



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)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2006

RESULTS

The Board of Directors is pleased to announce the consolidated results of Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2006 together with the comparative figures for the previous year as follows:

Consolidated Profit and Loss Account
For the year ended 31st December 2006

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	2	798,301	629,583
Cost of sales		(326,910)	(270,298)
Gross profit		471,391	359,285
Interest income		12,426	8,964
(Loss)/gain on disposal of properties		(2,430)	25,164
Fair value gains on investment properties		60,283	39,255
Selling and marketing costs		(179,247)	(143,850)
Administrative expenses		(134,100)	(108,474)
Profit before income tax	3	228,323	180,344
Income tax expense	4	(61,471)	(43,279)
Profit for the year		<u>166,852</u>	<u>137,065</u>
Attributable to:			
Equity holders of the Company		166,161	136,201
Minority interest		691	864
		<u>166,852</u>	<u>137,065</u>
Dividends	5	<u>92,774</u>	<u>78,717</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	6		
– basic		<u>17.73</u>	<u>14.53</u>
– diluted		<u>17.73</u>	<u>14.53</u>

Consolidated Balance Sheet
As at 31st December 2006

	<i>Note</i>	31.12.2006 <i>HK\$'000</i>	As at 31.12.2005 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Leasehold land and land use rights		113,167	119,694
Property, plant and equipment		108,291	109,570
Investment properties		1,089,002	1,034,835
Deferred income tax assets		22,553	30,844
		<u>1,333,013</u>	<u>1,294,943</u>
Current assets			
Property under development held for sale		23,368	–
Inventories		78,849	74,097
Trade receivables	7	34,953	29,713
Prepayments and deposits		22,485	19,212
Cash and bank balances		518,976	445,885
		<u>678,631</u>	<u>568,907</u>
Total assets		<u>2,011,644</u>	<u>1,863,850</u>

EQUITY**Capital and reserves attributable to the Company's equity holders**

Share capital		93,711	93,711
Reserves		1,506,893	1,419,202
Proposed final dividend		61,849	52,478
		<u>1,662,453</u>	<u>1,565,391</u>
Minority interest		1,311	2,514
Total equity		<u>1,663,764</u>	<u>1,567,905</u>

LIABILITIES**Non-current liabilities**

Deferred income tax liabilities		122,125	105,945
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Current liabilities

Trade payables	8	28,120	23,403
Other payables and accruals		168,053	129,026
Tax payables		29,582	37,571
		<u>225,755</u>	<u>190,000</u>

Total liabilities

		<u>347,880</u>	<u>295,945</u>
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Total equity and liabilities

		<u>2,011,644</u>	<u>1,863,850</u>
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Net current assets

		<u>452,876</u>	<u>378,907</u>
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Total assets less current liabilities

		<u>1,785,889</u>	<u>1,673,850</u>
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*Notes:***1. Principal accounting policies**

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the accounts are consistent with those used in the accounts for the year ended 31st December 2005, except for the adoption of certain new standards and amendments of HKFRS which were issued and became effective during the year ended 31st December 2006.

The adoption of these standards and amendments does not result in substantial changes to the Group's accounting policies and has no significant effect on the accounts for the year ended 31st December 2006.

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

2. Turnover and segment information

The Group is principally engaged in the distribution and manufacturing of garments, leather goods and accessories, licensing of brand name, and hold and develop properties for investment and development purposes. Turnover recognized during the year were as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Sales of goods	695,513	538,839
Gross rental income from investment properties	62,018	54,589
Building management fee	7,694	5,604
Licensing income	33,076	30,551
	<u>798,301</u>	<u>629,583</u>

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

	2006 Segment turnover <i>HK\$'000</i>	2005 Segment turnover <i>HK\$'000</i>	2006 Segment results <i>HK\$'000</i>	2005 Segment results <i>HK\$'000</i>
Business segments				
Apparel	728,590	569,390	147,561	96,103
Property investments and development	70,448	60,851	104,607	109,806
Inter-segment sales	(737)	(658)	-	-
	<u>798,301</u>	<u>629,583</u>	<u>252,168</u>	<u>205,909</u>
Unallocated costs			(23,845)	(25,565)
Profit before income tax			<u>228,323</u>	<u>180,344</u>

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

	2006 Segment turnover <i>HK\$'000</i>	2005 Segment turnover <i>HK\$'000</i>	2006 Segment results <i>HK\$'000</i>	2005 Segment results <i>HK\$'000</i>
Geographical segments				
China mainland	643,506	499,136	229,116	162,343
Hong Kong SAR	41,608	39,724	11,465	35,821
Singapore and Malaysia	111,720	89,384	14,466	10,405
Other countries	1,467	1,339	(2,879)	(2,660)
	<u>798,301</u>	<u>629,583</u>	<u>252,168</u>	<u>205,909</u>
Unallocated costs			(23,845)	(25,565)
Profit before income tax			<u>228,323</u>	<u>180,344</u>

