



Goldlion®

Goldlion Holdings Limited

Stock Code: 0533

Interim  
Report 2006

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**  
*AS AT 30TH JUNE 2006 AND 31ST DECEMBER 2005*

		<b>Unaudited</b> <b>30.6.2006</b>	<b>Audited</b> <b>31.12.2005</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights	5	119,049	119,694
Property, plant and equipment	5	108,687	109,570
Investment properties	5	1,068,516	1,034,835
Deferred income tax assets		23,236	30,844
		<u>1,319,488</u>	<u>1,294,943</u>
<b>Current assets</b>			
Inventories		64,030	74,097
Trade receivables	6	26,881	29,713
Prepayments and deposits		21,609	19,212
Cash and cash equivalents		483,249	445,885
		<u>595,769</u>	<u>568,907</u>
<b>Total assets</b>		<u><u>1,915,257</u></u>	<u><u>1,863,850</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	7	93,711	93,711
Reserves		944,568	936,803
Retained earnings			
– Proposed dividend		30,925	52,478
– Others		535,449	482,399
		<u>1,604,653</u>	<u>1,565,391</u>
<b>Minority interest</b>		2,087	2,514
<b>Total equity</b>		<u>1,606,740</u>	<u>1,567,905</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		114,248	105,945
<b>Current liabilities</b>			
Trade payables	8	20,474	23,403
Other payables and accruals		143,294	129,026
Current income tax liabilities		30,501	37,571
		<u>194,269</u>	<u>190,000</u>
<b>Total liabilities</b>		<u>308,517</u>	<u>295,945</u>
<b>Total equity and liabilities</b>		<u><u>1,915,257</u></u>	<u><u>1,863,850</u></u>
<b>Net current assets</b>		<u>401,500</u>	<u>378,907</u>
<b>Total assets less current liabilities</b>		<u><u>1,720,988</u></u>	<u><u>1,673,850</u></u>

**CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2006**

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30.6.2006</b>	<b>30.6.2005</b>
		<i>HK\$ '000</i>	<i>HK\$ '000</i>
Turnover	4	363,302	290,382
Cost of sales		(143,166)	(114,546)
<b>Gross profit</b>		220,136	175,836
Interest income		5,813	4,114
Fair value gain on investment properties		33,681	–
Selling and marketing costs		(80,996)	(66,258)
Administrative expenses		(60,649)	(48,711)
<b>Profit before income tax</b>	9	117,985	64,981
Income tax expense	10	(33,573)	(19,548)
<b>Profit for the period</b>		<u>84,412</u>	<u>45,433</u>
<b>Attributable to:</b>			
Equity holders of the Company		83,975	45,009
Minority interest		437	424
		<u>84,412</u>	<u>45,433</u>
Proposed interim dividend	11	<u>30,925</u>	<u>26,239</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit attributable to the equity holders of the Company during the period – basic	12	<u>8.96</u>	<u>4.80</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital <i>HK\$ '000</i>	Other reserves <i>HK\$ '000</i>	Retained earnings <i>HK\$ '000</i>	Minority interest <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Balance at 1st January 2005	93,711	1,132,026	258,914	2,494	1,487,145
Transfer from capital reserves to retained earnings	–	9,970	(9,970)	–	–
Appropriation to reserves	–	3,283	(3,283)	–	–
Currency translation differences	–	(1,189)	–	–	(1,189)
Net income/(expense) recognized directly in equity	–	12,064	(13,253)	–	(1,189)
Profit for the period	–	–	45,009	424	45,433
Total recognized income for the six months ended 30th June 2005	–	12,064	31,756	424	44,244
Dividend relating to 2004	–	–	(37,485)	(844)	(38,329)
	–	12,064	(5,729)	(420)	5,915
Balance at 30th June 2005	<u>93,711</u>	<u>1,144,090</u>	<u>253,185</u>	<u>2,074</u>	<u>1,493,060</u>
Balance at 1st January 2006	93,711	936,803	534,877	2,514	1,567,905
Currency translation differences	–	7,765	–	–	7,765
Net income recognized directly in equity	–	7,765	–	–	7,765
Profit for the period	–	–	83,975	437	84,412
Total recognized income for the six months ended 30th June 2006	–	7,765	83,975	437	92,177
Dividend relating to 2005	–	–	(52,478)	(864)	(53,342)
	–	7,765	31,497	(427)	38,835
Balance at 30th June 2006	<u>93,711</u>	<u>944,568</u>	<u>566,374</u>	<u>2,087</u>	<u>1,606,740</u>

