrative expenses	89,858	91,789
	467,572	487,359

4. Income tax expense

Hong Kong profits tax has not been provided as there is no estimated assessable profit or there are available tax losses to offset assessable profit for the period.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the period at the rate of 25% (2009: 25%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended	
	30.6.2010	**30.6.2009**
	HK$'000	HK$'000
Current tax		
- Hong Kong	-	76
- PRC enterprise income tax	51,571	35,308
- Overseas taxation	1,782	881
- Land appreciation tax	(786)	4,952
Deferred income tax	4,446	10,268
Total income tax expense	57,013	51,485

5. Earnings per share

The calculation of basic earnings per share is based on profit attributable to the equity holders of the Company of HK$161,535,000 (six months ended 30th June 2009: HK$118,013,000) and the weighted average number of 980,280,134 (six months ended 30th June 2009: 978,434,035) shares in issue during the period excluding ordinary shares purchased by a subsidiary and held as treasury shares.

The calculation of diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of HK$161,535,000 (six months ended 30th June 2009: HK$118,013,000) and the weighted average number of 982,114,035 (six months ended 30th June 2009: 982,114,035) share in issue during the period after adjusting the effect of all potential dilutive ordinary shares deemed to be transferred to an employee at nil consideration under the Share Award Scheme.

6. Trade receivables

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

	As at 30.6.2010 HK$'000	**As at 31.12.2009** HK$'000
1-30 days	26,383	37,890
31-90 days	8,379	6,363
Over 90 days	1,793	312
	36,555	44,565

7. Trade payables

An ageing analysis of the trade payables is as follows:

	As at 30.6.2010 HK$'000	**As at 31.12.2009** HK$'000
1-30 days	26,180	65,592
31-90 days	6,572	2,002
Over 90 days	2,713	1,063
	35,465	68,657

INTERIM DIVIDEND

The Directors have recommended the payment of an interim dividend of 7.0 HK cents per share (2009: 6.0 HK cents per share) for the year ending 31st December 2010, totalling HK$68,748,000 (2009: HK$58,706,000), which is expected to be payable on or about 5th October 2010 to shareholders whose names appear on the Register of Members as at 24th September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group achieved satisfactory results in the six months ended 30th June 2010 despite continuing uncertainties in the global economy. Performances in two of the Group's major operating locations, namely Mainland China and Singapore, improved from the same period last year.

The Group recorded a turnover of HK$667,089,000 in the six months ended 30th June 2010, or 3% over the same period last year. The growth was 4% if sales income from the Group's Meizhou property development project is excluded.

As for profits, profit attributable to equity holders of the Company during the period was HK$161,535,000, rising by 37% from the same period last year. The growth amounted to about 33% with respect to the Group's fundamental business. An analysis of profit for the period is as follows:

	Six months ended	
	30.6.2010	**30.6.2009**
	HK$'000	HK$'000
Profit per financial statements	161,535	118,013
Adjusted for:		
Fair value gains on investment properties net of deferred tax effect	(13,602)	(3,820)
Profit after tax from Meizhou property development project	(13,473)	(13,435)
Profit of the Group from fundamental business	134,460	100,758

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

In China Mainland during the period under review, satisfactory economic performance and continual rapid growth in GDP have combined with the Government's encouragement of domestic demand to result in a revitalized market. With consumer sentiment strengthening, the Group's apparel business in the market registered an increase of approximately 4% in turnover, or approximately 3% in Renminbi over the same period last year.

After substantially curtailing the price reduction measures implemented last year for countering the implications of the worsening economies in the region, the Group's gross profit from the China Mainland market has returned to its normal level for an average year, pushing up overall profit along with it.

Enhancing production management and quality control continued to be the Group's priority during the period to ensure both product quality and prompt delivery. Parallel with this, frontline sales personnel were given refresher training especially in marketing skills and etiquette in the first half of the year.

Following the successive expiry of leases for the local outlets, apparel retail in Hong Kong terminated in March this year. Distribution of corporate uniforms is now the main activity of the Group's apparel business in the local market.

Licensing income for the period amounted to HK$26,232,000, representing a rise of about 5% over the same period last year. The growth was mainly attributable to the incremental increase in license fees stipulated in the current agreements. Licenses granted during the period mainly cover shoes, leather goods, undergarments, woolen sweaters and sportswear and accessories for the China Mainland market.

Singapore and Malaysia Markets

Although the Singaporean economy bottomed out during the period, the focus of the market was confined to the newly opened casinos and theme park. The Group's local operations did not benefit fully from the upturn in the local economy. Overall sales increased by about 6% over the corresponding period last year, or about 1% in local currency with the exchange rate higher than that quoted for the same period last year.

In response to the improvement in the economy, the Group retracted much of its price reduction strategy and gross profit returned to its previous level before the financial crisis set in. This accounts for the increase in overall profit despite the absence of a significant rise in sales during the period.

With the lease of individual premises expiring in the period, outlets numbered slightly fewer than last year. At the end of the period, there were a total of 8 Goldlion shops and 19 counters in Singapore.

Over in Malaysia, the Group reorganized its retailing network by cutting outlets with a less promising profiting prospect during the period. As a result, sales fell by approximately 8% in local currency when compared with the same period last year. The number of outlets in Malaysia stood at 24 at the end of the period.