3. Profit before income tax

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit before income tax is stated after charging the following:		
Cost of goods sold	314,581	258,873
Impairment loss on inventories	1,277	1,538
Direct operating expenses arising from investment properties	11,052	9,887
Amortization of leasehold land and land use rights	3,683	4,059
Depreciation of property, plant and equipment	12,522	12,177
Impairment loss on property, plant and equipment	2,729	-
Staff costs including directors' emoluments	122,113	96,213

4. 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 year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2006 HK\$'000	2005 HK\$'000
Taxation outside Hong Kong		
Current year	36,975	34,719
Under provision in prior years	25	89
Tax refund	–	(734)
	<u>37,000</u>	<u>34,074</u>
Deferred income tax	24,471	9,205
Total income tax expenses	<u>61,471</u>	<u>43,279</u>

5. Dividends

	2006 HK\$'000	2005 HK\$'000
2005 interim dividend, paid, of 2.8 HK cents per ordinary share	–	26,239
2005 final dividend, paid, of 5.6 HK cents per ordinary share	–	52,478
2006 interim dividend, paid, of 3.3 HK cents per ordinary share	30,925	–
2006 final dividend, proposed of 6.6 HK cents per ordinary share	61,849	–
	<u>92,774</u>	<u>78,717</u>

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$166,161,000 (2005: HK\$136,201,000) and 937,114,035 (2005: 937,114,035) shares in issue during the year.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2006 and 2005.

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

	As at 31.12.2006 HK\$'000	As at 31.12.2005 HK\$'000
1-30 days	26,751	22,080
31-90 days	8,202	7,633
	<u>34,953</u>	<u>29,713</u>

8. Trade payables

The ageing analysis of the trade payables was as follows:

	As at 31.12.2006 HK\$'000	As at 31.12.2005 HK\$'000
1-30 days	22,465	17,219
31-90 days	5,569	5,042
Over 90 days	86	1,142
	<u>28,120</u>	<u>23,403</u>

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 6.6 HK cents per share (2005: 5.6 HK cents per share) for the year ended 31st December 2006, totalling HK\$61,849,000 (2005: HK\$52,478,000). Subject to the shareholders' approval at the forthcoming Annual General Meeting, the final dividend will be paid on or about 7th June 2007 to shareholders whose names appear on the Register of Members as at 25th May 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group continued to perform well in the financial year ended 31st December 2006, with turnover rising by 27% over the previous year to reach HK\$798,301,000. The bulk of this growth came from two major operating locations, namely China Mainland and Singapore. While increases were registered for all of the Group's major sources of income, sales of goods topped with a remarkable rate of 29%.

Profit attributable to equity holders of the Company for the year was HK\$166,161,000, or an increase of 22% when compared with last year's HK\$136,201,000.

The above profit attributable to equity holders has already taken into account the fair value gains on investment properties of HK\$60,283,000 and the related deferred taxation charge of HK\$9,294,000. The corresponding figures for last year were HK\$39,255,000 and HK\$7,747,000 respectively. Besides, a loss of HK\$2,430,000 and a gain of HK\$25,164,000 on disposal of properties were recorded respectively in the current and last year.

Upon assessing the performance of the Group's core businesses by excluding the fair value gains on investment properties, related deferred taxation charge and effects on disposal of properties, profit attributable to equity holders for the year stood at HK\$117,602,000, representing an increase of approximately HK\$38,073,000 or 48% when compared with last year's HK\$79,529,000.

BUSINESS REVIEW

Apparel Business

China Mainland Market:

The apparel business in the China Mainland market reported satisfactory performance during the year with annual sales shooting up remarkably by 31%, thanks to firstly the painstaking efforts that the Group has put into its operation over the years and secondly the strong RMB during the year.

With a view to turn "Goldlion" into a designer label, the China Mainland arm of the Group has reinforced its product development department by taking on board a number of additional designers to upgrade its product design. The new lines launched under this new initiative have been able to highlight the distinct character of our brand. Made from better material and controlled more effectively for quality assurance, these new products have been very well received by consumers in the Mainland. T-shirts for spring/summer season of the year catering for younger clientele in design sold particularly well as soon as they were launched.

Parallel to this, more emphasis was placed on the idea of collection in our conception of new products. Since the beginning of the year, steps have been taken to change the display of our retail outlets from time to time in accordance with varying lifestyle themes. To our encouragement, our autumn and winter collections designed along these lines have reaped fruitful results.

The Group's business coverage expanded accordingly with retail outlets for the China Mainland market continuing to increase during the year. The "Key Shop Plan" implemented in recent years boosted the sales by pooling resources for strategic outlets with steady customer flow.