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2006**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30.6.2006</b>	<b>30.6.2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	86,232	81,253
Net cash used in investing activities	(1,572)	(80,413)
Net cash used in financing activities	(53,342)	(38,329)
Net increase/(decrease) in cash and cash equivalents	31,318	(37,489)
Cash and cash equivalents at 1st January	445,885	397,100
Effect of foreign exchange rate changes	6,046	(801)
Cash and cash equivalents at 30th June	<u>483,249</u>	<u>358,810</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>483,249</u>	<u>358,810</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### 1. *General information*

Goldlion Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) distribute and manufacture garments, leather goods and accessories, license 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 12th September 2006.

### 2. *Basis of preparation*

This condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34, “Interim Financial Reporting”. The condensed interim financial information should be read in conjunction with the annual report for the year ended 31st December 2005.

### 3. *Accounting policies*

The accounting policies adopted are consistent with those used in the annual report for the year ended 31st December 2005, except for the adoption of the following applicable amendments to standards and interpretation, which are effective for accounting periods beginning on or after 1st January 2006.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 and HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS Interpretation 4	Determining Whether an Arrangement Contains a Lease

The adoption of the above amendments to standards and interpretation has no material impact on the Group’s balance sheet and profit and loss account.

No early adoption of the following new standard, interpretations and amendment that have been issued but are not yet effective. The adoption of such new standard, interpretations and amendment will not result in substantial changes to the Group’s accounting policies.

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) Interpretation 7	Applying the Restatement Approach under HKAS 29
HK(IFRIC) Interpretation 8	Scope of HKFRS 2
HK(IFRIC) Interpretation 9	Reassessment of Embedded Derivatives

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(Continued)

### 4. Segment information

#### Primary reporting format – business segment

At 30th June 2006, 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 investments and development – Investments in and development of properties in China Mainland, Hong Kong SAR and Singapore

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

	Six months ended 30.6.2006				Six months ended 30.6.2005			
	Property investments and			Group	Property investments and			Group
	Apparel	development	Eliminations		Apparel	development	Eliminations	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Turnover	330,658	32,644	–	363,302	261,808	28,574	–	290,382
Inter-segment sales	–	287	(287)	–	–	278	(278)	–
	<u>330,658</u>	<u>32,931</u>	<u>(287)</u>	<u>363,302</u>	<u>261,808</u>	<u>28,852</u>	<u>(278)</u>	<u>290,382</u>
Segment results	<u>72,928</u>	<u>56,643</u>		129,571	<u>58,258</u>	<u>19,161</u>		77,419
Unallocated costs				(11,586)				(12,438)
Profit before income tax				117,985				64,981
Income tax expense				(33,573)				(19,548)
Profit for the period				<u>84,412</u>				<u>45,433</u>

Unallocated costs represent corporate expenses less interest income.

Inter-segment transactions are entered into under the 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, and property investments and development

Hong Kong SAR – Apparel and property investments

Singapore and Malaysia – Apparel and property investments

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:

	<b>Six months ended 30.6.2006</b>		<b>Six months ended 30.6.2005</b>	
	<b>Turnover</b> <i>HK\$ '000</i>	<b>Segment results</b> <i>HK\$ '000</i>	<b>Turnover</b> <i>HK\$ '000</i>	<b>Segment results</b> <i>HK\$ '000</i>
Geographical segments				
China Mainland	291,144	122,238	227,228	70,537
Hong Kong SAR	19,822	(726)	20,982	2,176
Singapore and Malaysia	51,637	9,340	41,588	6,066
Other countries	699	(1,281)	584	(1,360)
	<u>363,302</u>	<u>129,571</u>	<u>290,382</u>	<u>77,419</u>
Unallocated costs		(11,586)		(12,438)
Profit before income tax		<u>117,985</u>		<u>64,981</u>

