Goldlion®
金利來

GOLDLION HOLDINGS LIMITED

金 利 來 集 團 有 限 公 司

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

(Stock code: 533)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2016

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 2016 as follows:

Condensed Consolidated Income Statement
For the six months ended 30th June 2016

	Note	**Unaudited Six months ended 30.6.2016** HK$'000	**30.6.2015** HK$'000
Turnover	2	689,405	732,673
Cost of sales	4	(270,651)	(288,403)
Gross profit		418,754	444,270
Other gains	3	73,457	71,781
Selling and marketing costs	4	(168,403)	(176,641)
Administrative expenses	4	(88,032)	(97,706)
Operating profit		235,776	241,704
Interest income		13,515	18,922
Profit before income tax		249,291	260,626
Income tax expense	5	(47,053)	(51,652)
Profit for the period attributable to owners of the Company		202,238	208,974
Earnings per share		*HK cents*	*HK cents*
- Basic and diluted	6	20.59	21.28

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th June 2016

	Unaudited Six months ended	
	30.6.2016	**30.6.2015**
	HK$'000	HK$'000
Profit for the period	202,238	208,974
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	(18,836)	(15,128)
Other comprehensive income for the period	(18,836)	(15,128)
Total comprehensive income for the period attributable to owners of the Company	183,402	193,846

Condensed Consolidated Balance Sheet
As at 30th June 2016

	Note	**As at 30.6.2016 (Unaudited)** HK$'000	**As at 31.12.2015 (Audited)** HK$'000
ASSETS			
Non-current assets			
Land use rights		29,698	30,894
Property, plant and equipment		175,867	184,110
Investment properties		2,455,903	2,395,188
Deferred income tax assets		53,812	60,659
		2,715,280	2,670,851
Current assets			
Property under development held for sale		126,077	127,155
Inventories		160,909	200,890
Trade receivables	8	58,097	82,491
Prepayments, deposits and other receivables		72,473	48,804
Tax recoverable		4,229	1,020
Bank deposits		956,929	974,930
Cash and cash equivalents		263,375	236,741
		1,642,089	1,672,031
Total assets		**4,357,369**	**4,342,882**
EQUITY			
Capital and reserve attributable to owners of the Company			
Share capital		1,101,358	1,101,358
Reserves		2,563,149	2,517,243
Total equity		3,664,507	3,618,601
LIABILITIES			
Non-current liabilities			
Accruals		418	165
Deferred income tax liabilities		371,415	360,300
		371,833	360,465
Current liabilities			
Trade payables	9	25,930	23,954
Other payables and accruals		279,163	325,435
Current income tax liabilities		15,936	14,427
		321,029	363,816
Total liabilities		692,862	724,281
Total equity and liabilities		**4,357,369**	**4,342,882**

Notes:

1. Principal accounting policies

This condensed consolidated interim financial information for the six months ended 30th June 2016 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 2015.

The financial information relating to the year ended 31st December 2015 that is included in this preliminary announcement of interim results for the six months ended 30th June 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for the year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements for the year ended 31st December 2015. The auditor's reports was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2015, as described in those annual financial statements.

There are no new standards or amended standards 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	
	30.6.2016	**30.6.2015**
	HK$'000	HK$'000
Sales of goods	550,204	593,671
Gross rental income from investment properties	76,939	78,582
Building management income	19,509	21,031
Licensing income	42,753	39,389
	689,405	732,673

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	
	30.6.2016 Segment turnover HK$'000	**30.6.2015 Segment turnover** HK$'000	**30.6.2016 Segment results** HK$'000	**30.6.2015 Segment results** HK$'000
Operating segments				
Apparel in China Mainland and Hong Kong SAR	548,616	570,308	140,486	149,500
Apparel in Singapore and Malaysia	44,341	62,752	(5,083)	1,009
Property investment and development	100,083	103,534	135,186	138,557
Inter-segment sales	(3,635)	(3,921)	-	-
	689,405	732,673	270,589	289,066
Unallocated costs			(21,298)	(28,440)
Profit before income tax			249,291	260,626
Income tax expense			(47,053)	(51,652)
Profit for the period			202,238	208,974

3. Other gains

	Six months ended 30.6.2016 HK$'000	30.6.2015 HK$'000
Fair value gains on investment properties	73,457	71,781

