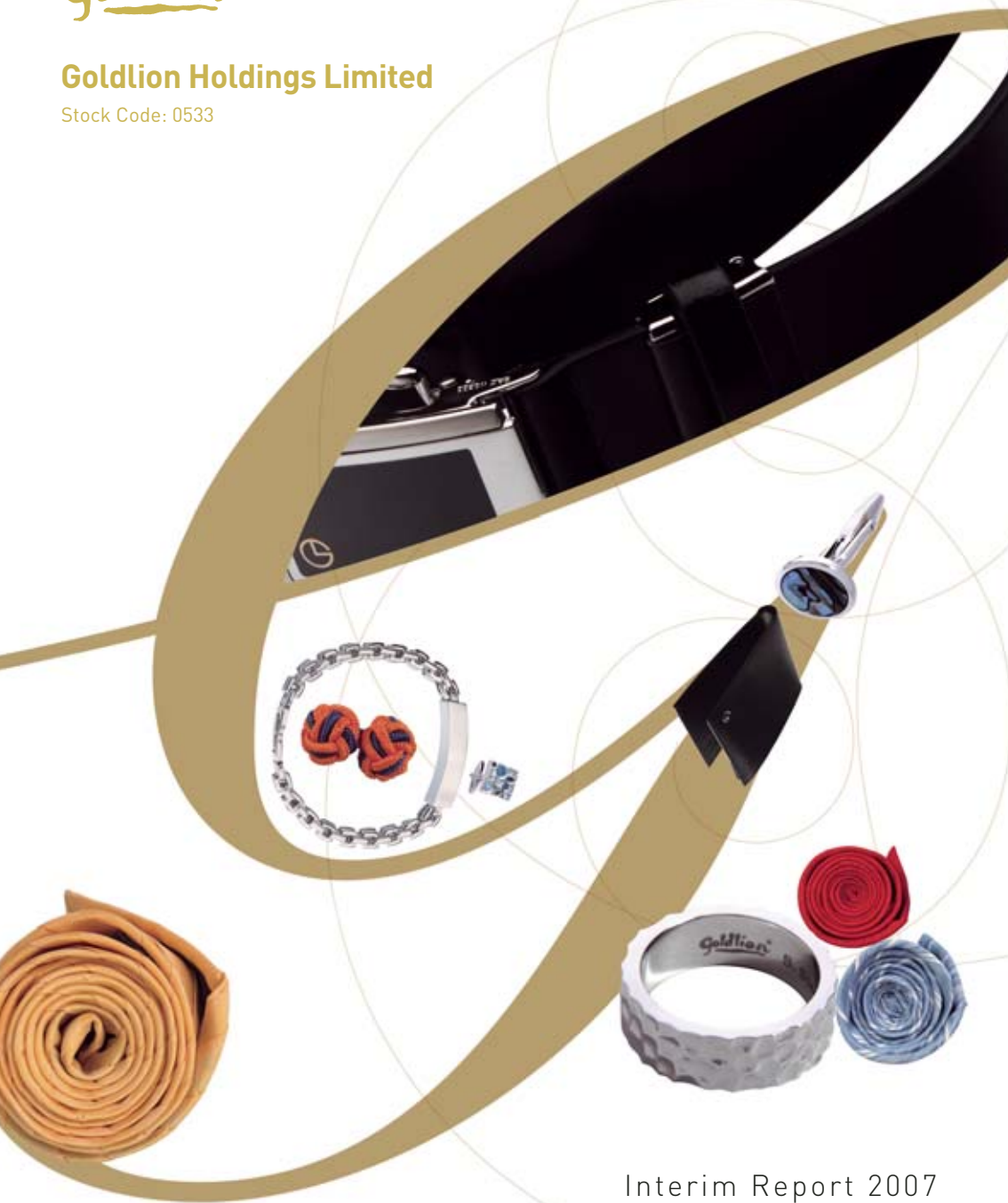




## Goldlion Holdings Limited

Stock Code: 0533



Interim Report 2007

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**

AS AT 30TH JUNE 2007 AND 31ST DECEMBER 2006

		<b>Unaudited 30th June 2007</b>	<b>Audited 31st December 2006</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	111,727	113,167
Property, plant and equipment	5	114,832	108,291
Investment properties	5	1,452,798	1,089,002
Deferred income tax assets		23,582	22,553
		<u>1,702,939</u>	<u>1,333,013</u>
<b>Current assets</b>			
Property under development held for sale		55,617	23,368
Inventories		84,718	78,849
Trade receivables	6	28,938	34,953
Prepayments and deposits		30,736	22,485
Cash and cash equivalents		387,107	518,976
		<u>587,116</u>	<u>678,631</u>
<b>Total assets</b>		<u><u>2,290,055</u></u>	<u><u>2,011,644</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	7	98,211	93,711
Reserves		1,724,401	1,506,893
Proposed dividend		39,285	61,849
		1,861,897	1,662,453
<b>Minority interest</b>		1,670	1,311
<b>Total equity</b>		<u>1,863,567</u>	<u>1,663,764</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		169,954	122,125
<b>Current liabilities</b>			
Trade payables	8	17,374	28,120
Other payables and accruals		207,921	168,053
Taxation payables		31,239	29,582
		<u>256,534</u>	<u>225,755</u>
<b>Total liabilities</b>		<u>426,488</u>	<u>347,880</u>
<b>Total equity and liabilities</b>		<u><u>2,290,055</u></u>	<u><u>2,011,644</u></u>
<b>Net current assets</b>		<u>330,582</u>	<u>452,876</u>
<b>Total assets less current liabilities</b>		<u><u>2,033,521</u></u>	<u><u>1,785,889</u></u>

**CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT**  
 FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th June 2007</b>	<b>30th June 2006</b>
		<i>HK\$ '000</i>	<i>HK\$ '000</i>
Turnover	4	492,413	363,302
Cost of sales	9	(185,923)	(143,166)
<b>Gross profit</b>		306,490	220,136
Other gain – fair value gains on investment properties		39,296	33,681
Selling and marketing costs	9	(101,254)	(80,996)