	<b>Six months ended</b>	
	<b>30.6.2006</b> <i>HK\$ '000</i>	<b>30.6.2005</b> <i>HK\$ '000</i>
<b>Analysis of turnover by category</b>		
Sales of goods	314,505	246,105
Gross rental income from investment properties	29,563	25,462
Building management fee	3,081	3,112
Licensing income	16,153	15,703
	<u>363,302</u>	<u>290,382</u>



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(Continued)

## 5. Capital expenditure

	<b>Leasehold land and land use rights</b>	<b>Property, plant and equipment</b>	<b>Investment properties</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book amount as at 1st January 2005	127,964	108,125	937,558	1,173,647
Additions	–	4,623	81,422	86,045
Disposals	(1,285)	(1,173)	–	(2,458)
Amortization and depreciation ( <i>Note 9</i> )	(1,876)	(5,712)	–	(7,588)
Exchange differences	–	(159)	(229)	(388)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Closing net book amount as at 30th June 2005	<u>124,803</u>	<u>105,704</u>	<u>1,018,751</u>	<u>1,249,258</u>
Additions	–	7,971	9,409	17,380
Disposals	(3,293)	(2,831)	(29,000)	(35,124)
Transfer	–	3,734	(3,734)	–
Amortization and depreciation	(2,183)	(6,465)	–	(8,648)
Fair value gain	–	–	39,255	39,255
Exchange differences	367	1,457	154	1,978
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Closing net book amount as at 31st December 2005	<u>119,694</u>	<u>109,570</u>	<u>1,034,835</u>	<u>1,264,099</u>
Opening net book amount as at 1st January 2006	119,694	109,570	1,034,835	1,264,099
Additions	959	6,666	–	7,625
Disposals	–	(110)	–	(110)
Amortization and depreciation ( <i>Note 9</i> )	(1,792)	(6,340)	–	(8,132)
Fair value gain	–	–	33,681	33,681
Impairment ( <i>Note 9</i> )	–	(2,630)	–	(2,630)
Exchange differences	188	1,531	–	1,719
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Closing net book amount as at 30th June 2006	<u>119,049</u>	<u>108,687</u>	<u>1,068,516</u>	<u>1,296,252</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***6. Trade receivables**

The Group's turnover is on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 30th June 2006, the ageing analysis of the trade receivables, net of provision, was as follows:

	<b>As at 30.6.2006</b>	<b>As at 31.12.2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 30 days	14,372	22,080
31 – 90 days	12,509	7,633
	<u>26,881</u>	<u>29,713</u>

**7. Share capital**

	<b>As at 30.6.2006</b>	<b>As at 31.12.2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
1,200,000,000 (31.12.2005: 1,200,000,000) shares of HK\$0.10 each	<u>120,000</u>	<u>120,000</u>
<i>Issued and fully paid:</i>		
937,114,035 (31.12.2005: 937,114,035) shares of HK\$0.10 each	<u>93,711</u>	<u>93,711</u>

**8. Trade payables**

At 30th June 2006, the ageing analysis of the trade payables was as follows:

	<b>As at 30.6.2006</b>	<b>As at 31.12.2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 30 days	15,679	17,219
31 – 90 days	4,201	5,042
Over 90 days	594	1,142
	<u>20,474</u>	<u>23,403</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***9. Profit before income tax**

The following items have been charged/(credited) to the profit before income tax during the interim period:

	<b>Six months ended</b>	
	<b>30.6.2006</b>	<b>30.6.2005</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Cost of goods sold	131,160	119,353
Impairment/(reversal of impairment) for inventories	7,109	(10,486)
Direct operating expenses arising from investment properties	4,897	5,679
Amortization of leasehold land and land use rights <i>(Note 5)</i>	1,792	1,876
Depreciation of property, plant and equipment <i>(Note 5)</i>	6,340	5,712
Impairment for property, plant and equipment <i>(Note 5)</i>	2,630	–
Staff costs including directors' emoluments	54,810	44,960
Loss on disposal of properties	–	133
	<u>          </u>	<u>          </u>

**10. Income tax expense**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit 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.