4. Expenses by nature

	Six months ended 30.6.2016 HK$'000	30.6.2015 HK$'000
Cost of inventories sold	245,485	285,085
Provision for/(reversal of) impairment for inventories	4,604	(19,000)
Direct operating expenses arising from investment properties that generated rental income	19,594	21,211
Amortization of land use rights	1,030	973
Depreciation of property, plant and equipment	12,011	13,138
Impairment of property, plant and equipment	85	-
Staff costs including directors' emoluments	111,029	114,404
Other expenses	133,248	146,939
	527,086	562,750
Representing:		
Cost of sales	270,651	288,403
Selling and marketing costs	168,403	176,641
Administrative expenses	88,032	97,706
	527,086	562,750

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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% (2015: 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	
	30.6.2016	**30.6.2015**
	HK$'000	HK$'000
Current tax		
- Hong Kong	960	869
- PRC enterprise income tax	25,481	35,986
- Overseas taxation	-	176
Deferred income tax	20,612	14,621
Total income tax expense	47,053	51,652

6. Earnings per share

The calculation of earnings per share is based on profit attributable to owners of the Company of HK$202,238,000 (six months ended 30th June 2015: HK$208,974,000) and the number of ordinary shares in issue of 982,114,035 (six months ended 30th June 2015: 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 2016 and 2015.

7. Dividend

	Six months ended	
	30.6.2016	**30.6.2015**
	HK$'000	HK$'000
Interim dividend of 6.5 HK cents (2015: 7.0 HK cents) per ordinary share	63,837	68,748

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 30.6.2016 HK$'000	**As at 31.12.2015** HK$'000
1-30 days	43,153	60,564
31-90 days	10,378	12,371
Over 90 days	4,566	9,556
	58,097	82,491

9. Trade payables

Trade payables are aged as follows:

	As at 30.6.2016 HK$'000	**As at 31.12.2015** HK$'000
1-30 days	22,815	18,882
31-90 days	1,560	3,739
Over 90 days	1,555	1,333
	25,930	23,954

INTERIM DIVIDEND

The Directors have recommended the payment of an interim dividend of 6.5 HK cents per share (2015: 7.0 HK cents per share) for the year ending 31st December 2016, totalling HK$63,837,000 (2015: HK$68,748,000), which is expected to be payable on or about 20th September 2016 to shareholders whose names appear on the Register of Members as at 9th September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Turnover and gross profit

There were no signs of economic recovery in China Mainland during the period under review. The overall market condition remained sluggish, and the Group's business was deeply affected. The Group recorded a turnover of HK$689,405,000 in the six months period ended 30th June 2016, or a drop of 6%, over the same period last year. The drop in turnover was mainly due to the decrease in apparel sales of China Mainland and Singapore, as well as the rental and building management income of China Mainland. The decrease in turnover of the Group's China Mainland business was mainly related to the devaluation of the Renminbi ("RMB") by about 6% over the same period last year. As for licensing income, steady increment was noted for the period.

Gross profit for the period was HK$418,754,000, representing a decrease of about 6%, from HK$444,270,000 of the same period last year, which was broadly in line with the drop in total turnover. The overall gross profit margin was 60.7%, broadly comparable to 60.6% of the same period last year. Gross profit margin for the apparel business in China Mainland was 54.6%, representing a drop of 1.2 percentage points. This was mainly due to the reversal of impairment for inventories of HK$20,305,000 recorded in the same period last year. The gross profit margin would be 3.3 percentage points higher if the above impact was excluded. The increase was mainly due to less discounted sales and effective product cost control during the period.

Operating expenses and operating profit

Selling and marketing costs for the period were HK$168,403,000, representing a decrease of 5%, which was mainly attributable to the devaluation of RMB by about 6% over the same period last year. The growth in sales of the e-commerce operations in China during the period caused the increases in relevant commission expenses. Meanwhile, the Group closed certain self-operated retail shops and reduced sample design expense, resulting in a reduction in relevant costs. Percentage of selling and marketing costs to the overall turnover was 24.4%, broadly comparable to 24.1% of the same period last year.

