



金利來 集團有限公司

GOLDLION

HOLDINGS LIMITED 中期報告

股份代號 Stock Code : 00533 Interim Report

2012

## CHAIRMAN'S STATEMENT

### **OPERATING RESULTS**

#### ***Turnover and gross profit***

The Group continued to record a stable growth in the six months ended 30th June 2012 with turnover totaling HK\$878,903,000, representing an increase of 9% over the same period last year. The growth will be 14% if income from property sales of the Meizhou property development project in same period last year amounting to HK\$33,381,000 is excluded.

During the period, sales growth was mainly generated from the Group's apparel sales in the China Mainland market which registered a growth of 18%. Income from rental of properties, building management and licensing of brand name was higher than the same period last year. However, a drop in turnover of 9% was recorded for our apparel business in the Singapore and Malaysia markets.

Gross profit for the period was HK\$523,079,000, up by 9% from HK\$481,975,000 of the same period last year. Such an increase was in line with the growth rate of total turnover. Overall gross profit margin was approximately 59.5% which was at the same level of the same period last year.

#### ***Operating expenses and operating profit***

Selling and marketing costs for the period were HK\$164,116,000, increased by 8% from the same period last year. Selling and marketing costs expressed as a percentage to overall turnover was stable and stood at approximately 19%.

Administrative expenses for the period were HK\$123,070,000, increased by 25% from the same period last year. Except the impact of rising staff costs, the increase was also partly related to the depreciation charge arising from additional capital expenditures on the Group's self-used properties in Guangzhou.

During the period, the Group recorded fair value gains on investment properties of HK\$69,406,000, compared with HK\$38,707,000 of the same period last year. Other gains for the same period last year also included gain on disposal of an investment property in Meizhou of HK\$3,049,000.

Operating profit for the reporting period amounted to HK\$305,299,000 compared with HK\$273,701,000 for the same period last year, representing an increase of 12%. The operating profit margin was approximately 34.7% and was slightly higher than the same period last year by about 0.7 percentage point.

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

### **OPERATING RESULTS** *(continued)*

#### **Profit attributable to owners of the parent**

Profit attributable to owners of the parent for the period was HK\$249,982,000, rising by 22% from HK\$204,692,000 (restated) of the same period last year. Profit for the period would be HK\$186,583,000 if fair value gains after tax on investment properties of HK\$63,399,000 were excluded. Such profit marked an increase of 19% from HK\$156,923,000 (if the restated fair value gains after tax on investment properties of HK\$33,960,000 and gains after tax on sales of properties in Meizhou of HK\$13,809,000 were excluded) of the same period last year.

### **BUSINESS REVIEW**

#### **Apparel Business**

##### China Mainland and Hong Kong SAR Markets

During the period under review, China Mainland's economy was affected by weakened export demand impacted by global economic downturn and the European debt crisis. The growth rate of the GDP in China Mainland slowed down to the lowest in recent years. Weak consumer sentiment and sluggish retail market posed challenges to the Group's business in China Mainland.

However, the Group's apparel operation in the local market recorded an increase of approximately 18% in turnover to HK\$690,270,000, or approximately 15% increase in Renminbi ("RMB") over the same period last year.

Our apparel operation in China Mainland market is mainly conducted through wholesaling to distributors in various cities and provinces, as well as self-operated retail shops (including factory outlets) in Guangzhou, Shanghai and Beijing. In terms of RMB, sales to distributors and by self-operated retail shops for the period grew by 18% and 6% respectively.

During the period, the Group mainly sold its 2012 spring and summer collections to the distributors. As orders of these products were mainly placed during the sales fair held last year, such sales were not substantially affected by the current weakened market condition. Due to the shorter peak season before the Chinese New Year compared with last year and weak market sentiment, the sales of our self-operated retail shops grew at a slower pace when compared with the previous year.

During the period, the number of outlets of the Group remained stable. There were a total of around 1,300 outlets in China Mainland, of which around 85 were under the Group's direct operation at the end of the period.

