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金利來

GOLDLION HOLDINGS LIMITED

金 利 來 集 團 有 限 公 司

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

(Stock code: 533)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2015

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 2015 as follows:

Condensed Consolidated Income Statement
For the six months ended 30th June 2015

		Unaudited	
		Six months ended	
	Note	**30.6.2015**	**30.6.2014**
		HK$'000	HK$'000
Turnover	2	732,673	737,904
Cost of sales	4	(288,403)	(304,908)
Gross profit		444,270	432,996
Other gains	3	71,781	137,687
Selling and marketing costs	4	(176,641)	(154,542)
Administrative expenses	4	(97,706)	(108,271)
Operating profit		241,704	307,870
Interest income		18,922	15,687
Profit before income tax		260,626	323,557
Income tax expense	5	(51,652)	(75,307)
Profit for the period attributable to owners of the parent		208,974	248,250
Earnings per share		*HK cents*	*HK cents*
- Basic and diluted	6	21.28	25.28

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th June 2015

	Unaudited Six months ended	
	30.6.2015	**30.6.2014**
	HK$'000	HK$'000
Profit for the period	208,974	248,250
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment	-	7
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	(15,128)	(36,693)
Other comprehensive income for the period	(15,128)	(36,686)
Total comprehensive income for the period attributable to owners of the parent	193,846	211,564

Condensed Consolidated Balance Sheet
As at 30th June 2015

	Note	As at 30.6.2015 (Unaudited) HK$'000	As at 31.12.2014 (Audited) HK$'000
ASSETS			
Non-current assets			
Land use rights		27,981	29,026
Property, plant and equipment		195,224	208,832
Investment properties		2,383,300	2,317,794
Deferred income tax assets		70,231	77,175
		2,676,736	2,632,827
Current assets			
Property under development held for sale		133,045	-
Inventories		151,380	245,580
Trade receivables	8	71,615	103,654
Prepayments, deposits and other receivables		77,628	178,648
Tax recoverable		5,603	-
Bank deposits		926,256	882,383
Cash and cash equivalents		350,289	357,651
		1,715,816	1,767,916
Total assets		**4,392,552**	**4,400,743**
EQUITY			
Capital and reserve attributable to owners of the parent			
Share capital		1,101,358	1,101,358
Reserves		2,441,237	2,316,139
Proposed dividend		68,748	157,138
Total equity		3,611,343	3,574,635
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		384,283	377,745
Current liabilities			
Trade payables	9	26,178	51,405
Other payables and accruals		354,116	360,484
Current income tax liabilities		16,632	36,474
		396,926	448,363
Total liabilities		781,209	826,108
Total equity and liabilities		**4,392,552**	**4,400,743**
Net current assets		1,318,890	1,319,553
Total assets less current liabilities		3,995,626	3,952,380

Notes:

1. Principal accounting policies

This condensed consolidated interim financial information for the six months ended 30th June 2015 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 2014.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2014, as described in those annual financial statements.

HKAS 19 (Amendment)	Employee benefits
HKFRSs (Amendment)	Annual improvements 2012 cycle
HKFRSs (Amendment)	Annual improvements 2013 cycle

These amended standards have not had a significant impact on the Group's condensed consolidated interim financial information for the six months ended 30th June 2015.

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 significant impact on this Group.

2. Turnover and segment information

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

	Six months ended	
	30.6.2015	**30.6.2014**
	HK$'000	HK$'000
Sales of goods	593,671	608,433
Gross rental income from investment properties	78,582	72,353
Building management income	21,031	21,091
Licensing income	39,389	36,027
	732,673	737,904

2. Turnover and segment information *(continued)*

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

	Six months ended		Six months ended	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
	Segment turnover	**Segment turnover**	**Segment results**	**Segment results**
	HK$'000	HK$'000	HK$'000	HK$'000
Operating segments				
Apparel in China Mainland and Hong Kong SAR	570,308	575,669	149,500	158,122
Apparel in Singapore and Malaysia	62,752	68,791	1,009	2,672
Property investment and development	103,534	97,504	138,557	195,829
Inter-segment sales	(3,921)	(4,060)	-	-
	732,673	737,904	289,066	356,623
Unallocated costs			(28,440)	(33,066)
Profit before income tax			260,626	323,557
Income tax expense			(51,652)	(75,307)
Profit for the period			208,974	248,250

3. Other gains

	Six months ended	
	30.6.2015	**30.6.2014**
	HK$'000	HK$'000
Fair value gains on investment properties	71,781	47,366
Gain on disposal of assets classified as held for sale	-	90,321
	71,781	137,687

