Goldlion®

Goldlion Holdings Limited

Stock Code: 0533

INTERIM REPORT 2008

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2008 AND 31 DECEMBER 2007

	Note	Unaudited 30 June 2008 HK$'000	Audited 31 December 2007 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	5	114,337	115,486
Property, plant and equipment	5	174,844	154,887
Investment properties	5	1,594,254	1,468,250
Deferred income tax assets		30,959	37,296
Deposit for acquisition of property, plant and equipment		2,084	3,982
		1,916,478	1,779,901
Current assets			
Completed property held for sale		99,015	–
Property under development held for sale		–	113,060
Inventories		139,534	130,151
Trade receivables	6	43,397	36,751
Prepayments and deposits		49,783	33,035
Cash and cash equivalents		469,351	461,511
		801,080	774,508
Total assets		2,717,558	2,554,409
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	7	98,211	98,211
Reserves		2,026,318	1,813,966
Proposed dividend		58,927	78,569
		2,183,456	1,990,746
Minority interest		1,700	1,311
Total equity		2,185,156	1,992,057
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		205,277	180,632
Other payables		4,387	4,142
		209,664	184,774
Current liabilities			
Trade payables	8	40,388	48,679
Other payables and accruals		263,840	289,684
Taxation payables		18,510	39,215
		322,738	377,578
Total liabilities		532,402	562,352
Total equity and liabilities		2,717,558	2,554,409
Net current assets		478,342	396,930
Total assets less current liabilities		2,394,820	2,176,831

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Unaudited Six months ended 30 June 2008	30 June 2007
	Note	*HK$'000*	*HK$'000*
Turnover	*4*	723,711	492,413

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital	Other reserves	Retained earnings	Minority interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2007	93,711	951,107	617,635	1,311	1,663,764
Currency translation differences	–	17,579	–	–	17,579
Profit for the period	–	–	168,835	359	169,194
Total recognized income for the six months ended 30 June 2007	–	17,579	168,835	359	186,773
Issue of new shares	4,500	73,350	–	–	77,850
Appropriation to reserves	–	8,329	(8,329)	–	–
Dividend relating to 2006	–	–	(64,820)	–	(64,820)
	4,500	99,258	95,686	359	199,803
Balance at 30 June 2007	98,211	1,050,365	713,321	1,670	1,863,567
Balance at 1 January 2008	98,211	1,062,347	830,188	1,311	1,992,057
Currency translation differences	–	87,929	–	–	87,929
Profit for the period	–	–	182,150	389	182,539
Total recognized income for the six months ended 30 June 2008	–	87,929	182,150	389	270,468
Revaluation of property	–	1,200	–	–	1,200
Appropriation to reserves	–	11,120	(11,120)	–	–
Dividend relating to 2007	–	–	(78,569)	–	(78,569)
	–	100,249	92,461	389	193,099
Balance at 30 June 2008	98,211	1,162,596	922,649	1,700	2,185,156

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Unaudited Six months ended 30 June 2008	30 June 2007
	HK$'000	*HK$'000*
Net cash inflow from operating activities	101,142	119,457
Net cash used in investing activities	(27,888)	(201,051)
Net cash used in financing activities	(78,569)	(64,820)
Net decrease in cash and cash equivalents	(5,315)	(146,414)
Cash and cash equivalents at 1 January	455,211	518,976
Effect of foreign exchange rate changes	19,455	14,545
Cash and cash equivalents at 30 June	469,351	387,107

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 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 was approved for issue by the Board of Directors on 9 September 2008.

2 *Basis of preparation*

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2008 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 interim financial information should be read in conjunction with the 2007 annual financial statements.

3 *Accounting policies*

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

The following interpretations are mandatory for the financial year beginning on 1 January 2008. They are not relevant to the Group.

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions'
- HK(IFRIC) – Int 12, 'Service concession arrangements'
- HK(IFRIC) – Int 14, 'HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

3 *Accounting policies* *(continued)*

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The Group will apply this standard from 1 January 2009.

- HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.

- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group.

- HKFRS 2 (amendment), 'Share-based payment – vesting conditions and cancellations', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group.

- HKFRS 3 (amendment), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group will apply these standards from 1 January 2010.