**CHAIRMAN'S STATEMENT** *(continued)***BUSINESS REVIEW** *(continued)***Apparel Business** *(continued)*China Mainland and Hong Kong SAR Markets *(continued)*

In view of the adverse market condition, the Group maintained close liaison with its distributors during the period to better understand their operations and difficulties faced in the market. The Group also provided them with appropriate assistance and support if necessary.

The Group continued to carry out the "Gold Label Scheme" during the period. Sales of "Gold Label" products accounted for approximately 15% of the total sales of the Group in China Mainland. At the end of the period, there were about 50 "Gold Label" stores in China Mainland, of which 12 were directly operated by the Group.

Licensing income for the period amounted to HK\$31,361,000, representing a rise of about 7%, or approximately 4% in RMB 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, casual wear and accessories for the China Mainland market.

## Singapore and Malaysia Markets

Growth of the Singapore's open economy slowed down during the period as a result of weak global economy and the European debt crisis. The retail market was adversely affected by unfavorable consumer sentiment. The Group's apparel retail operation was no exception. During the period, sales in Singapore amounted to HK\$70,827,000, representing a decrease of approximately 8%, or approximately 5% in local currency over the same period last year.

Due to shorter peak season before the Chinese New Year as compared with that of last year and the sluggish market condition, our operation in Singapore was under pressure. Sales of comparable outlets in Singapore decreased by approximately 6% in local currency compared with the same period last year. At the end of the period, there were a total of 8 Goldlion shops and 21 counters, same as at the end of last year.

During the period, the Group reduced its operating costs to below that of the same period last year. Operating profit in Singapore for the period amounted to approximately HK\$3,695,000, representing a decrease of about 19% when compared with the corresponding period of last year. Operating profit margin was 5%, slightly lower than 6% of the same period last year.

The Group's business in the Malaysia market being smaller in scale, sales stood at HK\$2,904,000, declining by approximately 27% over the same period last year. Decrease in sales was partly attributable to sluggish market condition and severe competition, and partly to the decrease in number of outlets. At the end of the period, the Group had a total of 20 outlets in the local market. Operating profit in Malaysia for the period amounted to approximately HK\$465,000, representing a decrease of approximately 51% when compared with the same period last year.

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

### **BUSINESS REVIEW** *(continued)*

#### **Property Investments and Development**

There was no major change in the Group's portfolio of investment properties from its position at the end of last year and performance continued to be stable. Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK\$69,406,000. Such gains included those from investment properties in Hong Kong of HK\$45,380,000 which was a reflection of the robust Hong Kong property market during the period. In comparison, fair value gains for the same period last year was HK\$38,707,000.

Rental income and building management fee generated during the period stood at HK\$64,387,000 and HK\$18,808,000 respectively, representing a respective growth of approximately 8% and 7%. Leasing of the Goldlion Digital Network Centre in Tianhe, Guangzhou remained to be stable. Occupancy rate of the building slightly improved to approximately 93% as more vacant units were leased out during the period. Together with the benefits from climbing rentals, rental income increased by approximately 10% over the same period last year.

Leasing for the Goldlion Commercial Building in Shenyang was likewise stable, with overall occupancy maintaining at 100%. A growth of about 7% in rental income and building management fee from same period last year was registered.

Regarding the resettlement of our property in Anhua Road in Changning, Shanghai, the Group continued the negotiation with relevant authorities during the period. The local authorities have placed their initial compensation proposal, yet, which was still behind our expectation. Further negotiation will be conducted.

Although the occupancy of the Goldlion Holdings Centre in Shatin decreased during the period, total rental income of Hong Kong properties increased by approximately 8% over the same period last year due to the general upward adjustment of rentals. The occupancy of the Group's investment properties in Hong Kong is currently over 90%.

### **PROSPECTS**

Looking ahead, the global economy will remain volatile in the second half of 2012 as the European debt crisis drags on. Concern on the downtrend of China's economy resulting from weak export demand will continue to affect the market. The Group remains cautious about the business environment for the coming months.

Despite challenges to be faced by our China Mainland operation in the second half of the year, the Group will keep up our commitment to enhancing product quality and design and promoting our brand image through effective promotional activities. The Group's Mainland sales fair of the 2013 spring and summer collections was just held last month with initial order amount increased by 12% as compared with the 2012 spring and summer collections. As a business partner, the Group fully realizes the difficulties of our distributors faced in the market and will continue to keep close liaison in order to ease their pressure and ensure advancement in their operations.