Administrative expenses	9	(94,782)	(60,649)
<b>Operating profit</b>		149,750	112,172
Interest income		6,030	5,813
<b>Profit before income tax</b>		155,780	117,985
Income tax credit/(expense)	10	13,414	(33,573)
<b>Profit for the period</b>		<u>169,194</u>	<u>84,412</u>
<b>Attributable to:</b>			
Equity holders of the Company		168,835	83,975
Minority interest		359	437
		<u>169,194</u>	<u>84,412</u>
Interim dividend	11	<u>39,285</u>	<u>30,925</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>17.72</u>	<u>8.96</u>
– diluted	12	<u>17.72</u>	<u>8.96</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	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 2006	93,711	936,803	534,877	2,514	1,567,905
Currency translation differences	–	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>
Balance at 1st January 2007	93,711	951,107	617,635	1,311	1,663,764
Currency translation differences	–	17,579	–	–	17,579
Profit for the period	–	–	168,835	359	169,194
Total recognized income for the six months ended 30th June 2007	–	17,579	168,835	359	186,773
Issue of shares	4,500	73,350	–	–	77,850
Appropriation to reserves	–	8,329	(8,329)	–	–
Dividend relating to 2006	–	–	(64,820)	–	(64,820)
	4,500	99,258	95,686	359	199,803
Balance at 30th June 2007	<u>98,211</u>	<u>1,050,365</u>	<u>713,321</u>	<u>1,670</u>	<u>1,863,567</u>

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT**  
 FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	Unaudited	
	Six months ended	
	30th June 2007	30th June 2006
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Net cash inflow from operating activities	119,457	86,232
Net cash used in investing activities	(201,051)	(1,572)
Net cash used in financing activities	(64,820)	(53,342)
Net (decrease)/increase in cash and cash equivalents	(146,414)	31,318
Cash and cash equivalents at 1st January	518,976	445,885
Effect of foreign exchange rate changes	14,545	6,046
Cash and cash equivalents at 30th June	<u>387,107</u>	<u>483,249</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 18th September 2007.