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard from 1 January 2009.

- HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. This interpretation is not relevant to the Group.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

4 *Segment information*

	Six months ended 30 June 2008	Six months ended 30 June 2007
	HK$'000	*HK$'000*
Analysis of turnover		
Sales of goods	534,881	423,760
Gross rental income from investment properties	55,452	37,458
Building management income	14,590	12,963
Licensing income	21,320	18,232
Sales of properties	97,468	–
	723,711	492,413

Primary reporting format – business segments

At 30 June 2008, the Group is organised into two main business segments:

Apparel – Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name.

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 *Segment information (continued)*

***Primary reporting format – business segments** (continued)*

An analysis of the Group's segment information by business segment is set out as follows:

	Six months ended 30 June 2008				Six months ended 30 June 2007			
	Apparel	Property investment and development	Eliminations	Group	Apparel	Property investment and development	Eliminations	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	556,201	167,510	–	723,711	441,992	50,421	–	492,413
Inter-segment sales	–	3,600	(3,600)	–	–	679	(679)	–
	556,201	171,110	(3,600)	723,711	441,992	51,100	(679)	492,413
Segment results	153,720	124,940		278,660	135,732	35,924		171,656
Unallocated costs				(20,212)				(15,876)
Profit before income tax				258,448				155,780
Income tax (expense)/ credit				(75,909)				13,414
Profit for the period				182,539				169,194

Unallocated costs represent corporate expenses less interest income.

Inter-segment transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

4 *Segment information* *(continued)*

Secondary reporting format – geographical segment

The Group mainly operates in the following three geographical areas:

China Mainland – Apparel, property investment and development

Hong Kong SAR – Apparel and property investment

Singapore and Malaysia – Apparel

In respect of geographical segment reporting, sales are based on the countries in which the group companies operate.

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

	Six months ended 30 June 2008		Six months ended 30 June 2007	
	Turnover	**Segment results**	**Turnover**	**Segment results**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Geographical segments				
China Mainland	625,466	269,780	404,258	160,023
Hong Kong SAR	25,855	2,596	21,321	108
Singapore and Malaysia	71,747	8,075	65,679	13,037
Other countries	643	(1,791)	1,155	(1,512)
	723,711	278,660	492,413	171,656
Unallocated costs		(20,212)		(15,876)
Profit before income tax		258,448		155,780

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

5 *Capital expenditure*

	Leasehold land and land use rights	Property, plant and equipment	Investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening net book amount as at 1 January 2007	113,167	108,291	1,089,002	1,310,460
Additions	–	8,230	–	8,230
Acquisition from business combination	–	1,613	324,500	326,113
Disposals	–	(186)	–	(186)
Amortization and depreciation *(Note 9)*	(1,842)	(6,291)	–	(8,133)
Fair value gain	–	–	39,296	39,296
Exchange differences	402	3,175	–	3,577
Closing net book amount as at 30 June 2007	111,727	114,832	1,452,798	1,679,357
Additions	–	19,189	364	19,553
Disposals	–	(470)	(8,135)	(8,605)
Transfer from investment property	5,379	27,581	(32,960)	–
Amortization and depreciation	(1,887)	(8,219)	–	(10,106)
Fair value gain	–	–	55,710	55,710
Impairment charges	–	(404)	–	(404)
Exchange differences	267	2,378	473	3,118
Closing net book amount as at 31 December 2007	115,486	154,887	1,468,250	1,738,623
Opening net book amount as at 1 January 2008	115,486	154,887	1,468,250	1,738,623
Additions	–	27,281	13,781	41,062
Disposals	–	(97)	(1,108)	(1,205)
Transfer	103	(5,626)	6,894	1,371
Amortization and depreciation *(Note 9)*	(1,852)	(9,454)	–	(11,306)
Fair value gain	–	1,200	37,167	38,367
Exchange differences	600	6,653	69,270	76,523
Closing net book amount as at 30 June 2008	114,337	174,844	1,594,254	1,883,435

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. The ageing analysis of the trade receivables, net of provision, was as follows:

	As at 30 June 2008	As at 31 December 2007
	HK$'000	*HK$'000*
1-30 days	25,519	26,304
31-90 days	15,218	9,995
Over 90 days	2,660	452
	43,397	36,751