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

The "Gold Label Scheme" has been launched for more than one year. The Group will review the effectiveness of the scheme in due course and adjust the business strategy as necessary. The Group had just entered into an agreement with a retailer in China Mainland with proven track records by appointing the retailer to operate the "Gold Label" retail business in certain cities and provinces in China. It is expected this would enhance the retail advantage and boost sales of the "Gold Label" products.

In Singapore, the market is expected to remain weak in the second half of the year. Aiming at uplifting the profitability, the Group will continue to target for a sales growth and to control the operating costs.

As for investment properties, the Group will continue to add value to its properties on hand to ensure a steady inflow of rental revenue.

**FINANCIAL POSITION**

As at 30th June 2012, the Group had cash and bank balances of approximately HK\$1,107,311,000, which was HK\$86,332,000 higher than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK\$236,434,000 and gains from foreign exchange rate changes of HK\$7,161,000, received interest income of HK\$14,030,000 and paid dividends of HK\$166,959,000. As at 30th June 2012, the Group did not have any bank loans or overdrafts.

As at 30th June 2012, the Group's current assets and liabilities were HK\$1,485,926,000 and HK\$434,816,000 respectively, with current ratio at approximately 3.4. Total current liabilities were 15% of the average capital and reserves attributable to owners of the parent of HK\$2,995,053,000.

As at 30th June 2012, the Group did not have any significant contingent liabilities or capital commitment and there were no charges on any of the Group's assets.

**ACKNOWLEDGEMENT**

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

**Dr. Tsang Hin Chi**

*Chairman*

Hong Kong, 24th August 2012

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

### TO THE BOARD OF DIRECTORS OF GOLDLION HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

#### **INTRODUCTION**

We have reviewed the interim financial information set out on pages 7 to 24, which comprises the condensed consolidated balance sheet of Goldlion Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2012 and the related condensed consolidated income statement, the condensed consolidated statements of comprehensive income and changes in equity, and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 24th August 2012

**CONDENSED CONSOLIDATED BALANCE SHEET***As at 30th June 2012 and 31st December 2011*

		<b>Unaudited 30th June 2012</b>	<b>Audited 31st December 2011</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000 (Restated)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	5	21,708	15,734
Property, plant and equipment	5	202,936	209,223
Investment properties	5	2,038,488	1,963,815
Prepayments	7	4,634	–
Deferred income tax assets		45,746	40,174
		<u>2,313,512</u>	<u>2,228,946</u>
<b>Current assets</b>			
Completed properties held for sale		2,684	3,332
Inventories		214,534	313,269
Trade receivables	6	43,445	68,854
Prepayments, deposits and other receivables	7	117,952	71,153
Bank deposits		598,766	666,440
Cash and cash equivalents		508,545	354,539
		<u>1,485,926</u>	<u>1,477,587</u>
<b>Total assets</b>		<u><u>3,799,438</u></u>	<u><u>3,706,533</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
Share capital	8	98,211	98,211
Reserves		2,859,117	2,679,218
Proposed dividend		88,390	166,959
		<u>3,045,718</u>	<u>2,944,388</u>
<b>Non-controlling interests</b>		1,925	1,311
<b>Total equity</b>		<u><u>3,047,643</u></u>	<u><u>2,945,699</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		316,979	310,090
<b>Current liabilities</b>			
Trade payables	9	73,014	92,929
Other payables and accruals		342,894	337,641
Current income tax liabilities		18,908	20,174
		<u>434,816</u>	<u>450,744</u>
<b>Total liabilities</b>		<u><u>751,795</u></u>	<u><u>760,834</u></u>
<b>Total equity and liabilities</b>		<u><u>3,799,438</u></u>	<u><u>3,706,533</u></u>
<b>Net current assets</b>		<u>1,051,110</u>	<u>1,026,843</u>
<b>Total assets less current liabilities</b>		<u><u>3,364,622</u></u>	<u><u>3,255,789</u></u>