### 2. *Basis of preparation*

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2007 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants, and applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This condensed interim financial information should be read in conjunction with the 2006 annual financial statements.

### 3. *Accounting policies*

The accounting policies adopted are consistent with those used in the annual report for the year ended 31st December 2006, except for the adoption of the following standard, amendment and interpretations, which are effective for accounting periods beginning on or after 1st January 2007.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital 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
HK(IFRIC) Interpretation 10	Interim Financial Reporting and Impairment

The adoption of the above new standard, amendment and interpretations has no material impact on the Group’s balance sheet and profit and loss account.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***3. Accounting policies (Continued)**

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

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) Interpretation 11	HKFRS2 – Group and Treasury Share Transactions
HK(IFRIC) Interpretation 12	Service Concession Arrangements

**4. Segment information**

	<b>Six months ended</b>	
	<b>30th June 2007</b>	<b>30th June 2006</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<b>Analysis of turnover</b>		
Sales of goods	423,760	314,505
Gross rental income from investment properties	37,458	29,563
Building management income	12,963	3,081
Licensing income	18,232	16,153
	<u>492,413</u>	<u>363,302</u>

**Primary reporting format – business segments**

At 30th June 2007, 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***4. Segment information (Continued)****Primary reporting format – business segments (Continued)**

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

	Six months ended 30th June 2007				Six months ended 30th June 2006			
	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	441,992	50,421	–	492,413	330,658	32,644	–	363,302
Inter-segment sales	–	679	(679)	–	–	287	(287)	–
	<u>441,992</u>	<u>51,100</u>	<u>(679)</u>	<u>492,413</u>	<u>330,658</u>	<u>32,931</u>	<u>(287)</u>	<u>363,302</u>
Segment results	<u>135,732</u>	<u>35,924</u>		171,656	<u>72,928</u>	<u>56,643</u>		129,571
Unallocated costs				(15,876)				(11,586)
Profit before income tax				155,780				117,985
Income tax credit/ (expense)				13,414				(33,573)
Profit for the period				<u>169,194</u>				<u>84,412</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</b>		<b>Six months ended</b>	
	<b>30th June 2007</b>		<b>30th June 2006</b>	
	<b>Turnover</b>	<b>Segment results</b>	<b>Turnover</b>	<b>Segment results</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Geographical segments				
China Mainland	404,258	160,023	291,144	122,238
Hong Kong SAR	21,321	108	19,822	(726)
Singapore and Malaysia	65,679	13,037	51,637	9,340
Other countries	1,155	(1,512)	699	(1,281)
	<u>492,413</u>	171,656	<u>363,302</u>	129,571
Unallocated costs		(15,876)		(11,586)
Profit before income tax		<u>155,780</u>		<u>117,985</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***5. Capital expenditure**