Administrative expenses for the period were HK$88,032,000, decreased by 10% from the same period last year. Apart from the devaluation of RMB during the period, decrease in administrative expenses was 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$73,457,000, compared with HK$71,781,000 of the same period last year.

Operating profit for the period amounted to HK$235,776,000 compared with HK$241,704,000 of the same period last year, representing a decrease of 2%. The operating profit margin was approximately 34.2%, or a slight increase of 1.2 percentage points over 33% of the same period last year.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the period was HK$202,238,000, decreased by 3% from HK$208,974,000 of the same period last year.

Profit for the period would be HK$136,928,000 if fair value gains after tax on investment properties of HK$65,310,000 were excluded. Such profit marked a decrease of 5% from HK$143,625,000 of the same period last year if the fair value gains after tax on investment properties of HK$65,349,000 were excluded.

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

The period under review did not witness any alleviation of downside pressures on the China economy. With GDP growth slowing down, the RMB devaluating and consumer sentiment dampening, market conditions generally remained weak.

In China Mainland, the Group has continued to conduct 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, Beijing and Chongqing, as well as through e-commerce. Owing to RMB devaluation, overall turnover for the period amounted to HK$505,863,000, representing a year-on-year decrease of approximately 5%. In RMB, the turnover was comparable with that of the same period last year. The fall in wholesaling was offset by the growth in sales from e-commerce and self-operated retail businesses for the period.

Regarding our wholesaling operation, sales of the Group's distributors continued to be adversely affected by the market slump. Profit margin narrowed further as our distributors were faced with demands from department stores to pay higher expenses and to offer greater discounts to customers. As a result, distributors were largely conservative about placing orders on our 2016 spring and summer products. The Group therefore recorded a decrease in sales to our distributors of 14% in RMB from last year. During the period, despite offering less inventory return and exchange arrangement to the distributors, the Group has continued to provide appropriate assistance in order to further expand sales for the Goldlion brand.

Regarding self-operated retail shops, after taking over 15 retail shops from our local distributor in Chongqing in May last year, sales through self-operated retail shops (excluding factory outlets) rose by approximately 6% in RMB when compared with the same period last year. In particular, sales in Guangzhou increased following the addition of one counter whereas sales in Shanghai decreased following the closure of five counters. Sales of comparable retail outlets in Guangzhou and Beijing both registered single-digit decreases while Shanghai registered a slight increase.

Owing to smaller discounts and a higher proportion of special selected items on offer, sales of our factory outlets achieved an increase of approximately 2%. In spite of the unfavorable market conditions, greater operating efficiency has brought about improved performance in this business unit when compared with the same period last year.

The Group's e-commerce had previously focused on clearing off-season inventories. Over the past few years, a large number of such products were sold and off-season inventories suitable for sale were depleting. In order not to stifle business development, the Group shifted its focus to special selected items instead. Coupled with the rapid development of e-commerce in the China Mainland market, there was an increase of 90% in RMB in relevant sales during the period.

At the end of the period, the Group had approximately 990 retail outlets (including factory outlets) in China, among which about 100 were self-operated. The total number of retail outlets was about 30 less than that at the end of last year owing to the closure of certain low performers.

During the period, the Group continued to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. Since the middle of last year, the licensees have gradually been granted licenses for e-distribution of such products as well. Inclusive of recognition of e-commerce turnover license fees, licensing income registered a growth of approximately 9% over the same period last year to HK$42,753,000 in the first half of this year.

Singapore and Malaysia Markets
To counteract the challenging market and to enhance our brand image, a number of readjustments were made in our business strategy for the Singapore market in the second half of last year. These included the opening of several redefined shops specializing in more stylish products so as to cater for a more elitist clientele. In the course of implementation of such measures, some sales were lost in the interim.

The weak local retail market and the decline in both tourist number and spending were additional sources of pressure on the Group's operation. During the period, overall sales of the Group's businesses in Singapore and Malaysia amounted to HK$44,341,000, representing a year-on-year decrease of approximately 29%.

Sales of comparable retail outlets in Singapore decreased by about 21% in local currency when compared with the same period last year. At the end of the period, there were a total of 12 shops and 22 counters in Singapore, or two shops more than that at the end of last year. In Malaysia, the number of outlets was 19, or down by two over the end of last year.