**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30th June 2012

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th June 2012</b>	<b>30th June 2011</b>
		<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Turnover	4	878,903	805,264
Cost of sales	11	(355,824)	(323,289)
<b>Gross profit</b>		523,079	481,975
Other gains, net	10	69,406	41,756
Selling and marketing costs	11	(164,116)	(151,437)
Administrative expenses	11	(123,070)	(98,593)
<b>Operating profit</b>		305,299	273,701
Interest income		14,030	9,508
<b>Profit before income tax</b>		319,329	283,209
Income tax expense	12	(68,733)	(78,100)
<b>Profit for the period</b>		<u>250,596</u>	<u>205,109</u>
<b>Profit attributable to:</b>			
Owners of the parent		249,982	204,692
Non-controlling interests		614	417
		<u>250,596</u>	<u>205,109</u>
Earnings per share for profit attributable to owners of the parent during the period		<i>HK cents</i>	<i>HK cents</i>
– basic	14	<u>25.45</u>	<u>20.84</u>
– diluted	14	<u>25.45</u>	<u>20.84</u>
		<b>30th June 2012</b>	<b>30th June 2011</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend	13	<u>88,390</u>	<u>83,480</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30th June 2012*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	<b>30th June</b>
	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
<b>Profit for the period</b>	250,596	205,109
<b>Other comprehensive income</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	18,307	59,056
<b>Total comprehensive income for the period</b>	<u>268,903</u>	<u>264,165</u>
<b>Attributable to:</b>		
Owners of the parent	268,289	263,748
Non-controlling interests	614	417
<b>Total comprehensive income for the period</b>	<u>268,903</u>	<u>264,165</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30th June 2012

	Unaudited						
	Attributable to owners of the parent					Non- controlling interests	Total
	Share capital	Share premium	Other reserves	Retained earnings	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Balance at 1st January 2011, as previously reported</b>	98,211	1,002,662	253,806	1,291,622	2,646,301	1,311	2,647,612
Change in accounting policy – Adoption of HKAS 12 (amendment)	–	–	–	7,447	7,447	–	7,447
<b>Balance at 1st January 2011, as restated</b>	98,211	1,002,662	253,806	1,299,069	2,653,748	1,311	2,655,059
Dividend relating to 2010	–	–	–	(137,496)	(137,496)	–	(137,496)
Total comprehensive income for the period	–	–	59,056	204,692	263,748	417	264,165
	–	–	59,056	67,196	126,252	417	126,669
<b>Balance at 30th June 2011</b>	<u>98,211</u>	<u>1,002,662</u>	<u>312,862</u>	<u>1,366,265</u>	<u>2,780,000</u>	<u>1,728</u>	<u>2,781,728</u>
<b>Balance at 1st January 2012, as previously reported</b>	98,211	1,002,662	353,298	1,479,008	2,933,179	1,311	2,934,490
Change in accounting policy – Adoption of HKAS 12 (amendment)	–	–	–	11,209	11,209	–	11,209
<b>Balance at 1st January 2012, as restated</b>	98,211	1,002,662	353,298	1,490,217	2,944,388	1,311	2,945,699
Dividend relating to 2011	–	–	–	(166,959)	(166,959)	–	(166,959)
Total comprehensive income for the period	–	–	18,307	249,982	268,289	614	268,903
	–	–	18,307	83,023	101,330	614	101,944
<b>Balance at 30th June 2012</b>	<u>98,211</u>	<u>1,002,662</u>	<u>371,605</u>	<u>1,573,240</u>	<u>3,045,718</u>	<u>1,925</u>	<u>3,047,643</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30th June 2012*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June 2012</b>	<b>30th June 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities – net	236,434	146,241
Cash flows from investing activities – net	77,370	(199,149)
Cash flows from financing activities – net	(166,959)	(137,496)
Net increase/(decrease) in cash and cash equivalents	146,845	(190,404)
Cash and cash equivalents at the beginning of the period	354,539	869,108
Effect of foreign exchange rate changes	7,161	23,157
Cash and cash equivalents at the end of the period	<u>508,545</u>	<u>701,861</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### 1. *General information*

Goldlion Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) distribute and manufacture garments, leather goods and accessories, license the brand name, and hold and develop properties for investment and development purposes.