	<b>Leasehold land and land use rights HK\$'000</b>	<b>Property, plant and equipment HK\$'000</b>	<b>Investment properties HK\$'000</b>	<b>Total HK\$'000</b>
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 charges ( <i>Note 9</i> )	–	(2,630)	–	(2,630)
Exchange differences	188	1,531	–	1,719
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>
Additions	–	4,589	–	4,589
Disposals	–	(122)	(6,000)	(6,122)
Reversal	–	–	(116)	(116)
Transfer to property under development held for sales	(4,231)	(146)	–	(4,377)
Amortization and depreciation	(1,891)	(6,182)	–	(8,073)
Fair value gain	–	–	26,602	26,602
Impairment charges	–	(99)	–	(99)
Exchange differences	240	1,564	–	1,804
Closing net book amount as at 31st December 2006	<u>113,167</u>	<u>108,291</u>	<u>1,089,002</u>	<u>1,310,460</u>
Opening net book amount as at 1st January 2007	113,167	108,291	1,089,002	1,310,460
Additions	–	8,230	–	8,230
Acquisition from business ( <i>Note 13</i> )	–	1,613	324,500	326,113
Disposals	–	(186)	–	(186)
Amortization and depreciation ( <i>Note 9</i> )	(1,842)	(6,291)	–	(8,133)
Fair value gain	–	–	39,296	39,296
Exchange differences	402	3,175	–	3,577
Closing net book amount as at 30th June 2007	<u>111,727</u>	<u>114,832</u>	<u>1,452,798</u>	<u>1,679,357</u>

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

The Group grants credit terms to customers ranging from cash on delivery, letter of credit or 30 to 90 days after delivery. At 30th June 2007, the ageing analysis of the trade receivables, net of provision, was as follows:

	<b>As at 30th June 2007</b>	<b>As at 31st December 2006</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
1-30 days	16,224	26,751
31-90 days	12,714	8,202
	<u>28,938</u>	<u>34,953</u>

**7. Share capital**

	<b>As at 30th June 2007</b>	<b>As at 31st December 2006</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<i>Authorized:</i>		
1,200,000,000 (31st December 2006: 1,200,000,000) shares of HK\$0.10 each	<u>120,000</u>	<u>120,000</u>
<i>Issued and fully paid:</i>		
982,114,035 (31st December 2006: 937,114,035) shares of HK\$0.10 each	<u>98,211</u>	<u>93,711</u>

At the Extraordinary General Meeting of the Company held on 1st March 2007, independent shareholders approved the acquisition of Joint Corporation Limited at an aggregate consideration of HK\$177,000,000 in cash plus 45,000,000 ordinary shares of HK\$0.10 each of the Company. Upon completion of the acquisition on 30th April 2007, the Company issued 45,000,000 new shares of HK\$0.10 each, which rank pari passu to the existing issued shares, to Keysonic Development Limited (Note 13). The issue of new shares was recognized at HK\$1.73 per share, being the fair value of the Company's shares as at 30th April 2007.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***8. Trade payables**

At 30th June 2007, the ageing analysis of the trade payables was as follows:

	<b>As at 30th June 2007</b>	<b>As at 31st December 2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
1-30 days	14,715	22,465
31-90 days	2,239	5,569
Over 90 days	420	86
	<u>17,374</u>	<u>28,120</u>

**9. Expenses by nature**

	<b>Six months ended</b>	
	<b>30th June 2007</b>	<b>30th June 2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of goods sold	181,897	131,160
(Reversal)/provision for impairment of inventories	(3,011)	7,109
Direct operating expenses arising from investment properties	7,037	4,897
Amortization of leasehold land and land use rights <i>(Note 5)</i>	1,842	1,792
Depreciation of property, plant and equipment <i>(Note 5)</i>	6,291	6,340
Impairment for property, plant and equipment <i>(Note 5)</i>	–	2,630
Staff costs including directors' emoluments	79,582	54,810
Other expenses	108,321	76,073
	<u>381,959</u>	<u>284,811</u>
Representing:		
Cost of sales	185,923	143,166
Selling and marketing costs	101,254	80,996
Administrative expenses	94,782	60,649
	<u>381,959</u>	<u>284,811</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***10. Income tax credit/(expense)**

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

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

	<b>Six months ended</b>	
	<b>30th June</b>	<b>30th June</b>
	<b>2007</b>	<b>2006</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Taxation outside Hong Kong		
– Current period	29,156	17,387
– Under provision in prior periods	–	275
	<hr/>	<hr/>
	29,156	17,662
Deferred income tax	(42,570)	15,911
	<hr/>	<hr/>
Total income tax (credit)/expense	<u>(13,414)</u>	<u>33,573</u>