The amount of income tax charged to the condensed consolidated interim profit and loss account represents:

	<b>Six months ended</b>	
	<b>30.6.2006</b>	<b>30.6.2005</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Taxation outside Hong Kong		
– Current period	17,387	13,651
– Under provision in prior periods	275	193
	<u>          </u>	<u>          </u>
	17,662	13,844
Deferred income tax	15,911	5,704
	<u>          </u>	<u>          </u>
Total income tax expense	<u>33,573</u>	<u>19,548</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***11. Proposed interim dividend**

	<b>Six months ended</b>	
	<b>30.6.2006</b>	<b>30.6.2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend, proposed of 3.3 HK cents (2005: 2.8 HK cents) per ordinary share	<u>30,925</u>	<u>26,239</u>

*Note:*

A 2005 final dividend of 5.6 HK cents (2004 final: 4.0 HK cents) per ordinary share, totaling HK\$52,478,000 was paid in June 2006 (2004 final: HK\$37,485,000).

At a meeting held on 12th September 2006, the Directors declared an interim dividend of 3.3 HK cents per share. This proposed dividend has not been reflected as a dividend payable in the condensed interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31st December 2006.

**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\$83,975,000 (six months ended 30th June 2005: HK\$45,009,000) and the weighted average number of 937,114,035 (six months ended 30th June 2005: 937,114,035) shares in issue during the period.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the six months ended 30th June 2005 and 30th June 2006.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***13. Commitments**

## (a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	<b>As at 30.6.2006</b>	<b>As at 31.12.2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment		
– Contracted but not provided for	828	2,317
– Authorised but not contracted for	–	–
Investment properties		
– Contracted but not provided for	184	–
– Authorised but not contracted for	–	–
	<u>1,012</u>	<u>2,317</u>

## (b) At 30th June 2006, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	<b>As at 30.6.2006</b>	<b>As at 31.12.2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental receivables		
– not later than one year	50,079	44,924
– later than one year and not later than five years	76,047	69,273
– later than five years	19,069	22,227
	<u>145,195</u>	<u>136,424</u>
Rental payables		
– not later than one year	10,008	11,343
– later than one year and not later than five years	5,315	8,072
	<u>15,323</u>	<u>19,415</u>

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**

- (a) The following significant transactions were carried out with related parties:

	<i>Note</i>	<b>Six months ended</b>	
		<b>30.6.2006</b>	<b>30.6.2005</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Building management fees paid to a related company	(i)	313	304
Professional fees paid to a related company	(ii)	340	350
Rental paid to a related company	(iii)	484	469
Rental received from a related company	(iv)	1,133	1,135
Acquisition of investment properties from a related company and a related party	(v)	—	76,736

*Notes:*

- (i) Guangzhou Silver Disk Property Management Company Limited provided building management services to a subsidiary of the Group. The fees were charged under normal commercial terms. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited.
- (ii) 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.
- (iii) Rental was paid to Guangzhou Goldlion City Properties Company Limited for lease of office area in Goldlion Digital Network Centre. Rental charges were determined under normal commercial terms. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interest in Guangzhou Goldlion City Properties Company Limited.
- (iv) Rental was received from Guangzhou World Trade Center Club Company Limited (“GWTCCCL”) for lease of a business center and facilities therein located at Goldlion Digital Network Centre. Rental was determined under normal commercial terms. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCCL as he is a major shareholder of China World Trade Corporation (“CWTC”), the holding company of GWTCCCL. Dr. Tsang Hin Chi, Mdm. 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 Mdm. 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)**(a) *(Continued)**Notes: (Continued)*

- (v) On 30th December 2004, Guangzhou Goldlion Environmental Technology Co. Limited, a wholly owned subsidiary of the Company, entered into two conditional acquisition agreements (the "Agreements") with General Business Network (Holdings) Limited ("GBNL") and Mr. Tsang Chi Hung to acquire Level 19 and Level 20 to 22 (inclusive) of Goldlion Digital Network Centre in Guangzhou respectively at an aggregate consideration of RMB81,340,000 (approximately HK\$76,735,850). The consideration was negotiated on an arm's length basis by reference to open market valuations by an independent professional property valuer. Completions of the acquisitions are subject to the conditions precedent stated in the Agreements and disclosed in the related Circular of the Company to its shareholders dated 20th January 2005. In the Extraordinary General Meeting of the Company held on 7th February 2005, the independent shareholders of the Company approved the transactions. The acquisitions were subsequently completed by May 2005. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in those transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

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

	<b>As at 30.6.2006</b>	<b>As at 31.12.2005</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Payables to related parties:		
Equitas Capital Limited	340	350

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## MANAGEMENT DISCUSSION AND ANALYSIS

### *OPERATING RESULTS*

The Group fared well in the six months ended 30 June 2006, with turnover as well as overall profits registering significant growth. Turnover for the period totaled HK\$363,302,000, or 25% over the same period last year. The growth in sales mainly originated from our two major markets of China Mainland and Singapore while our major avenues of income, namely sales of goods, rentals from investment properties and licensing income, combined to produce an income over and above the corresponding period last year.