To push sales further upward through better coordination with our distributors, the Group has continued to strengthen communication through holding more frequent briefings and updating the flow of advance ordering meetings to keep our distributors promptly informed of the Group's business strategies and product features.

Wholesale of sports and casual products saw marked improvement in turnover following expansion of our marketing network during the year. Relatively new in the market, the products have yet accounted for a significant share in our overall apparel sales in the China Mainland market.

Singapore and Malaysia Markets:

Annual sales of apparel and accessories in the market surged by 25% in the year. The encouraging growth is largely due to the wide recognition of the Group's products in the local market. Other favourable factors included the booming local economy, stable growth of the retail market as well as the persistently strong Singapore Dollar.

In our enthusiastic drive to elevate our products towards higher class and taste, improvements were brought about in the design, choice of material and packaging of our products during the year. As the improvements were reflected in our pricing, turnover climbed accordingly.

To provide a focused selection for our customers and to provide our displays with focal points for greater appeal, the concept of specialization was adopted in the year to divide our outlets into the two major streams of “apparel” and “accessories”. The concept was put into practice with the opening of our first specialized shop for accessories in the year. The objective of this specialization strategy in the long run is to target specific clientele with specific marketing strategies.

At the end of the year, the Group was directly operating 25 “Goldlion” outlets in Singapore, or three outlets more than last year with some of them further expanded in terms of floor area. All major comparable outlets have registered higher sales as compared with last year.

Outlets for “Camel Active” have grown to seven at the end of the year and sales were better than expected. Owing to the limited size of the outlets, sales of this line did not make up a significant proportion of our overall sales in the market.

Turning to Malaysia, there were a total of 26 outlets at the end of the year, or up by two over that of last year, pushing sales upward by approximately 9% in local currency.

Hong Kong Market:

During the year, retail business in Hong Kong as a whole was vexed by forbiddingly high operating costs, especially shop rentals. The Group’s original plans to expand the local apparel business were thwarted as a result. At the end of the year, the number of outlets dropped to five and sales declined correspondingly by about 14%.

The Group’s strategy to restructure the local business was reviewed in the year and a consultancy firm was commissioned to advise on a possible new brand image for “Goldlion”. The recommendations proposed to be implemented in 2007.

Opened in Lan Kwai Fong, Central, at the end of last year for projecting a chic and elegant image for our brand, the “TSR” concept store was able to raise public awareness of the brand but has not yet been able to break even. The Group will continue to improve its operation while striving to promote the brand.

Licensing Income:

Licensing income in the year under review totaled HK\$33,076,000, increasing by approximately 8% over that of the previous year. Since the Group has always been prudent in granting licenses, no new license agreements were entered into in the year. Although license fees receivable were to progressively increase under the existing agreements, growth was far from significant and compared less favourably with that of the previous years. At present, licenses granted by the Group are primarily confined to leather goods, shoes, jewellery products, undergarments and woolen sweaters within the China Mainland market.

To safeguard our brand image, our designated department has continued to visit our licensees for inspections and to provide them with appropriate support and assistance.

Property investment and development

Property investment:

Property investment has kept up its satisfactory performance during the year. Riding on the generally buoyant property market and the appreciation of RMB, fair value gains on investment properties for the year after independent professional valuation is HK\$60,283,000 as compared with HK\$39,255,000 for last year.

Equally satisfactory was rental income which amounted to HK\$62,018,000, rising by 14% over that of last year.

Rental income for the year was primarily derived from Goldlion Digital Network Centre situated in Tianhe, Guangzhou. With floor area available for leasing increasing following the acquisition of four additional floors in the second quarter of last year, rental income rose by about 13%. Given the prosperity of the local rental market and the keen demand for quality commercial premises, the growth in rentals fetched by the building was 4% even excluding the effect of the increase in floor area. To maintain the overall quality of the building, the Group has been providing quality property management service to its tenants through its subsidiary property management company since the end of the year.

Leasing of Goldlion Commercial Building in Shenyang remained largely stable during the year, with rental income rising by approximately 12% when compared to last year. The building is currently almost fully occupied.

Benefiting from the bullish local rental market, both occupancy rate and rentals for Hong Kong properties held by the Group have risen in general. Overall rentals generated by comparable properties climbed by approximately 18% during the year.

Property development:

As for the property development project in Meizhou, Guangdong, plans were drawn up early in the year and approval was subsequently obtained from the local authorities. The Group then entered into a construction contract to engage a contractor to undertake the construction works. The contract sum of the construction contract of approximately RMB91,921,000 will be fully funded from internal resources of the Group. Sitting on a plot of 47,619 square meters, the low-density residential development project will yield a total saleable floor area of approximately 70,850 square meters including residential units and car parking spaces of approximately 61,137 square meters, and retail shops of approximately 9,713 square meters.

PROSPECTS

The Group boasts remarkable performance no matter in terms of sales and profit. In view of our solid foundation, business is expected to continue to thrive and progress towards a promising future.