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") approved by the National People's Congress on 16th March 2007, the new enterprise income tax rates for domestic enterprises and foreign invested enterprises are unified at 25% with effect from 1st January 2008. Regarding the deferred income tax assets and liabilities of certain PRC subsidiaries which are expected to be settled after 1st January 2008, the Group made an adjustment to their carrying amounts using the applicable tax rate of 25%, resulting in reduction in deferred income tax assets by approximately HK\$1,205,000 and liabilities by approximately HK\$53,023,000 in the six-month period ended 30th June 2007. The reduction in deferred income tax liabilities was mainly attributable from the reduction of applicable tax rate from 33% to 25% on the fair value gains of the investment properties held in PRC.

The new CIT Law has provided that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***11. Dividends**

	<b>Six months ended</b>	
	<b>30th June 2007</b>	<b>30th June 2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of 4.0 HK cents (2006: 3.3 HK cents) per ordinary share	39,285	30,925

A 2006 final dividend of 6.6 HK cents (2005 final: 5.6 HK cents) per ordinary share, totalling HK\$64,820,000 was paid in June 2007 (2005 final: HK\$52,478,000).

At the Board meeting held on 18th September 2007, the Directors declared an interim dividend of 4.0 HK cents per share. This interim dividend has not been reflected as a dividend payable in the condensed interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31st December 2007.

**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\$168,835,000 (six months ended 30th June 2006: HK\$83,975,000) and the weighted average number of 952,528,400 (six months ended 30th June 2006: 937,114,035) shares in issue during the period.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the period ended 30th June 2006 and 30th June 2007.

**13. Business combination**

On 30th April 2007, the Group acquired from Keysonic Development Limited (“Keysonic”) the entire share capital in, and a shareholder’s loan from Keysonic to, Joint Corporation Limited (“JCL”) for an aggregate consideration of HK\$177,000,000 in cash and 45,000,000 ordinary shares of the Company’s share capital. Keysonic is beneficially owned by the Tsang Family Trust, a discretionary trust established by Dr. Tsang Hin Chi, the discretionary objects of which are members of his family including Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky, both are executive Directors. As a result, Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction.

The sole asset of JCL is its interests in certain office spaces on Levels 8 to 18 (inclusive) at Goldlion Digital Network Centre in Guangzhou with a total gross floor area of approximately 18,917 square meters and certain car parking spaces on Basement Levels 1 to 3 (inclusive) plus a mezzanine level in that building (the “Property”).

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

The acquired business contributed revenues of HK\$4,528,000 and net profit of HK\$5,001,000 to the Group for the period from the date of acquisition to 30th June 2007. If the acquisition had occurred on 1st January 2007, the contribution to the consolidated revenue and consolidated profit for the half-year ended 30th June 2007 would be HK\$13,935,000 and HK\$21,359,000 respectively.

As at the date of this interim financial information, based on best information available and belief, management has estimated that the fair value of the net identifiable assets acquired is HK\$255,445,000. The resulting difference of HK\$595,000 from the purchase consideration valued at HK\$254,850,000 has been recognized in the profit and loss account.

The provisional assets and liabilities arising from the acquisition are as follows:

	<b>Acquiree's carrying amount</b>	<b>Estimated fair value</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Cash and cash equivalents	10,391	10,391
Plant and equipment	1,613	1,613
Investment property	110,874	324,500
Receivables	16,160	16,160
Payables	(8,393)	(8,393)
Net deferred tax liabilities	—	(88,826)
	<hr/>	<hr/>
Net identifiable assets acquired	<u>130,645</u>	<u>255,445</u>
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		177,000
– cash and cash equivalents in subsidiary acquired		(10,391)
		<hr/>
Cash outflow on acquisition		<u>166,609</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***14. Commitments**