7 *Share capital*

	As at 30 June 2008	As at 31 December 2007
	HK$'000	*HK$'000*
Authorized:		
1,200,000,000 (31 December 2007: 1,200,000,000) shares of HK$0.10 each	120,000	120,000
Issued and fully paid:		
982,114,035 (31 December 2007: 982,114,035) shares of HK$0.10 each	98,211	98,211

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

8 Trade payables

The ageing analysis of the trade payables was as follows:

	As at 30 June 2008	As at 31 December 2007
	HK$'000	*HK$'000*
1-30 days	31,024	40,239
31-90 days	5,937	6,368
Over 90 days	3,427	2,072
	40,388	48,679

9 Expenses by nature

	Six months ended 30 June 2008	Six months ended 30 June 2007
	HK$'000	*HK$'000*
Cost of completed properties sold	50,655	–
Cost of goods sold	227,207	181,897
Provision/(reversal) for impairment of inventories	7,925	(3,011)
Direct operating expenses arising from investment properties	11,092	7,037
Amortization of leasehold land and land use rights *(Note 5)*	1,852	1,842
Depreciation of property, plant and equipment *(Note 5)*	9,454	6,291
Staff costs including directors' emoluments	94,387	79,582
Other expenses	105,533	108,321
	508,105	381,959
Representing:		
Cost of sales	296,880	185,923
Selling and marketing costs	107,178	101,254
Administrative expenses	104,047	94,782
	508,105	381,959

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

10 Income tax expense/(credit)

No Hong Kong profits tax has been provided as there is no estimated assessable profits or there are available tax losses to offset assessable profits for the period. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the Group operates.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and all property development expenditures.

Pursuant to the PRC corporate income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. As a result, the enterprise income tax rate of all the subsidiaries of the Company incorporated in the PRC has changed from 33% or 24% to 25% with effect from 1 January 2008.

The amount of income tax charged/(credited) to the condensed consolidated interim income statement represents:

	Six months ended	
	30 June 2008	**30 June 2007**
	HK$'000	*HK$'000*
Current tax		
– PRC enterprise income tax	44,527	27,522
– Overseas taxation	755	1,634
– Land appreciation tax	7,695	–
Deferred income tax	22,932	(42,570)
Total income tax expense/(credit)	75,909	(13,414)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

11 *Dividends*

	Six months ended 30 June 2008	30 June 2007
	HK$'000	*HK$'000*
Interim dividend of 6.0 HK cents (2007: 4.0 HK cents) per ordinary share	58,927	39,285

A 2007 final dividend of 8.0 HK cents (2006 final: 6.6 HK cents) per ordinary share, totalling HK$78,569,000 was paid in June 2008 (2006 final: HK$64,820,000).

At a meeting held on 9 September 2008, the Directors declared an interim dividend of 6.0 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 31 December 2008.

12 *Earnings per share*

The calculation of basic earnings per share is based on profit attributable to the equity holders of the Company of HK$182,150,000 (six months ended 30 June 2007: HK$168,835,000) and the weighted average number of 982,114,035 (six months ended 30 June 2007: 952,528,400) shares in issue during the period.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the period ended 30 June 2007 and 30 June 2008.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

13 *Commitments*

(a) Capital commitments

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000
Property held for sale		
Contracted but not provided for	329	15,847
Property, plant and equipment		
Contracted but not provided for	3,492	6,702
	3,821	22,549

(b) At 30 June 2008, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000
Rental receivables		
– not later than one year	85,073	79,899
– later than one year and not later than five years	88,122	65,884
– later than five years	21,308	8,375
	194,503	154,158
Rental payables		
– not later than one year	9,961	10,254
– later than one year and not later than five years	5,856	6,014
	15,817	16,268

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

14 *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 the 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. The remaining 31.83% are widely held.

