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 2011

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 2011 as follows:

Condensed Consolidated Income Statement
For the six months ended 30th June 2011

		Unaudited Six months ended	
	Note	**30.6.2011** HK$'000	**30.6.2010** HK$'000
Turnover	2	805,264	667,089
Cost of sales	4	(323,289)	(267,275)
Gross profit		481,975	399,814
Other gains, net	3	41,756	15,406
Selling and marketing costs	4	(151,437)	(110,439)
Administrative expenses	4	(98,593)	(89,858)
Operating profit		273,701	214,923
Interest income		9,508	4,025
Profit before income tax		283,209	218,948
Income tax expense	5	(79,750)	(57,013)
Profit for the period		203,459	161,935
Profit attributable to:			
Owners of the parent		203,042	161,535
Non-controlling interests		417	400
		203,459	161,935
Earnings per share for profit attributable to owners of the parent during the period	6	*HK cents*	*HK cents*
- basic		20.67	16.48
- diluted		20.67	16.45

	30.6.2011 HK$'000	**30.6.2010** HK$'000
Dividend	83,480	68,748

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th June 2011

	Unaudited Six months ended	
	30.6.2011	**30.6.2010**
	HK$'000	HK$'000
Profit for the period	203,459	161,935
Other comprehensive income		
Exchange differences on translation of financial statements of overseas subsidiaries	59,056	15,858
Total comprehensive income for the period	262,515	177,793
Attributable to:		
Owners of the parent	262,098	177,393
Non-controlling interests	417	400
Total comprehensive income for the period	262,515	177,793

Condensed Consolidated Balance Sheet
As at 30th June 2011

	Note	As at 30.6.2011 (Unaudited) HK$'000	31.12.2010 (Audited) HK$'000
ASSETS			
Non-current assets			
Land use rights		16,438	17,017
Property, plant and equipment		207,334	208,407
Investment properties		1,915,826	1,838,348
Deferred income tax assets		46,670	42,139
		2,186,268	2,105,911
Current assets			
Completed properties held for sale		4,547	14,712
Inventories		181,118	144,222
Trade receivables	7	44,348	49,831
Prepayments, deposits and other receivables		106,516	52,279
Bank deposits		262,038	60,552
Cash and cash equivalents		701,861	869,108
		1,300,428	1,190,704
Total assets		**3,486,696**	**3,296,615**
EQUITY			
Capital and reserve attributable to owners of the parent			
Share capital		98,211	98,211
Reserves		2,589,212	2,410,594
Proposed dividend		83,480	137,496
		2,770,903	2,646,301
Non-controlling interests		1,728	1,311
Total equity		2,772,631	2,647,612
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		303,243	277,697
Current liabilities			
Trade payables	8	49,813	56,572
Other payables and accruals		337,599	295,605
Current income tax liabilities		23,410	19,129
		410,822	371,306
Total liabilities		714,065	649,003
Total equity and liabilities		**3,486,696**	**3,296,615**
Net current assets		889,606	819,398
Total assets less current liabilities		3,075,874	2,925,309

Notes:

1. Principal accounting policies

This condensed consolidated interim financial information for the six months ended 30th June 2011 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 2010.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2010, as described in those annual financial statements.

The following new standards and amendments to standard are mandatory for the first time for the financial year beginning on or after 1st January 2011.

HKAS 24 (Revised), 'Related party disclosures'
HKAS 34 (Amendment), 'Interim financial reporting'

These standards and amendments to standard do not have significant impact on the Group's condensed consolidated interim financial information for the six months ended 30th June 2011.

The following amendments and interpretations to existing standards are effective in 2011 but not relevant to the Group.