As for profits, profit attributable to equity holders of the Company was HK\$83,975,000, rising substantially by 87% from last year's HK\$45,009,000.

According to an independent professional valuation of the Group's investment properties conducted at the end of the report period, fair value gain on investment properties was recorded at HK\$33,681,000 which also resulted in deferred taxation charges of approximately HK\$5,780,000.

Excluding the fair value gain on investment properties and its related deferred taxation charges, profit attributable to equity holders was HK\$56,074,000, or an increase of about 25% over the corresponding amount of HK\$45,009,000 last year.

### *BUSINESS REVIEW*

#### *Apparel Business*

China Mainland Market:

The reengineering of our brand image that conducted in previous years continued to gather momentum during the period. Building on the strength of our business, the Group remained focused on its markets and products. The strategy has proved to have served us well with business outperforming our expectations. The persistently strong Renminbi ("RMB") also worked to our advantage, pushing our overall sales to a level that was 30% higher than the same period last year.

Drawing references from successful international labels, we have enhanced our product design by recruiting highly creative designers and expanding our design teams. On top of original designs and quality materials, quality control has also been reinforced with better collaboration between the merchandising staff and the designers so as to bring out the special features of the apparel. As a result, our spring/summer collections for the year 2006 have been a great success with both our distributors and customers.

In a bid to boost our growth further, the Group sought to expand its sales network in China Mainland. We now have more than 800 outlets in China Mainland while the number of shops under our direct operation in major cities has also increased. Thanks to such a sophisticated sales network, the Group witnessed substantial increase in sales during the period.

Distribution of our sports and casual products was strengthened with a more extensive sales network. Although by no means significant in the Group's overall apparel business in China Mainland for the time being, the product sales compared much more favourably with the past.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **BUSINESS REVIEW** *(Continued)*

#### **Apparel Business** *(Continued)*

Singapore and Malaysia Markets:

Again, the Singapore market performed better than expected. Coupled with the persistently strong Singapore Dollar, the customers' warm response to our new products has pushed up sales by 25%.

Our product lines and series continued to improve in variety during the period as we strove to secure attractive locations for our outlets through close negotiations with major department stores. Supported further by effective publicity, the Group's business has been thriving vigorously. At the end of the period, the Group was operating a total of 23 outlets for the "Goldlion" brand in Singapore.

The volume of sales for "Camel Active" increased significantly following an increase in outlets to eight in a bid to sustain further growth. Owing to the relative small size of the outlets, however, the sales accounted for only about 5% of the total domestic turnover.

As for the Malaysia market, which was performing satisfactorily, the number of outlets was maintained at 24. At the local currency, sales went up by 10% over that of last year.

Hong Kong Market:

In the apparel business, our plan to increase outlets was thwarted by exorbitant shop rentals. With the number of direct outlets reduced to seven, apparel sales dropped by about 16% compared with the same period last year.

The Group opened the "TSR" concept store at the end of last year in Lan Kwai Fong, Central to promote and turn around the image of the brand, which is now associated with trendiness and elegance in conjuring health consciousness and a tasteful lifestyle. The store was not yet able to achieve breakeven during the period but the Group is currently formulating appropriate business strategies to improve its operation.

Licensing Income:

Licensing income amounted to HK\$16,153,000 during the period, rising moderately by about 3% over the same period last year. With no license rights newly granted during the period, the increase was largely due to the yearly increment in license fees receivable under existing license agreements. At present, the licenses granted by the Group are primarily confined to leather goods, shoes, jewellery products, undergarments and woolen sweaters within the China Mainland market.