The following transactions were carried out with related parties:

		Six months ended	
		30 June 2008	**30 June 2007**
	Note	*HK\$'000*	*HK\$'000*
(a) Sales of services:			
Rental received from related companies	*(i)*	1,626	1,410
Building management fees received from a related company	*(ii)*	472	414
(b) Purchase of services and business			
Professional fees paid to a related company	*(iii)*	350	350
Rental paid to a related company	*(iv)*	–	340
Acquisition of business from a related company	*(v)*	–	254,850

Notes:

(i) Rental was received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") for lease of a business center and facilities therein located at Goldlion Digital Network Centre, and from General Business Network (Holdings) Limited ("GBNL") and China World Trade Corporation ("CWTC") for lease of a unit located at Goldlion Holdings Centre in Hong Kong. Rental of HK$1,626,000 (six months ended 30 June 2007: HK$1,410,000) was determined under normal commercial terms. CWTC is the holding company of GWTCCL and GBNL. Mr. Tsang Chi Hung has beneficial interest in CWTC, GWTCCL and GBNL as he is a major shareholder of CWTC. 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)

14 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 CWTC, 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 was paid by the Company at a fixed amount mutually agreed between the two parties. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the Managing Director of, and a principal shareholder in, Equitas Capital Limited.

(iv) Rental in 2007 was paid to Guangzhou Goldlion City Properties Company Limited ("GGCPL") for lease of office area in Goldlion Digital Network Centre. Rental charges were determined under normal commercial terms. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interest in GGCPL. Goldlion (Guangdong) Limited, a wholly owned subsidiary of the Company, acquired GGCPL on 30 April 2007.

(v) On 30 April 2007, the Group acquired from Keysonic Development Limited ("Keysonic") the entire share capital in, and a shareholder's loan from Keysonic to, Joint Corporation Limited ("JCL") for an aggregate consideration of HK$177,000,000 in cash and 45,000,000 ordinary shares of the Company's share capital. The issue of 45,000,000 new shares was recognized at HK$1.73 per share, being the fair value of the Company's shares as at 30 April 2007. Keysonic is beneficially owned by the Tsang Family Trust, a discretionary trust established by Dr. Tsang Hin Chi, the discretionary objects of which are members of his family including Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky, both are executive Directors. As a result, Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction.

(c) Period-end balances arising from purchases of services

	As at 30 June 2008	**As at 30 June 2007**
	HK$'000	*HK$'000*
Payables to related parties:		
Equitas Capital Limited	350	350

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group continued to perform well in the six months ended 30 June 2008, with turnover as well as overall profits registering satisfactory growth. Turnover for the period totaled HK$723,711,000, or 47% over the same period last year. The growth still reached 27% even if sales income from the Group's Meizhou property development project of HK$97,468,000 is excluded. Increases were registered for all of the Group's major avenues of income, namely sales of goods, rentals from investment properties and licensing income.

As for profits, profit attributable to equity holders of the Company during the period was HK$182,150,000, rising by 8% from last year's HK$168,835,000. An analysis of profit for the period is as follows:

	Six months ended	
	30 June 2008	**30 June 2007**
	HK$'000	*HK$'000*
Profit per financial statements	182,150	168,835
Adjusted for:		
Fair value gains on investment properties net of deferred tax effect	(29,013)	(29,638)
Deferred tax effect on change of PRC tax rate	–	(51,818)
(Profit)/loss after tax from Meizhou property development project	(27,551)	14,367
Profit of the Group from underlying business	125,586	101,746

From the above table, a satisfactory growth in profit after tax of approximately 23% from our underlying business (apparel and property investment business) is noted.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW

Apparel Business

China Mainland Market

The apparel business continued to perform with satisfactory results during the period under review, pushing overall sales up by 30% over the same period last year, or 20% even when the appreciation of the Renminbi (“RMB”) is excluded.

The entire consumer market was overcast with gloom in a country ravaged by first severe snow storms and then the earthquake in Sichuan. The situation was aggravated by runaway inflation, slides in the stock markets and receding wealth effect. Increasingly intense competition posed further threats to the Group’s business. Despite the adverse environment, the Group pressed forward with its established strategies and finally garnered success in the period.

To ensure sustained growth, our China arm continued to preoccupy themselves with product development and sourcing, monitoring of production flow, improvement in brand image and consolidation of sales network.

During the period, the Group sought to upgrade its design teams so as to come up with better designs that fall in line with our pursuit for fashion. In addition to identifying potential quality suppliers, we have increased cooperation with suppliers with a good track record, thus reaping the benefits of not just improving product quality but also containing the materials and manpower costs for maintaining gross profits. Targeted monitoring was also made possible following finer segmentation of the production process.