HKFRSs (Amendment), 'Improvements to HKFRSs 2010'
HKAS 32 (Amendment), 'Classification of rights issues'
HKFRS 1 (Amendment), 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters'
HK(IFRIC) - Int 14 (Amendment), 'Prepayments of a minimum funding requirement'
HK(IFRIC) - Int 19, 'Extinguishing financial liabilities with equity instruments'

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 is as follows:

	Six months ended 30.6.2011 HK$'000	Six months ended 30.6.2010 HK$'000
Sales of goods	665,428	532,127
Gross rental income from investment properties	59,525	57,558
Sales of properties	33,381	35,294
Building management income	17,637	15,878
Licensing income	29,293	26,232
	805,264	667,089

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

	Six months ended		Six months ended	
	30.6.2011 Segment turnover HK$'000	30.6.2010 Segment turnover HK$'000	30.6.2011 Segment results HK$'000	30.6.2010 Segment results HK$'000
Operating segments				
Apparel in China Mainland and Hong Kong SAR	613,863	491,486	185,363	150,023
Apparel in Singapore and Malaysia	80,858	66,873	5,523	9,743
Property investment and development	113,194	111,258	110,617	78,176
Inter-segment sales	(2,651)	(2,528)	-	-
	805,264	667,089	301,503	237,942
Unallocated costs			(18,294)	(18,994)
Profit before income tax			283,209	218,948
Income tax expense			(79,750)	(57,013)
Profit for the period			203,459	161,935

3. Other gains, net

	Six months ended 30.6.2011 HK$'000	30.6.2010 HK$'000
Fair value gains on investment properties	38,707	15,406
Gain on disposal of an investment property	3,049	-
	41,756	15,406

4. Expenses by nature

	Six months ended 30.6.2011 HK$'000	30.6.2010 HK$'000
Cost of properties sold	12,725	17,119
Cost of inventories sold	295,864	224,617
(Reversal of)/provision for impairment of inventories	(4,344)	6,767
Impairment loss on property, plant and equipment	-	1,050
Direct operating expenses arising from investment properties	15,043	14,181
Amortization of land use rights	894	785
Depreciation of property, plant and equipment	14,055	11,869
Staff costs including directors' emoluments	107,503	87,667
Other expenses	131,579	103,517
	573,319	467,572
Representing:		
Cost of sales	323,289	267,275
Selling and marketing costs	151,437	110,439
Administrative expenses	98,593	89,858
	573,319	467,572

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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

7. 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 30.6.2011 HK$'000	**As at 31.12.2010** HK$'000
1-30 days	36,456	43,985
31-90 days	7,440	5,553
Over 90 days	452	293
	44,348	49,831

8. Trade payables

An ageing analysis of the trade payables is as follows:

	As at 30.6.2011 HK$'000	**As at 31.12.2010** HK$'000
1-30 days	43,231	43,519
31-90 days	5,971	10,723
Over 90 days	611	2,330
	49,813	56,572

INTERIM DIVIDEND

The Directors have recommended the payment of an interim dividend of 8.5 HK cents per share (2010: 7.0 HK cents per share) for the year ending 31st December 2011, totaling HK$83,480,000 (2010: HK$68,748,000), which is expected to be payable on or about 28th September 2011 to shareholders whose names appear on the Register of Members as at 16th September 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Turnover and gross profit

Despite uncertainties in the global economy and China Mainland's slackened growth owing to economic control and adjustment, the Group's performance in the six months ended 30th June 2011 remained satisfactory with turnover totaling HK$805,264,000, representing an increase of 21% over the same period last year.

During the period, sales growth was mainly generated from the Group's apparel sales. Double digit growth was recorded in China Mainland and Singapore operations, the two major markets of the Group's apparel business. Besides, income from rental of properties, building management and licensing of brand name was higher than the same period last year.

Gross profit of the period was HK$481,975,000, up by 21% from HK$399,814,000 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 59.9% and was basically the same as the same period last year.

Operating expenses and operating profit

Operating expenses (including selling and marketing costs and administrative expenses) of the Group during the period were HK$250,030,000, which were 25% higher than the same period last year.