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 24th August 2012.

This condensed consolidated interim financial information has not been audited.

### 2. *Basis of preparation*

This condensed consolidated interim financial information for the six months ended 30th June 2012 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2011, which were prepared in accordance with Hong Kong Financial Reporting Standards.

### 3. *Accounting policies*

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2011, as described in those annual financial statements.

#### (a) Change in accounting policy

In December 2010, the Hong Kong Institute of Certified Public Accountants amended HKAS 12, “Income taxes”, to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1st January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial period ended 30th June 2012 and the effects of adoption are disclosed as follows.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

### 3. Accounting policies (continued)

#### (a) Change in accounting policy (continued)

As disclosed in note 5, the Group has investment properties measured at their fair values totaling HK\$1,963,815,000 as of 1st January 2012. As required by the amendment, the Group has re-measured retrospectively the deferred tax relating to certain investment properties in Hong Kong on the presumption that they are recovered entirely by sale. The comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarized below.

Effect on consolidated balance sheet	As at	As at
	30th June 2012	31st December 2011
	HK\$'000	HK\$'000
Decrease in deferred tax liabilities	17,034	11,209
Increase in retained earnings	17,034	11,209

Effect on consolidated income statement	Six months ended	
	30th June 2012	30th June 2011
	HK\$'000	HK\$'000
Decrease in income tax expense	5,825	1,650
Increase in profit attributable to owners of the parent	5,825	1,650
Increase in basic earnings per share	0.59 HK cents	0.17 HK cents
Increase in diluted earnings per share	0.59 HK cents	0.17 HK cents

For the other investment properties amounting to HK\$1,474,845,000, they are held by certain subsidiaries with a business model to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. For these investment properties, the presumption is rebutted and related deferred tax is not re-measured.

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

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the interim financial information.

The Group has not early adopted any new or amended standards or interpretations that are not yet effective for this interim period. The adoption of such standards and interpretations in future periods is not expected to result in a material impact to the Group.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

### 4. Operating Segments

	Six months ended	
	30th June 2012	30th June 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Analysis of turnover</b>		
Sales of goods	764,347	665,428
Gross rental income from investment properties	64,387	59,525
Building management income	18,808	17,637
Sales of properties	–	33,381
Licensing income	31,361	29,293
	<u>878,903</u>	<u>805,264</u>

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker (Chief Executive Officer) that are used to make strategic decisions.

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

- 1) Apparel in China Mainland and Hong Kong SAR – Distribution and manufacturing of garments, leather goods and accessories and licensing of the brand name in China Mainland and Hong Kong SAR;
- 2) Apparel in Singapore and Malaysia – Distribution and manufacturing of garments, leather goods and accessories in Singapore and Malaysia;
- 3) Property investment and development – Investment in and development of properties in China Mainland and Hong Kong SAR.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

### 4. Operating Segments (continued)

An analysis of the Group's reportable segment profit before taxation and other selected financial information for the period by operating segment is as follows:

	Six months ended 30th June 2012				
	Apparel in China Mainland and Hong Kong SAR	Apparel in Singapore and Malaysia	Property investment and development	Eliminations	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	721,977	73,731	83,195	–	878,903
Inter-segment sales	–	–	3,384	(3,384)	–
	721,977	73,731	86,579	(3,384)	878,903
Segment results	214,859	4,160	121,728		340,747
Unallocated costs					(21,418)
Profit before income tax					319,329
Income tax expense					(68,733)
Profit for the period					250,596



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

### 4. Operating Segments (continued)

	Six months ended 30th June 2011				
	Apparel in China Mainland and Hong Kong SAR <i>HK\$'000</i>	Apparel in Singapore and Malaysia <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Group <i>HK\$'000</i> (Restated)
Turnover	613,863	80,858	110,543	–	805,264
Inter-segment sales	–	–	2,651	(2,651)	–
	<u>613,863</u>	<u>80,858</u>	<u>113,194</u>	<u>(2,651)</u>	<u>805,264</u>
Segment results	<u>185,363</u>	<u>5,523</u>	<u>110,617</u>		301,503
Unallocated costs					<u>(18,294)</u>
Profit before income tax					283,209
Income tax expense					<u>(78,100)</u>
Profit for the period					<u><u>205,109</u></u>