4. Expenses by nature

	Six months ended	
	30.6.2015	**30.6.2014**
	HK$'000	HK$'000
Cost of inventories sold	285,085	259,672
(Reversal of)/provision for impairment for inventories	(19,000)	22,652
Direct operating expenses arising from investment properties that generated rental income	21,211	19,964
Amortization of land use rights	973	1,001
Depreciation of property, plant and equipment	13,138	16,441
Staff costs including directors' emoluments	114,404	118,994
Other expenses	146,939	128,997
	562,750	567,721
Representing:		
Cost of sales	288,403	304,908
Selling and marketing costs	176,641	154,542
Administrative expenses	97,706	108,271
	562,750	567,721

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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% (2014: 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:

	Six months ended	
	30.6.2015	**30.6.2014**
	HK$'000	HK$'000
Current tax		
- Hong Kong	869	760
- PRC enterprise income tax	35,986	78,346
- Overseas taxation	176	453
Deferred income tax	14,621	(4,252)
Total income tax expense	51,652	75,307

6. Earnings per share

The calculation of earnings per share is based on profit attributable to owners of the parent of HK$208,974,000 (six months ended 30th June 2014: HK$248,250,000) and the number of ordinary shares in issue of 982,114,035 (six months ended 30th June 2014: 982,114,035) during the period.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the six months ended 30th June 2015 and 2014.

7. Dividend

	Six months ended	
	30.6.2015	**30.6.2014**
	HK$'000	HK$'000
Interim dividend of 7.0 HK cents (2014: 8.0 HK cents) per ordinary share	68,748	78,569

8. 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:

	As at 30.6.2015 HK$'000	**As at 31.12.2014** HK$'000
1-30 days	35,085	67,104
31-90 days	28,992	34,826
Over 90 days	7,538	1,724
	71,615	103,654

9. Trade payables

Trade payables are aged as follows:

	As at 30.6.2015 HK$'000	**As at 31.12.2014** HK$'000
1-30 days	16,557	32,469
31-90 days	6,038	12,000
Over 90 days	3,583	6,936
	26,178	51,405

INTERIM DIVIDEND

The Directors have recommended the payment of an interim dividend of 7.0 HK cents per share (2014: 8.0 HK cents per share) for the year ending 31st December 2015, totalling HK$68,748,000 (2014: HK$78,569,000), which is expected to be payable on or about 21st September 2015 to shareholders whose names appear on the Register of Members as at 11th September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Turnover and gross profit

The Group recorded a turnover of HK$732,673,000 in the six months period ended 30th June 2015, or a slight drop of 1%, over the same period last year. The drop in turnover was mainly due to the decrease of 9% in apparel sales of Singapore and Malaysia caused by the exchange rate fluctuation. Comparing to the same period last year, increments were noted for other operations, including rental income from investment properties, building management income and licensing income.

Gross profit for the period was HK$444,270,000, representing an increase by 3% from HK$432,996,000 of the same period last year. The overall gross profit margin increased by 1.9 percentage points from 58.7% to 60.6%, mainly due to the reversal of impairment for inventories in China during the period.

Operating expenses and operating profit

Selling and marketing costs for the period increased by 14% to HK$176,641,000. The growth in sales of the Group's self-operated retailing and e-commerce operations in China during the period caused the increases in relevant operating rental and commission expenses. Besides, the Group put more resources in advertising and promotion activities in the period. Due to higher proportion of turnover generated from self-operated retailing and e-commerce businesses which incurred more selling expenses, percentage of selling and marketing costs to the overall turnover increased from 20.9% to 24.1% compared to the same period last year.

Administrative expenses for the period were HK$97,706,000, decreased by 10% from the same period last year. The stable Renminbi ("RMB") exchange rate during the period resulted in a decrease in exchange loss (mainly on RMB deposits in Hong Kong) of HK$7,305,000 from the same period last year. Decrease in administrative expenses is also a result of the Group's stringent cost control measures during the period.

During the period, the Group recorded fair value gains on investment properties of HK$71,781,000. Other gains for the same period last year included fair value gains on investment properties of HK$47,366,000 and gain on disposal of assets classified as held for sale (the properties in Anhua Road, Changning District, Shanghai) of HK$90,321,000.

Operating profit for the period amounted to HK$241,704,000 compared with HK$307,870,000 of the same period last year, representing a decrease of 21%. The operating profit margin was approximately 33% and was lower than same period last year of 41.7% by 8.7 percentage points mainly due to the decrease in other gains.

Profit attributable to owners of the parent

Profit attributable to owners of the parent for the period was HK$208,974,000, decreased by 16% from HK$248,250,000 of the same period last year.