Property Investments and Development

Property investment remained stable during the period. Fair value gains on investment properties recognized by the Group after an independent professional valuation amounted to HK$15,406,000 compared with HK$4,600,000 for last year. The bulk of the gains was derived from the Group's holdings in Hong Kong, the fair value gains on which stood at HK$11,950,000, benefitting from the thriving local property market in the first half of the year.

As far as leasing is concerned, income from rentals reached HK$57,558,000, which was largely comparable with that of the corresponding period last year. Performance of all the major investment properties held by the Group was stable, registering little change in rentals generated for the same period last year.

The Goldlion Digital Network Centre in Tianhe, Guangzhou, experienced stable leasing during the period. Owing to the increased supply of office spaces in and around the Zhujiang New Town, there was not any significant growth in rentals for leases newly entered into during the period and occupancy remained to be around 90%.

Similar stability was registered for the Goldlion Commercial Building held by the Group in Shenyang, with overall occupancy maintaining at 100%. Performance as a whole was in line with that of the corresponding period last year.

As for the Group's properties in Hong Kong, overall income from rentals was comparable with that of last year. With the exception of some of the spaces on the sixth floor of the Goldlion Holdings Centre in Shatin, which were transferred to investment properties towards the end of last year, all the Group's properties in Hong Kong have been leased out.

During the period, a total of about 6,235 square meters of residential units, 135 square meters of commercial spaces and 20 carparks from the property development project in Meizhou were sold, which contributed sale proceeds of approximately HK$35,294,000 to the Group. Profit after property costs, related expenses and taxes amounted to HK$13,473,000 for the period.

PROSPECTS

Judging from the current global economy and the economic development in China Mainland, the Group is prudentially optimistic about its operations in the second half of the year. Business is expected to grow at a steady pace provided there are no unpredictable negative factors affecting the general business environment.

Regarding the China Mainland Market, the Group will continue to divide it into segments in order to meet the demand of different tiers of clienteles through targeted product planning and design. Efforts will also be made to increase awareness of retail management among our distributors with the aim of boosting the performance of our outlets. Furthermore, work flow will be further streamlined for better production management while management and quality control in relation to our distributors will be reinforced.

Regarding the Singapore Market, operation on the whole in the second half of the year is expected to continue along the same path as that for the first half of the year. The Group will maintain its present business strategy with possible adjustments as and when necessary to boost the profitability of the local business.

As for investment properties, the Group will continue to build up the leasing potential of its holdings to ensure a steady inflow of rental revenue. Turning to the Meizhou development project, both the residential units and the carparks were almost sold out at the end of the reporting period, leaving about 40% in terms of floor area of the shop spaces yet to be sold. The Group plans to offer the remaining premises for sale depending on market conditions.

FINANCIAL POSITION

As at 30th June 2010, the Group had cash and bank balances of approximately HK$784,709,000, which was HK$9,483,000 higher than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK$125,401,000 and paid dividends of HK$117,633,000. As at 30th June 2010, the Group did not have any bank loans or overdrafts.

As at 30th June 2010, the Group's current assets and liabilities were HK$1,009,938,000 and HK$320,402,000 respectively, with current ratio at approximately 3.2. Total current liabilities were 13% of the average equity attributable to the Company's equity holders of HK$2,417,661,000.

As at 30th June 2010, the Group did not have any significant contingent liabilities or capital commitment and there were no charges on any of the Group’s assets.

HUMAN RESOURCES

At 30th June 2010, the Group had approximately 1,670 employees. Employees’ costs during the first six months of the year including directors emoluments amounted to HK$87,667,000. The Group ensures that employees’ remuneration 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 MEMBER

For the purpose of determining shareholders’ entitlement to the proposed dividend, the Register of Members of the Company will be closed from 22nd September 2010 to 24th September 2010 (both dates inclusive), during which period no transfer will be effected.

In order to qualify for the above-mentioned interim dividend, all transfers accompanied by the relevant shares certificates must be lodged by 4:30 p.m. on Tuesday, 21st September 2010 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the six months ended 30th June 2010 except that all of the non-executive Directors of the Company have not been appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. During the six months ended 30th June 2010, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

AUDIT COMMITTEE

The Company has formed an Audit Committee to review and supervise the financial reporting process and internal control procedures of the Group. At present, the Audit Committee has four members including Mr. Li Ka Fai, David (Chairman), Dr. Wong Ying Ho, Kennedy (Deputy Chairman) and Dr. Lau Yue Sun, all of them being independent non-executive Directors, and Mr. Ng Ming Wah, Charles, a non-executive Director of the Company.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's unaudited interim financial information for the six months ended 30th June 2010. At the request of the Board of Directors, the Company's external auditors, PricewaterhouseCoopers, have carried out a review of this unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE COMPANY AND THE STOCK EXCHANGE

The interim results announcement is published on the website of the Company (www.goldlion.com) and the Stock Exchange (www.hkexnews.hk). The 2010 interim report, containing all the information required by Appendix 16 to the Listing Rules, will be despatched to shareholders and make available on the above websites in due course.

BOARD OF DIRECTORS

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

By order of the Board
Kam Yiu Kwok
Company Secretary

Hong Kong, 30th August 2010