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

### 5. Capital expenditure

	Land use rights <i>HK\$'000</i>	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Opening net book amount as at 1st January 2011	17,017	208,407	1,838,348	2,063,772
Additions	–	8,667	8,884	17,551
Disposals	–	(42)	(7,140)	(7,182)
Transfer	–	–	860	860
Amortization and depreciation (note 11)	(894)	(14,055)	–	(14,949)
Fair value gains (note 10)	–	–	38,707	38,707
Exchange differences	315	4,357	36,167	40,839
	<u>16,438</u>	<u>207,334</u>	<u>1,915,826</u>	<u>2,139,598</u>
Closing net book amount as at 30th June 2011				
Opening net book amount as at 1st January 2012	15,734	209,223	1,963,815	2,188,772
Additions	–	6,020	69	6,089
Disposals	(15)	(636)	–	(651)
Transfer	6,881	903	(7,109)	675
Amortization and depreciation (note 11)	(983)	(13,458)	–	(14,441)
Fair value gains (note 10)	–	–	69,406	69,406
Exchange differences	91	884	12,307	13,282
	<u>21,708</u>	<u>202,936</u>	<u>2,038,488</u>	<u>2,263,132</u>
Closing net book amount as at 30th June 2012				

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(continued)***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 analysis of the trade receivables, net of provision, by age is as follows:

	<b>As at 30th June 2012</b>	<b>As at 31st December 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
1-30 days	32,323	60,823
31-90 days	8,509	7,491
Over 90 days	2,613	540
	<u>43,445</u>	<u>68,854</u>

**7. Prepayments, deposits and other receivables**

	<b>As at 30th June 2012</b>	<b>As at 31st December 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase deposits ( <i>note</i> )	89,375	39,768
Prepayments	13,535	5,186
General deposits	5,191	5,211
Interest receivable	7,691	7,484
VAT recoverable	2,533	9,650
Others	4,261	3,854
	<u>122,586</u>	<u>71,153</u>
Less: non-current portion Prepayments	<u>(4,634)</u>	<u>—</u>
Current portion	<u>117,952</u>	<u>71,153</u>

*Note:*

Purchase deposits represent the amounts paid by the Group in advance to suppliers mainly for the apparel operation in its ordinary course of business.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

### 8. Share capital

	As at 30th June 2012	As at 31st December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorized:</i>		
1,200,000,000 (31st December 2011: 1,200,000,000) shares of HK\$0.10 each	<u>120,000</u>	<u>120,000</u>
<i>Issued and fully paid:</i>		
982,114,035 (31st December 2011: 982,114,035) shares of HK\$0.10 each	<u>98,211</u>	<u>98,211</u>

### 9. Trade payables

Trade payables are aged as follows:

	As at 30th June 2012	As at 31st December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
1-30 days	60,632	82,293
31-90 days	11,769	7,803
Over 90 days	613	2,833
	<u>73,014</u>	<u>92,929</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

*(continued)*10. *Other gains, net*

	Six months ended	
	30th June 2012	30th June 2011
	HK\$'000	HK\$'000
Fair value gains on investment properties ( <i>note 5</i> )	69,406	38,707
Gain on disposal of an investment property	–	3,049
	<u>69,406</u>	<u>41,756</u>

11. *Expenses by nature*

	Six months ended	
	30th June 2012	30th June 2011
	HK\$'000	HK\$'000
Cost of properties sold	–	12,725
Cost of inventories sold	342,654	295,864
Reversal of impairment for inventories	(8,933)	(4,344)
Direct operating expenses arising from investment properties that generated rental income	19,678	15,043
Amortization of land use rights ( <i>note 5</i> )	983	894
Depreciation of property, plant and equipment ( <i>note 5</i> )	13,458	14,055
Staff costs including directors' emoluments	126,068	107,503
Other expenses	149,102	131,579
	<u>643,010</u>	<u>573,319</u>
Representing:		
Cost of sales	355,824	323,289
Selling and marketing costs	164,116	151,437
Administrative expenses	123,070	98,593
	<u>643,010</u>	<u>573,319</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(continued)***12. Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the period at the rate of 25% (2011: 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 income statement represents:

	<b>Six months ended</b>	
	<b>30th June 2012</b>	<b>30th June 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Current tax		
– Hong Kong	564	466
– PRC enterprise income tax	68,308	56,065
– Overseas taxation	707	939
– PRC land appreciation tax	–	6,936
Deferred income tax	(846)	13,694
	<hr/>	<hr/>
Total income tax expense	<u>68,733</u>	<u>78,100</u>

**13. Dividend**

	<b>Six months ended</b>	
	<b>30th June 2012</b>	<b>30th June 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of 9.0 HK cents (2011: 8.5 HK cents) per ordinary share	<u>88,390</u>	<u>83,480</u>

The final dividend for the year ended 31st December 2011 of 17.0 HK cents (2010 final: 14.0 HK cents) per ordinary share, totaling HK\$166,959,000 was paid in June 2012 (2010 final: HK\$137,496,000).

At a meeting held on 24th August 2012, the Directors declared an interim dividend of 9.0 HK cents per share. This interim dividend has not been reflected as a dividend payable in the condensed interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31st December 2012.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

### 14. Earnings per share

The calculation of earnings per share is based on profit attributable to owners of the parent of HK\$249,982,000 (six months ended 30th June 2011 (restated): HK\$204,692,000) and the weighted average number of 982,114,035 shares (six months ended 30th June 2011: 982,114,035 shares) in issue during the period. There were no potential dilutive shares in existence during the six months ended 30th June 2012 and 2011.

### 15. Commitments

#### (a) Capital commitments

	As at 30th June 2012	As at 31st December 2011
	HK\$'000	HK\$'000
Property, plant and equipment Contracted but not provided for	<u>8,281</u>	<u>3,959</u>

- (b) At 30th June 2012, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	As at 30th June 2012	As at 31st December 2011
	HK\$'000	HK\$'000
Rental receivables		
– not later than one year	113,941	132,331
– later than one year and not later than five years	101,450	82,182
– later than five years	5,978	3,384
	<u>221,369</u>	<u>217,897</u>
Rental payables		
– not later than one year	9,185	6,217
– later than one year and not later than five years	6,640	5,591
	<u>15,825</u>	<u>11,808</u>

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

### 16. Related party transactions

The Company is controlled by the Tsang Family (comprising Dr. Tsang Hin Chi, Madam Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and other direct descendants of Dr. Tsang Hin Chi and Madam Wong Lei Kuan) which, together with 5.49% of the Company's issued shares held by Tsang Hin Chi Charities (Management) Limited, collectively controlled approximately 68.17% of the Company's issued shares at 30th June 2012. The remaining 31.83% of the Company's issued shares are widely held.

The following transactions were carried out with related parties:

	Note	Six months ended	
		30th June 2012	30th June 2011
		HK\$'000	HK\$'000
(a) Sales of services:			
Rental received from related companies	(i)	830	1,558
Building management fees received from a related company	(ii)	279	631
(b) Purchase of services:			
Professional fees paid to a related company	(iii)	160	160
(c) Purchase of goods:			
Purchase of promotional goods from a related company	(iv)	1,463	–

Notes:

- (i) Rental was received from Guangzhou World Trade Center Club Company Limited ('GWTCCCL') for lease of a business center and facilities therein located at Goldlion Digital Network Centre in Guangzhou, and from China Hong Kong Digital Audiovisual Management Company Limited ('CHKDAM') for lease of a unit located at Goldlion Holdings Centre in Hong Kong. Rental was charged at rates based on the relevant lease agreements entered. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCCL and CHKDAM as he is a major shareholder of the holding company of GWTCCCL and CHKDAM. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

### 16. Related party transactions (continued)

Notes: (continued)