To update our distributors with the latest product news and to gain in-depth understanding of the market for more effective marketing strategy and consolidation of our sales network, regular meetings were held on top of the seasonal sales fairs.

Singapore and Malaysia Markets

Troubled by fringe market conditions, the local economy lost some of its steam and consumer sentiment took a more cautious turn. As a result, total turnover at local currency for the period could only stand at the same level of last year. Nevertheless, a growth of about 9% in value at Hong Kong dollar has been reported due to the appreciation of the Singapore dollar by approximately 10% over the same period last year.

Improving the overall quality of our products to cater to the taste of the local clientele remained to be our primary concern for the period. To better control operating cost and to practice the better possible management, information technology systems were upgraded towards the end of last year and workflow and manpower deployment revamped during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Apparel Business *(Continued)*

Singapore and Malaysia Markets *(Continued)*

The number of outlets has changed little from the same period last year, so has the turnover of major comparable outlets. At the end of the period, there were 9 Goldlion shops and 20 counters in Singapore.

Over in Malaysia, the number of outlets stabilized at 34, the business of which was stable with aggregate sales at local currency rising by about 2% over the same period last year.

Hong Kong Market

In view of the prolonged unfavourable local retail business environment especially the high operating costs, the Group continued to practice prudence in its operation in Hong Kong. As a result, the Group has had no expansion plans for the market other than the opening of an accessories shop in Tuen Mun at the end of May. At present, the Group operates 2 shops and 3 counters directly. Sales for the period recorded a growth of 17% when compared with the same period last year.

With the expiry of the lease, the business of the Group's concept store "TSR" in Lan Kwai Fong, Central, had ceased at the end of August. The store was first opened at the end of 2005 with the target of improving the brand image of Goldlion in the local market.

Licensing Income

Licensing income for the Group reached HK$21,320,000 during the period, surpassing last year's mark by about 17%. The growth was due on the one hand to the appreciation of the RMB and on the other to the higher contracted fees under the renewed agreements for leather goods in the Mainland market effective from the end of last year. The growth was also due to the incremental increases in license fees stipulated in the existing license agreements.

At present, licenses granted range from leather goods, shoes, jewellery products, undergarments to woolen sweaters within the China Mainland market. To protect our brand image, on-site inspections were performed regularly to ensure compliance with the Group's requirements while we continued to provide our licensees with appropriate support.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW (Continued)

Property Investment and Development

As in previous periods, the Group's property investment has continued to perform well. During the period, the Group recognized fair value gains on investment properties of HK$37,167,000 after an independent professional valuation, as compared with HK$39,296,000 for the same period last year. The gain was mainly derived from an increase in value of the Goldlion Commercial Building in Shenyang following the extension of our land use rights from the originally remaining at around 17 years to around 40 years after the payment of a consideration. Further, the valuation was not affected by the recent market volatility in view of the Group's stable rental return during the period.

Turning to the Group's leasing activities, rental income for the period amounted to HK$55,452,000, or a hefty 48% over and above that for the corresponding period last year.

Having shot up by about 57%, the Goldlion Digital Network Centre in Tianhe, Guangzhou, has continued to be our major source of income, with occupancy remaining at around 95%. The increase in rental income from the building was the results of the appreciation of the RMB and the Group's acquisition of additional floor area since the end of last April. Excluding these effects, the growth was still as much as about 6%.

Leasing of the Goldlion Commercial Building held by the Group in Shenyang was largely stable for the period under review, with occupancy remaining at around 100%. Rental income increased by 40% over the same period last year mainly due to the recognition of a higher amount of turnover rental during the period.

Riding on the inflating rentals, overall rental income generated by the Group's properties in Hong Kong was approximately 17% higher than the same period last year. Overall occupancy rate stood at over 95% during the period.