Profit for the period would be HK$143,625,000 if fair value gains after tax on investment properties of HK$65,349,000 were excluded. Such profit marked an increase of 5% from HK$136,996,000 of the same period last year if the fair value gains after tax on investment properties of HK$43,637,000 and gain after tax on disposal of assets classified as held for sale of HK$67,617,000 were excluded.

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

During the period under review, economic uncertainties persisted and GDP growth slackened in China Mainland. With consumer sentiment remaining weak and the industry still in the process of readjustment, consumption of mid to high-end products continued to be adversely affected and there was little sign that the retail market was picking up.

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

For our wholesaling operation, business of the Group's distributors has not rebounded as they were still suffering from difficulties like sluggish inventory turnover, high inventory levels and tight cash flows. During the period, the Group mainly sold its 2015 spring and summer products to distributors with a sales amount comparable with that of the corresponding period last year. However, the Group allowed distributors to return an appropriate amount of off-season stocks for our e-commerce sales during the period. Taking into account of the sales return, sales to distributors fell by approximately 10% in RMB.

The Group has made it a practice to regularly review the performance of local distributors. To further expand sales for the Goldlion brand, appropriate assistance has been offered to distributors in order to enhance their sale capabilities.

Sales of self-operated retail shops (excluding factory outlets) denominated in RMB recorded a slight increase during the period. The increase was mainly contributed by retail shops in the Guangzhou area. Owing to unfavourable market conditions, sales by those in Beijing and Shanghai were lower than the same period last year. Besides, the Group took over 15 retail shops in Chongqing that were originally operated by our local distributor by end of the period.

Despite the weak market, the Group's factory outlets achieved growth during the period, registering a year-on-year increase of 3% in overall sales.

At the end of the period, the Group had approximately 1,080 retail outlets in China, among which about 100 were self-operated. The total number of retail outlets was slightly smaller than that of last year mainly because of the closure of certain low performers during the period. This restructuring process is expected to continue.

Launched in the second half of 2013, e-commerce became increasingly established. Overall sales amounted to approximately HK$42,763,000, representing a year-on-year increase of about 77%, which is better than our expectation. Without compromising offline sales, online stores were opened at major e-commerce websites in China Mainland primarily for clearing off-season inventories. In view of the rapid growth in e-sales in the Mainland market, the Group will further expand its e-commerce business by taking advantage of this trend and it is expected to become a driver of the Group's business growth.

Due to the sales growth of both factory outlets and e-commerce operations which have been set up mainly for clearing off-season stocks, overall inventory balance at end of the period was lower than that of last year. As a result, a reversal of impairment for inventories in China by approximately HK$20,305,000 was recognized during the period.

Licensing income for the period amounted to HK$39,389,000, representing an increase of around 9% over the same period last year. The growth was mainly attributable to the annual increment of license fees stipulated in the licensing agreements. During the period under review, the Group continued to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. The Group also strengthened supervision over licensees and provided appropriate support through the designated brand licensing department. The aim was to ensure they are in line with the Group's brand development.

Singapore and Malaysia Markets
Overall sales of the Group's businesses in Singapore and Malaysia amounted to HK$62,752,000, representing a decrease of approximately 9% when compared with the same period last year. The drop was partly attributable to the weak Singapore Dollar, the exchange rate of which was 8% lower than that of the same period last year. In local currency, sales reduced by approximately 1% when compared with the same period last year.

During the period, the local economy did not show any sign of recovery. With consumers staying on the sidelines in a quiet retail market, the Group's apparel business was affected accordingly. Sales of comparable retail outlets also decreased by about 1% in local currency when compared with the same period last year. At the end of the period, there were a total of 8 Goldlion shops and 24 counters in Singapore and 22 counters in Malaysia. The figures were the same as those at the end of last year.

Given the Group's vigorous efforts in cost control during the period, there was no growth in overall expenses despite high local operating costs during the period. Owing to a slide in gross profit margin by around 1.5 percentage points, however, operating profit for the period amounted to approximately HK$1,009,000, representing a year-on-year decrease of 62%. Operating profit margin was 2%, dropping from last year's 4%.

Property Investment and Development

The Group's investment property portfolio had no significant changes since the end of last year and business has continued to remain stable during the period. Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK$71,781,000. These included gains of HK$46,050,000 from investment properties in Hong Kong, the growth of which was largely attributable to the upward rental trend in the local properties held by the Group and the buoyancy of the local property market. The fair value gains for the corresponding period last year stood at HK$47,366,000.

Rental income and building management fees for the period amounted to HK$78,582,000 and HK$21,031,000 respectively, representing an increase of around 7% in total over the corresponding period last year. Leasing of Goldlion Digital Network Centre in Tianhe, Guangzhou, remained stable and occupancy rate was maintained at around 95%, which was slightly higher than the percentage of the same period last year. Coupled with renewal of leases at a higher rental level, this has led to an increase of approximately 7% in rental income and building management fees when compared with the same period last year.