Taking advantage of growing sales and gross profit, the Group reinforced publicity for its apparel in the China Mainland market by staging more large-scale events on top of those for the corresponding period last year. Such events included the sponsorship of the 2011 World Department Store Forum held in Shanghai. At the same time, incentives to the Group's distributors in upgrading the decoration and display of their outlets increased during the period. The Group believed that these measures in enhancing brand image would be conducive to top line growth. Besides, with turnover rentals of the Group's sales counters and salesman salaries rising in line with sales growth, selling and marketing costs went up by 37% to reach HK$151,437,000 when compared with the same period last year.

During the period, the Group recorded other gains of HK$41,756,000 including fair value gains on investment properties of HK$38,707,000 and gain on disposal of an investment property in Meizhou of HK$3,049,000.

Operating profit for the reporting period amounted to HK$273,701,000 compared with 214,923,000 for the same period last year, representing an increase of 27%. The operating profit margin was about 34%, representing a year-on-year increase of about 1.8 percentage points.

Profit attributable to owners of the parent

Profit attributable to owners of the parent during the period was HK$203,042,000, rising by 26% from HK$161,535,000 of the same period last year. Profit for the period would be HK$156,923,000 if fair value gains on investment properties (after tax) of HK$32,310,000 (six months ended 30th June 2010: HK$13,602,000) and gains on sales of properties in Meizhou (after tax) of HK$13,809,000 (six months ended 30th June 2010: HK$13,473,000) were excluded. Such profit marked an increase of 17% from HK$134,460,000 of the same period last year.

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

Impacted by monetary squeeze and economic adjustment and control measures, China Mainland's economy as a whole slowed down. Consumer sentiment, however, remained strong and turnover from the Group's apparel operation in the local market stood at HK$583,219,000, increasing by approximately 26%, or approximately 21% in Renminbi ("RMB") over the same period last year.

Our apparel operation in the China Mainland market is mainly conducted through wholesaling to distributors in various cities and provinces, as well as directly operating retail shops in Guangzhou, Shanghai and Beijing. In terms of RMB, sales to distributors and by self-operated retail shops grew by 21% and 23% respectively. At the end of the period under review, there were a total of 1,200 Goldlion outlets in China Mainland, of which 78 were directly under the Group's operation.

During the review period, the Group continued to enhance its brand and product image. In addition to classier product design and more advertisement placement, major branding events were launched to better garner customer acceptance and recognition. Besides, the Group continued to tightly control its product costs and succeeded in maintaining the gross profit margin in line with the corresponding period last year despite rising production costs.

During the period, the Group started the "Gold Label Store Scheme" on a trial basis. The Scheme is to upgrade the decoration and display style of selected outlets with good track records for the supply of upper-end "Gold Label" line of products. Initial market response was encouraging towards the limited "Gold Label" products made available as part of our 2011 spring and summer collections.

As a pre-emptive move to prevent loss in sales arising from possible supply delay, the production cycle for our 2011 fall and winter collections has been advanced. As a result, an amount of HK$32,733,000 of the related stocks was included in the inventories at the period end and resulted in an increase in inventory level when compared with that at the end of last year.

Licensing income for the period amounted to HK$29,293,000, representing a rise of about 12%, or approximately 7% 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, sports and causal wear and accessories for the China Mainland market.

Singapore and Malaysia Markets

Mainly due to the impetus generated by the leisure and tourism sector, the Singapore economy was on the ascent despite economic instability abroad. Benefiting from such an environment, the Group's apparel retail business achieved sales in the amount of HK$76,861,000, rising by about 22% over the same period last year. The growth was about 9% in Singapore dollars owing to appreciation of the local currency during the period.

Apparel retail being our core business in the Singapore market, the Group has slightly increased the number of its local outlets. At the end of the period, there were a total of 8 Goldlion shops and 21 counters, with the latter increasing by 2 over that at the end of the last corresponding period. By comparable outlets and in local currency, sales rose by approximately 9% over the same period last year.