#### **Property Investment and Development**

Overall performance of the Group's property investment was satisfactory. The fair value of the Group's investment properties stood at HK\$1,068,516,000 according to an independent professional valuation at 30th June 2006 and a fair value gain of HK\$33,681,000 was recorded. The increase in the fair value of investment properties was attributable to the overall promising property markets in Hong Kong and China Mainland while the appreciation of the RMB during the period also had a positive effect on our investment property holding in China Mainland.

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**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)***BUSINESS REVIEW** *(Continued)***Property Investment and Development** *(Continued)*

Leasing was good on the whole, yielding a rental income of HK\$29,563,000, or an increase of 16% over the same period last year.

With a bigger floor area available for lease following our acquisition of four more floors during the second quarter last year, rentals generated by the Goldlion Digital Network Centre in Tianhe, Guangzhou, rose by 19%. The stable rental market in China Mainland, the high demand for quality commercial premises and the higher contractual rentals for new leases and renewals have combined to support an increase of 4% even after discounting the increase in floor area.

Leasing of the Goldlion Commercial Building in Shenyang remained stable on the whole. As a number of units were left vacant for a brief period at the beginning of last year, rental income from the building rose by 35%. At present, the building is almost fully occupied.

Benefiting from buoyant market sentiment, the performance of properties in Hong Kong has improved in terms of both occupancy rate and rental income. There was on the whole a growth of about 13% in rental income from comparable properties.

Besides, the Group planned to develop a property development project in Meizhou, Guangdong Province during the period. In the third quarter of the year, the Group received the approval from local authorities for the project and subsequently entered into a construction contract to engage a contractor to undertake the construction work. The contract sum of the construction contract of approximately RMB91,920,000 will be fully financed by internal resources of the Group.

**PROSPECTS**

The Group is optimistic about business outlook for the second half of the year. As far as the China Mainland apparel business is concerned, the Group will progressively proceed with its plans in hand, including innovating products, reinforcing brand image, expanding its markets as well as maximizing human resources through commissioning international consultancy firms to provide our staff with thematic training.

In Singapore, the Group will work towards providing a sleeker shopping environment for our shoppers by opening specialised boutiques according to product type like apparel shops and accessories shops. There are also plans to strengthen the exports of our apparel products to other areas in the region.

With the Hong Kong market, the focus will be on enhancing brand image as well as, circumstances permitting, on restructuring and expanding our local sales network through opening new accessories stores and so on.

In terms of property investment, efforts will continue to be made to enhance the quality of our properties in a bid to raise its rental value for greater return.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **PROSPECTS** *(Continued)*

For the property development project in Meizhou, the project site with an area of about 47,619 square metres is envisaged for a low-density residential/commercial composite development. When completed, the total saleable gross floor area including residential units, retail shops and carparks is approximately 70,850 square metres. It is expected that the construction work will be completed in or around the latter half of 2007 and would bring a satisfactory contribution to the Group.

Even more recently, the Group has just set up a property management company in Guangzhou. The company is expected to take over the property management of the Goldlion Digital Network Centre in the fourth quarter of this year to not only provide quality service to the tenants but also maintain the quality of the building at a high level.

### **FINANCIAL POSITION**

As at 30th June 2006, the Group had cash and bank balances of approximately HK\$483,249,000, which was HK\$37,364,000 higher than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK\$86,232,000 and gains from foreign exchange rate changes of HK\$6,046,000. However, the Group also paid dividends of HK\$52,478,000 during the period. As at 30th June 2006, the Group did not have any bank loans or overdrafts.

As at 30th June 2006, the Group's current assets and liabilities were HK\$595,769,000 and HK\$194,269,000 respectively, with current ratio at 3.1. Total current liabilities were only 12% of the average capital and reserves attributable to the Company's equity holders of HK\$1,585,022,000.

As at 30th June 2006, the Group did not have any material contingent liabilities or capital commitments and did not charge any of the Group's assets.

### **HUMAN RESOURCES**

At 30th June 2006, the Group had approximately 1,380 employees. Employees' costs during the first six months of the year including directors emoluments amounted to HK\$54,810,000. 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 3.3 HK cents per share (2005: 2.8 HK cents per share) for the year ending 31st December 2006, totaling HK\$30,925,000 (2005: HK\$26,239,000), which is expected to be payable on or about 11th October 2006 to shareholders whose names appear on the Register of Members as at 29th September 2006.