In Shenyang, leasing of Goldlion Commercial Building was likewise stable, with overall occupancy rate maintained at 100%. Rental income and building management fees for the period increased by approximately 6% over the same period last year.

In Hong Kong, on account of higher rental levels under new leases, total rental income and building management fees of the Group's local properties increased by approximately 8% over the same period last year. All local properties held by the Group were leased out during the period.

Regarding the piece of land with a site area of approximately 75,949 square meters in Meixian, the certificate of land use right was not granted until early this year owing to resettlement delays. The project is currently at the initial planning phase and caution will be exercised in view of the declining property market in China Mainland.

PROSPECTS

In China Mainland, the recent wild swings in the financial market and the depreciation of the RMB both forebode a tired economy and a shrinking economic growth for some time to come. Overshadowed by risks of a prolonged economic downturn, business of mid to high-end men's apparel is expected to be fraught with difficulties and challenges. Since distributors need more time to overcome their operation difficulties in such circumstances, wholesaling business in the second half of this year is not expected to improve significantly.

The Group's Mainland 2016 spring and summer collections sales fair was held in the first half of July. The dramatic fluctuations in China Mainland's stock markets in July had severely hit the distributor's confidence and led to a reduction in value of orders when compared with last year. It is expected to have an impact on the Group's sales of the relevant products in the first half of the coming year. However, the Group also foresees that there will be continuing growth in other businesses, especially e-commerce in coming year.

Considering the continually weak retail market in China Mainland, it is unlikely that the Group's business of self-operated retail shops and factory outlets will make any major breakthrough in the second half of the year. Remarkable growth, however, is expected for the e-commerce business in the second half of the year, in view of the rapid surge in online sales in recent years and the peak online shopping season being mainly in that period.

The rapid change in the China Mainland market in recent years suggests that conventional business model may not be able to respond most effectively to the latest market developments. To ensure business growth in the foreseeable future, the Group will closely monitor the development of the macro market environment in its review and enhancement of existing operations. Feasible and profitable business strategies will also be formulated to this end.

In Singapore, market conditions are expected to remain unimproved. In order to boost overall profitability through striving for business growth and cost control, the Group will continue to adopt sound business strategies.

As for property investment, the Group will continue to enhance the leasing potential of the properties on hand for maintaining a steady growth in rental income. In particular, the Group will take stock of the market conditions before deciding on the development strategies for the Meixian site.

FINANCIAL POSITION

As at 30th June 2015, the Group had cash and bank balances of approximately HK$1,276,545,000, which was HK$36,511,000 higher than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK$185,235,000 and received interest income of HK$17,658,000. However, the Group also paid dividends of HK$157,138,000 and recorded losses from foreign exchange rate changes of HK$8,107,000 during the period. As at 30th June 2015, the Group did not have any bank loans or overdrafts.

As at 30th June 2015, the Group's current assets and liabilities were HK$1,715,816,000 and HK$396,926,000 respectively, with current ratio at approximately 4.3. Total current liabilities were 11% of the average capital and reserves attributable to owners of the parent of HK$3,592,989,000.

As at 30th June 2015, the Group did not have any significant contingent liabilities or capital commitments and there were no charges on any of the Group's assets.

HUMAN RESOURCES

At 30th June 2015, the Group had approximately 1,740 employees. Employees' costs during the first six months of the year including directors' emoluments amounted to HK$114,404,000. 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 10th September 2015 and 11th September 2015 (two days), during which period no transfer of shares will be registered.

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, 9th September 2015 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the 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 the Corporate Governance Code 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 2015 except that Dr. Wong Ying Ho, Kennedy, a non-executive Director of the Company and resigned on 3rd August 2015, was unable to attend the annual general meeting of the Company held on 22nd May 2015 owing to an important engagement at the relevant time, which is not consistent with the requirements of Code Provision A.6.7.

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 2015, 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. As at the date of this announcement, the Audit Committee has four members comprising Mr. Li Ka Fai, David (Chairman), Mr. Nguyen, Van Tu Peter (Deputy Chairman) and Dr. Lau Yue Sun, all of them being independent non-executive Directors, and Mr. Ng Ming Wah, Charles, being 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 2015. At the request of the Board of Directors, the Company's external auditor, PricewaterhouseCoopers, has 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 2015 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, Mr. Li Ka Fai, David and Mr. Nguyen, Van Tu Peter as independent non-executive Directors.

By order of the Board
Kam Yiu Kwok
Company Secretary

Hong Kong, 21st August 2015