While sales followed an upward trend, inflating operating costs, especially production costs, outlet rentals and staff wages, exerted pressure on our business and caused a decrease in overall operating profit during the period.

The Group's business in the Malaysia market being smaller in scale, sales stood at HK$3,997,000, representing a year-on-year growth of approximately 3%. At the end of the period, the Group had a total of 22 outlets in the local market.

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$38,707,000 compared with HK$15,406,000 for the same period last year. Besides stable property market condition, the increase in fair value of our major investment properties was also attributable to our efforts in preserving their leasing potential.

Rental income generated during the reporting period stood at HK$59,525,000, rising by approximately 3% over that of the last corresponding period. Turning to individual properties, leasing of the Goldlion Digital Network Centre in Tianhe, Guangzhou, remained to be stable. Following the transfer of the top floor of the building for the Group's own use at the end of last year and hence a reduction in leasable area, rental income was comparable with that for the corresponding period last year while occupancy was maintained at around 90%.

Leasing for the Goldlion Commercial Building in Shenyang was likewise stable, with overall occupancy maintaining at 100%. A year-on-year growth of about 8% in rental income was registered.

Regarding the resettlement of our property in Anhui Road in Changning, Shanghai, the Group has initially approached the relevant authorities for negotiation but progress has been little so far.

In Hong Kong, the sixth floor of the Goldlion Holdings Centre in Shatin was leased out early this year. Coupled with the upward adjustment in rentals for leases entered into last year, this has brought about a year-on-year increase of approximately 16% in overall rental income in Hong Kong. At present, all of the Group's investment properties in Hong Kong have been leased out.

During the period, a total of about 3,565 square meters of commercial spaces and 6 carparks from the property development project in Meizhou were sold, which contributed sale proceeds of approximately HK$33,381,000 to the Group. The Group also disposed of an investment property under the project during the period with gain on disposal of HK$3,049,000.

PROSPECTS

With economies worldwide in a state of panic triggered by the downgrade of US credit ratings and the Eurozone debt crisis, development of the global economy is likely to be unpredictable for the second half of this year. Inevitably, operation in the Mainland China market will also be affected.

Nevertheless, the Group expects continuous growth in Mainland China's domestic demand, which will be favourable to the Group's local operation. As such, enhancing product quality and brand image will continue to be the Group's priorities. In addition, sales are expected to be boosted under the next phase of the "Gold Label Store Scheme" scheduled for the second half of the year with more 2011 fall and winter "Gold Label" products made available.

Regarding the Singapore Market, turmoil in business environment in the second half of the year is expected. Aiming at uplifting the profitability, the Group will continue to target for a sales growth and to control the operating costs tightly.

As for investment properties, the Group will continue to add value to its properties on hand to ensure a steady inflow of rental revenue. The Group also plans to offer the remaining premises of the Meizhou development project for sale depending on market conditions.

FINANCIAL POSITION

As at 30th June 2011, the Group had cash and bank balances of approximately HK$963,899,000, which was HK$34,239,000 higher than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK$146,241,000 and gains from foreign exchange rate changes of HK$23,157,000, but paid dividends of HK$137,496,000. As at 30th June 2011, the Group did not have any bank loans or overdrafts.

As at 30th June 2011, the Group's current assets and liabilities were HK$1,300,428,000 and HK$410,822,000 respectively, with current ratio at approximately 3.2. Total current liabilities were 15% of the average capital and reserves attributable to owners of the parent of HK$2,708,602,000.

As at 30th June 2011, 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 2011, the Group had approximately 1,700 employees. Employees' costs during the first six months of the year including directors emoluments amounted to HK$107,503,000. 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 on 15th September 2011 and 16th September 2011 (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, 14th September 2011 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 2011 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 2011, 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 2011. 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 2011 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 2011