The Group saw the completion of its property development project in Meizhou, Guangdong, during the period under review. The project generated properties for sales with gross floor area of 77,729 square meters comprising about 53,067 square meters of residential units, 9,498 square meters of parking spaces and 15,164 square meters of commercial spaces. Pre-sale of the residential units has begun towards the end of last year. Upon delivery of the sold flats totaling about 27,940 square meters for possession during the period, aggregate sales reached approximately HK$97,468,000. The Group recognized a net profit after tax of about HK$27,551,000 from the project during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PROSPECTS

With uncertainties facing economies around the globe showing no signs to ease off, the gloomy climate is expected to continue into the latter half of the year. The conditions will be further implicated by waning consumer sentiment and rocketing production cost. As such, the Group is prudent about overall performance in the coming six months.

Despite all these challenges, the Group will continue to grow and expand, building on our solid foundation laid down over the years and our leading position in the various markets.

The apparel business in China Mainland will continue to move towards more fashionable products for the younger clientele by putting a greater emphasis on smart casual wear. Two other major initiatives for the near future will be the development and promotion of high-end apparel products as well as the upgrading of information technology systems towards the end of the year.

In Singapore, the negative impact of pessimistic consumer sentiment on the Group's business is expected to be mitigated when the sluggish local economy eases pressure on high operating costs and labour shortage.

As for property investment, stability is expected. For the property development project in Meizhou, additional residential units and parking spaces have been sold subsequent to the reporting period. The Group will offer the commercial spaces for sale as and when appropriate depending on market condition and the people flow triggered by the intake of the residential units.

FINANCIAL POSITION

As at 30 June 2008, the Group had cash and bank balances of approximately HK$469,351,000, which was HK$7,840,000 higher than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK$101,142,000 and gains from foreign exchange rate changes of HK$19,455,000. However, the Group also recorded a net cash used in investing activities of HK$27,888,000 and paid dividends of HK$78,569,000. As at 30 June 2008, the Group did not have any bank loans or overdrafts.

As at 30 June 2008, the Group's current assets and liabilities were HK$801,080,000 and HK$322,738,000 respectively, with current ratio at 2.5. Total current liabilities were only 15% of the average capital and reserves attributable to the Company's equity holders of HK$2,087,101,000.

As at 30 June 2008, the Group did not have any significant contingent liabilities or capital commitment and did not charge any of the Group's assets.

HUMAN RESOURCES

At 30 June 2008, the Group had approximately 1,700 employees. Employees' costs during the first six months of the year including directors emoluments amounted to HK$94,387,000. 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.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors have recommended the payment of an interim dividend of 6.0 HK cents per share (2007: 4.0 HK cents per share) for the year ending 31 December 2008, totalling HK$58,927,000 (2007: HK$39,285,000), which is expected to be payable on or about 10 October 2008 to shareholders whose names appear on the Register of Members as at 26 September 2008.

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 25 September 2008 and 26 September 2008 (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, 24 September 2008 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 21 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.

During the six months ended 30 June 2008, no options had been granted or remained outstanding under the New Option Scheme or any other share option scheme of the Company.

OTHER 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, as at 30 June 2008, 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.

Save as disclosed above, at no time during the six months ended 30 June 2008 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 30 June 2008, the register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 30 June 2008 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.

Name of holder of securities	**Type of securities**		**Number of Shares held**	**Percentage to total issued share capital**
Hin Chi Family Management Limited *(Note)*	Ordinary Shares of HK$0.10 each	Long positions	613,034,750	62.42%
		Short positions	–	–
Top Grade Holdings Limited *(Note)*	Ordinary Shares of HK$0.10 each	Long positions	613,034,750	62.42%
		Short positions	–	–
Silver Disk Limited *(Note)*	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 of the Company including 160,616,000 Shares held by Silver Disk Limited, a wholly subsidiary of Top Grade.

OTHER INFORMATION *(Continued)*

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 30 June 2008 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 30 June 2008, 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. Yin, Richard Yingneng (Chairman), Dr. Wong Ying Ho, Kennedy (Deputy Chairman) and Dr. Lau Yue Sun, all of them are 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 30 June 2008. At the request of the Board of Directors, the Company's external auditors have carried out a review of these unaudited interim financial information in accordance with the Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

ACKNOWLEDGEMENT

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

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. Yin, Richard Yingneng as independent non-executive Directors.

On behalf of the Board
Dr. Tsang Hin Chi
Chairman

Hong Kong, 9 September 2008