- (a) Commitments for property under development

	<b>As at 30th June 2007</b>	<b>As at 31st December 2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property under development held for sale		
Contracted but not provided for	<u>54,948</u>	<u>81,255</u>

- (b) At 30th June 2007, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	<b>As at 30th June 2007</b>	<b>As at 31st December 2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental receivables		
– not later than one year	78,406	58,083
– later than one year and not later than five years	83,422	75,803
– later than five years	<u>13,485</u>	<u>16,214</u>
	<u>175,313</u>	<u>150,100</u>
Rental payables		
– not later than one year	10,493	9,650
– later than one year and not later than five years	<u>9,110</u>	<u>6,884</u>
	<u>19,603</u>	<u>16,534</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)

### 15. Related party transactions

The Company is controlled by the Tsang Family (comprising Dr. Tsang Hin Chi, Madam Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and the other direct descendants of Dr. Tsang Hin Chi and Madam Wong Lei Kuan) which, together with 5.49% of the Company's issued shares held by Tsang Hin Chi Charities (Management) Limited, collectively controlled approximately 68.17% of the Company's issued shares. The remaining 31.83% are widely held.

The following significant transactions were carried out with related parties:

	Note	Six months ended	
		30th June 2007	30th June 2006
		HK\$ '000	HK\$ '000
(a) Sales of services			
Rental received from related companies	(i)&(ii)	1,410	1,257
Building management fees received from a related company	(iii)	414	—
(b) Purchase of services and business			
Professional fees paid to a related company	(iv)	350	340
Rental paid to a related company	(v)	340	484
Acquisition of business from a related company (Note 13)		254,850	—

Notes:

- (i) Rental was received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") for lease of a business center and facilities therein located at Goldlion Digital Network Centre. Rental of HK\$1,262,000 (six months ended 30th June 2006: HK\$1,133,000) was determined under normal commercial terms. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of China World Trade Corporation ("CWTC"), the holding company of GWTCCL. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION***(Continued)***15. Related party transactions (Continued)***Notes: (Continued)*

- (ii) Rental was received from General Business Network (Holdings) Limited (“GBNL”) for lease of a unit located at Goldlion Holdings Centre in Hong Kong. Rental of HK\$148,000 (six months ended 30th June 2006: HK\$124,000) was determined under normal commercial terms. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming.
- (iii) Building management fees were received under normal commercial terms from GWTCCL for the provision of building management services for a business center at Goldlion Digital Network Centre. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of CWTC, the holding company of GWTCCL. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.
- (iv) 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.
- (v) Rental was paid to Guangzhou Goldlion City Properties Company Limited (“GGCPL”) for lease of office area in Goldlion Digital Network Centre. Rental charges were determined under normal commercial terms. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interest in Guangzhou Goldlion City Properties Company Limited. Goldlion (Guangdong) Limited, a wholly owned subsidiary of the Company, acquired GGCPL on 30th April 2007.
- (c) Period-end balances arising from purchases of services

	<b>As at 30th June 2007</b>	<b>As at 30th June 2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Payable to a related party: Equitas Capital Limited	350	340

## MANAGEMENT DISCUSSION AND ANALYSIS

### *OPERATING RESULTS*

The Group continued to perform well in the six months ended 30th June 2007, with turnover as well as overall profits registering satisfactory growth. Turnover for the period totaled HK\$492,413,000, or 36% 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 during the period was HK\$168,835,000, rising substantially by 101% from last year's HK\$83,975,000.

According to an independent professional valuation of the Group's investment properties conducted as at 30th June 2007, fair value gains on investment properties were recorded at HK\$39,296,000 which also resulted in deferred taxation charges of approximately HK\$9,658,000 (calculated by prevailing applicable tax rates). Fair value gains and related deferred taxation charges for the same period last year were HK\$33,681,000 and HK\$5,780,000 respectively.