As far as the apparel business on the Mainland is concerned, the Group will continue to implement the existing development plans including enhancing our product development process for better product quality, reinforcing our marketing drives, improving our product displays and regularly reviewing the positioning and way forward for our brand so as to forge a distinguished image and to become a leading apparel brand on the Mainland in the long run.

The Group is equally optimistic with the Singapore apparel business. As our brand gains an even firmer foothold in the local market, the Group will improve the local infiltration of our products. This will be achieved by increasing the size of our outlets in major department stores and by progressively streaming some of our outlets into specializing in either apparel or accessories. A side development will be to strengthen exports of our apparel products to neighbouring areas.

Regarding the Hong Kong market, rejuvenation of our brand has initially completed. The first store offering new collections under this renewed image is anticipated to open for business in the second quarter of 2007. The opportunity will also be taken to gradually restructure and expand our local sales network.

Turning to property investment, the Group has entered into an agreement with a related company in early 2007 to acquire the entire share capital of Joint Corporation Limited at an aggregate consideration of HK\$240,000,000 (subject to adjustment). The sole asset of the company is the interest in office spaces with total floor area of approximately 18,917 square meters and 47% interest in car parking spaces in Goldlion Digital Network Centre at Tianhe, Guangzhou. Details of the transaction have been disclosed in the Company’s circular to its shareholders dated 12th February 2007. In a subsequent extraordinary general meeting, the Company’s independent shareholders approved the transaction. Completion of the acquisition is expected to take place by the end of April 2007. Upon completion, the Group will own approximately 96.3% of the building’s office area and the entirety of its car parking spaces, which are expected to provide the Group with satisfactory rental returns. In addition, the Group will continue to improve the quality and value of the existing investment properties in order to secure even more satisfactory returns.

As for the property development project in Meizhou, works have been progressing on schedule. In view of the existing working progress, it is expected that the pre-sale will take place before the end of 2007 while the construction will be completed by end of 2007. It is further expected that the results of the project will be recognized in 2008.

FINANCIAL POSITION

As at 31st December 2006, cash and bank balances held by the Group was approximately HK\$518,976,000, which was HK\$73,091,000 more than the balance at the end of last year. During the year, the Group recorded a net cash generated from operating activities of HK\$163,019,000, interest income of HK\$12,426,000 and exchange gains on cash and cash equivalents of HK\$10,780,000. However, the Group also paid dividends of HK\$83,403,000, purchased property, plant and equipment of HK\$11,255,000 and paid for Meizhou property development project of approximately HK\$19,950,000 during the year. As at 31st December 2006, the Group did not have any bank loans or overdrafts.

As at 31st December 2006, the Group’s current assets and liabilities were HK\$678,631,000 and HK\$225,755,000 respectively, with current ratio at 3.0. Total current liabilities were only 14% of the average capital and reserves attributable to the Company’s equity holders of HK\$1,613,922,000.

As at 31st December 2006, the Group did not have any material contingent liabilities and did not charge any of the Group's assets. As at 31st December 2006, the Group had commitments of HK\$81,255,000 being the remaining construction contract sum of the Meizhou property development project contracted but not provided for.

Besides, the completion of the acquisition of Joint Corporation Limited is expected to take place by the end of April 2007. Upon completion, the Group would expect to pay HK\$177,000,000 (subject to adjustment) and issue 45,000,000 shares of the Company to the vendor as consideration.

HUMAN RESOURCES

At 31st December 2006, the Group had approximately 1,490 employees. Staff costs including directors' emoluments of the year amounted to HK\$122,113,000. 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 final dividend, the Register of Members of the Company will be closed from 22nd May 2007 to 25th May 2007 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend of the year, all transfers accompanied by the relevant shares certificates must be lodged by 4:30 p.m. on Monday, 21st May 2007 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year except that all of the non-executive Directors of the Company have not been appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. During the year, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

AUDIT COMMITTEE

The Company has formed an Audit Committee to review and supervise the financial reporting process and internal control procedures of the Group. At present, the Audit Committee has four members including Mr. Yin, Richard Yingneng (Chairman), 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 ACCOUNTS

The Group's consolidated accounts for the year ended 31st December 2006 have been reviewed by the Company's Audit Committee and this preliminary results announcement has been agreed with the Company's external auditors.

PUBLICATION OF DETAILED FINANCIAL AND RELATED INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's 2006 annual report, containing all the information required by Appendix 16 of the Listing Rules, will be published on the website of the Stock Exchange 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. Wong Ying Ho, Kennedy and Mr. Yin, Richard Yingneng as independent non-executive Directors.

By order of the Board
Kam Yiu Kwok
Company Secretary

Hong Kong, 3rd April 2007

"Please also refer to the published version of this announcement in China Daily."