***CLOSURE OF REGISTER OF MEMBER***

Register of Members of the Company will be closed from 28th September 2006 to 29th September 2006 (both days inclusive), 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 4:00 p.m. on Wednesday, 27th September 2006 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

***PURCHASE, SALE OR REDEMPTION OF SHARES***

The Company did not redeem any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

***SHARE OPTIONS***

At the Extraordinary General Meeting of the Company held on 21st May 2002, the shareholders of the Company 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 the service of the Group and other persons who may make a contribution to the Group.

During the six months ended 30th June 2006, 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 IN THE SHARES AND DEBENTURES**

As 30th June 2006, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under section 352 of Part XV of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Ordinary shares of HK\$0.10 each in the Company at 30th June 2006

Name of Directors		Number of shares held			Total	Percentage to total issued share capital
		Personal interests	Family interests (Note 1)	Other interests (Note 2)		
Tsang Hin Chi	Long positions	–	1,210,000	568,034,750	569,244,750	60.74%
	Short positions	–	–	–	–	–
Tsang Chi Ming, Ricky	Long positions	1,404,000	–	568,034,750	569,438,750	60.77%
	Short positions	–	–	–	–	–
Wong Lei Kuan	Long positions	1,210,000	–	568,034,750	569,244,750	60.74%
	Short positions	–	–	–	–	–

*Notes:*

1. Madam Wong Lei Kuan is the wife of Dr. Tsang Hin Chi. Her shareholding disclosed under the heading "Personal interests" in the above table is the family interest of Dr. Tsang Hin Chi.
2. The shareholdings disclosed by Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan under the heading "Other interests" in the above table refer to the same shares which were held by HSBC International Trustee Limited for Gold Trustee Holding Corporation and Silver Trustee Holding Corporation (being trustees of the Gold Unit Trust and the Silver Unit Trust, respectively) as disclosed in the paragraph headed "Substantial Shareholders" below.

Save as disclosed above, as at 30th June 2006, 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.

**OTHER INFORMATION** *(Continued)***DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND DEBENTURES**  
*(Continued)*

Save as disclosed above, at no time during the six months ended 30th June 2006 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**

As at 30th June 2006, the register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 30th June 2006 the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

<b>Name of holder of securities</b>	<b>Type of securities</b>		<b>Number of Shares held</b>	<b>Percentage to total issued share capital</b>
HSBC International Trustee Limited <i>(Note)</i>	Shares	Long positions	568,034,750	60.62%
		Short positions	–	–
Silver Disk Limited <i>(Note)</i>	Shares	Long positions	160,616,000	17.14%
		Short positions	–	–
Tsang Hin Chi Charities (Management) Limited	Shares	Long positions	53,880,750	5.75%
		Short positions	–	–

*Note:*

HSBC International Trustee Limited holds 339,530,000 shares and 228,504,750 shares of the shares for Gold Trustee Holding Corporation and Silver Trustee Holding Corporation respectively. Gold Trustee Holding Corporation and Silver Trustee Holding Corporation act as trustees, respectively, for the Gold Unit Trust and the Silver Unit Trust, which units (other than 2 units each of which are beneficially owned by Dr. Tsang Hin Chi and Madam Wong Lei Kuan respectively) are beneficially owned by the Tsang Family Trust. Silver Disk Limited is wholly owned by the Silver Unit Trust and its shareholding comprised part of the number of shares held by HSBC International Trustee Limited for Silver Trustee Holding Corporation.

## **OTHER INFORMATION** *(Continued)*

### **CORPORATE GOVERNANCE**

The Company has complied with the Code Provisions in Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules for the six months ended 30th June 2006 except that all of the non-executive Directors of the Company have not been appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. During the six months ended 30th June 2006, 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 Dr. Wong Yu Hong, Philip (Chairman), Mr. 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 30th June 2006. 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 Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

### **BOARD OF DIRECTORS**

As at the date of this report, the directors of the Company comprise Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan as executive Directors; Mr. Ng Ming Wah, Charles as a non-executive Director; and Dr. Wong Yu Hong, Philip, Dr. Lau Yue Sun and Mr. Wong Ying Ho, Kennedy as independent non-executive Directors.

On behalf of the Board

**Tsang Hin Chi**

*Chairman*

Hong Kong, 12th September 2006