- (ii) Building management fees were received under normal commercial terms from GWTCCL for the provision of building management services for a business center at Goldlion Digital Network Centre. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of the holding company of GWTCCL. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.
- (iii) Equitas Capital Limited acted as financial advisor to the Group during the period for which professional fee of HK\$160,000 (2011: HK\$160,000) was paid by the Company. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and a principal shareholder of Equitas Capital Limited.
- (iv) During the period, promotional goods of HK\$1,463,000 (2011: nil) were purchased at market price from 3D-GOLD Jewellery Company Limited, which is a wholly owned subsidiary of Hong Kong Resources Holdings Company Limited. Dr. Wong Ying Ho, Kennedy, an independent non-executive Director of the Company, is the chairman and an executive director and a substantial shareholder of Hong Kong Resources Holdings Company Limited.
- (d) Period-end balances arising from purchases of financial advisory services

	<b>As at 30th June 2012</b>	<b>As at 30th June 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Payable to a related party: Equitas Capital Limited	160	160

- (e) Key management compensation amounted to HK\$52,709,000 for the six months ended 30th June 2012 (six months ended 30th June 2011: HK\$46,581,000).

## **SUPPLEMENTARY INFORMATION**

### ***INTERIM DIVIDEND***

The Directors have recommended the payment of an interim dividend of 9.0 HK cents per share (2011: 8.5 HK cents per share) for the year ending 31st December 2012, totaling HK\$88,390,000 (2011: HK\$83,480,000), which is expected to be payable on or about 26th September 2012 to shareholders whose names appear on the Register of Members as at 14th September 2012.

### ***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 on 13th September 2012 and 14th September 2012 (two days), 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 Wednesday, 12th September 2012 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.

### ***SHARE OPTIONS***

At the Extraordinary General Meeting of the Company held on 21st May 2002, 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 New Option Scheme has been expired on 20th May 2012. During the six months ended 30th June 2012, no options had been granted or remained outstanding under the New Option Scheme or any other share option scheme of the Company.

**SUPPLEMENTARY INFORMATION** (continued)**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

At 30th June 2012, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required maintained by the Company under section 352 of Part XV of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Ordinary shares of HK\$0.10 each in the Company at 30th June 2012

Directors		Number of shares held			Total	Percentage to total issued share capital
		Personal interests	Family interests (note (a))	Other interests (note (b))		
Tsang Hin Chi	Long positions	–	1,210,000	613,034,750	614,244,750	62.54%
	Short positions	–	–	–	–	–
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	–	–	–	–	–
Ng Ming Wah, Charles	Long positions	1,800,000	–	–	1,800,000	0.18%
	Short positions	–	–	–	–	–

Notes:

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

Save as disclosed above, as at 30th June 2012, none of the Directors and Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

**SUPPLEMENTARY INFORMATION** *(continued)****DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION*** *(continued)*

Save as disclosed above, at no time during the six months ended 30th June 2012 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Other than those interests and short positions disclosed above, the Directors and Chief Executives 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.

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

As at 30th June 2012, the register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 30th June 2012, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

<b>Name of holder of securities</b>	<b>Type of securities</b>		<b>Number of shares held</b>	<b>Percentage to total issued share capital</b>
Hin Chi Family Management Limited <i>(note)</i>	Ordinary shares of HK\$0.10 each	Long positions	613,034,750	62.42%
		Short positions	–	–
Top Grade Holdings Limited <i>(note)</i>	Ordinary shares of HK\$0.10 each	Long positions	613,034,750	62.42%
		Short positions	–	–
Silver Disk Limited <i>(note)</i>	Ordinary shares of HK\$0.10 each	Long positions	160,616,000	16.35%
		Short positions	–	–
Tsang Hin Chi Charities (Management) Limited	Ordinary shares of HK\$0.10 each	Long positions	53,880,750	5.49%
		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 held 613,034,750 shares in the Company including 160,616,000 shares held by Silver Disk Limited, a wholly subsidiary of Top Grade.

## **SUPPLEMENTARY INFORMATION** *(continued)*

### ***CORPORATE GOVERNANCE***

The Company has complied with the Code Provisions in Code on Corporate Governance Practices (during the period from 1st January 2012 to 31st March 2012) and the Corporate Governance Code (during the period from 1st April 2012 to 30th June 2012) as set out in Appendix 14 of the Listing Rules 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 as set out in Appendix 10 of the Listing Rules. During the six months ended 30th June 2012, 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 2012. 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.

### ***BOARD OF DIRECTORS***

As at the date of this report, 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.



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