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$73,457,000. These included the respective gains of HK$40,868,000 and HK$11,800,000 from investment properties in Hong Kong and Shenyang, the growth of which was largely attributable to the upward rental trend in the respective properties held by the Group.

Rental income and building management fees for the period amounted to HK$76,939,000 and HK$19,509,000 respectively, representing a decrease of around 3% in total over the corresponding period last year. This is mainly attributable to the devaluation of the RMB by about 6%. Besides, under China Mainland's new tax reform policy that came into effect in May, Business Tax (previously charge to expenses) is replaced with Value Added Tax (deduct directly from income), resulting in a reduction in income. However, such change has no significant impact on overall profit.

Although the local economy was slowing down and office rentals were under adjustment pressures, leasing of Goldlion Digital Network Centre in Tianhe, Guangzhou, continued to remain stable. Owing to a break between leases for some premises, overall occupancy rate fell to around 92%. When compared with the same period last year, rental income and building management fees in RMB decreased by approximately 3%.

In Shenyang, leasing of Goldlion Commercial Building was likewise stable, with overall occupancy rate maintained at 100%. With a higher amount of turnover rental received from a major tenant having satisfactory business performance, rental income and building management fees in RMB for the period increased by approximately 12% over the corresponding 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 year-on-year by approximately 6%. As at the end of the review period, all local properties held by the Group were leased out. Regarding Goldlion Holdings Centre in Shatin, following approval of our revitalization project by the Town Planning Board towards the end of last year, an application for waiver for land use conversion was submitted to the Lands Department and the approval is still in process.

Regarding the piece of land with a site area of approximately 75,949 square meters in Meixian, the project is currently at the initial planning phase owing to resettlement delays. Caution will be exercised when executing the development plan in light of the uncertainties in China Mainland's property market.

PROSPECTS

Financial markets worldwide have been volatile since the Brexit referendum in late June. With RMB under pressure, great downside risks in the China Mainland economy together with the widespread heavy rain and flooding in July, business environment in the second half of the year is expected to remain very tough.

In China Mainland, apparel wholesaling has yet to show any sign of picking up while it is unlikely that the Group's business of self-operated retail shops and factory outlets will achieve any major breakthrough. On the bright side, remarkable growth is expected to continue for our e-commerce business in the second half of the year in anticipation of the peak online shopping season and satisfactory sales of special selected items.

At the Group's Mainland 2017 spring and summer collections sales fair held in late July, a higher return and exchange ratio was offered. Taking into account the implications of returns and exchanges, the net order amount was slightly higher than that for the corresponding season last year. The goods ordered will be delivered during the first half of the coming year.

The Group will continue to develop better quality, faster moving and competitive products to the market. The Group will also launch a series of publicity campaigns with "It's a man's world" as theme in order to enhance the visibility of our brand.

In Singapore, unfavorable conditions are expected to continue in the second half of the year. Under the circumstances, the Group will consolidate its local operations and implement cost control measures while providing quality products and enhancing brand image.

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 Hong Kong, detailed planning for the revitalization of Goldlion Holdings Centre in Shatin will begin once relevant approval procedures are cleared. In Meizhou, the Group will commence works when appropriate based on the development plan.

FINANCIAL POSITION

As at 30th June 2016, the Group had cash and bank balances of approximately HK$1,220,304,000, which was HK$8,633,000 higher than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK$141,985,000 and received interest income of HK$16,775,000. However, the Group also paid dividends of HK$137,496,000, purchase fixed assets of HK$5,339,000 and recorded decrease in cash and bank balances from foreign exchange rate changes of HK$7,364,000. As at 30th June 2016, the Group did not have any bank loans or overdrafts.

As at 30th June 2016, the Group's current assets and liabilities were HK$1,642,089,000 and HK$321,029,000 respectively, with current ratio at approximately 5.1. Total current liabilities were 8.8% of the average capital and reserves attributable to owners of the Company of HK$3,641,554,000.

As at 30th June 2016, 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 2016, the Group had approximately 1,860 employees. Employees' costs during the first six months of the year including directors' emoluments amounted to HK$111,029,000. 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 8th September 2016 and 9th September 2016 (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, 7th September 2016 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 2016.

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 2016, 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 2016. 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 2016 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, 19th August 2016