Besides, the Group also recorded a deferred tax credit of approximately HK\$51,818,000 during the period. Pursuant to the new Corporate Income Tax Law of the People's Republic of China, the new enterprise income tax rates for domestic enterprises and foreign invested enterprises are unified at 25% with effect from 1st January 2008. Accordingly, the Group made an adjustment to its deferred income tax assets and liabilities of certain PRC subsidiaries that are expected to be settled after 1st January 2008 using the applicable tax rate of 25%, which resulted in a reduction of net deferred tax liabilities of HK\$51,818,000 during the period under review.

Excluding the fair value gains on investment properties, its related deferred taxation charges, and effects of the change of PRC tax rate on the Group's deferred tax position, profit attributable to equity holders was HK\$87,379,000, or an increase of about 56% over the corresponding amount of HK\$56,074,000 last year.

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## MANAGEMENT DISCUSSION AND ANALYSIS

### *BUSINESS REVIEW*

#### *Apparel Business*

##### China Mainland Market

With overall apparel sales rising steeply by 38%, there is much cause for celebration regarding the Group's performance in the China Mainland market during the period under review. The increase was induced by the upgraded designs of the Group's products as much as the appreciation of the Renminbi ("RMB").

During the period, we have continued to gear our efforts towards attaining the status of a designer label. By taking on board more designers, we have been able to introduce more fashionable designs into our increasingly serialized new launches. Our much welcomed 2007 spring and summer collections, for instance, have set themselves conspicuously apart from any of the previous ones in terms of both stylishness and fabric.

Parallel with this is the further consolidation of our sales network on the Mainland, which is at present supported by as many as 900 distribution outlets. Sales have been boosted thanks to improved decoration and display as well as expanded coverage of the distribution network.

Consumer demand for the Group's products has further been fueled by the wealth effect springing from the vibrant economy, especially the bullish capital market, on the Mainland.

To achieve even better results in our sales, communication with our distributors was strengthened in line with our on-going practice through more frequent briefings so as to keep them promptly informed of the latest developments in the Group's business strategies and production directions for adjustment in their marketing approaches.

##### Singapore and Malaysia Markets

The Singapore market has continued to perform much to our satisfaction during the period under review. Boosters for the retail market were found in the thriving local economy and low unemployment rate. Naturally, the strong Singapore Dollar has also contributed to the increase in our overall sales by about 27%.

The focus of attention during the period was on upgrading the overall quality of our products in a bid to meeting more fully our customers' expectations for design, fabric and style. Local sales also benefited from our initiative to attract a more defined clientele by opening shops specializing in apparel and accessories respectively.

At the end of June 2007, the Group directly operated 27 Goldlion outlets in Singapore, or up by two from end of last year. Sales for all major comparable outlets have invariably risen during the period.

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

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

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

##### China Mainland Market *(Continued)*

Business for “Camel Active” has been steadily climbing over the same period along with improvement in quality. The six outlets operating locally combined to reap an increase of 43% in sales over the same period last year, accounting for approximately 6% of the overall local turnover.

The outlets in Malaysia, the number of which remained to be 26, were performing satisfactorily. Sales grew by about 11% at local currency when compared with that of last year.

##### Hong Kong Market

Despite the spiraling operating costs, the Group’s local apparel business continued to be operated steadily. The period saw the opening in April of a new accessories shop with a refreshing look. With the number of direct outlets dropping to four, sales fell by about 20% accordingly.

As for projecting an appealing image for our brand, our concept store “TSR” in Lan Kwai Fong, Central, has continued to play an effective and essential role.

##### Licensing Income

The Group received licensing income of HK\$18,232,000, or an increase of about 13% during the period. The increase was largely due to the incremental increases in licensing income stipulated in the existing license agreements and the appreciation of the RMB. At present, the licenses granted range from leather goods, shoes, jewellery products, undergarments to woolen sweaters within the China Mainland market.

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

Thanks to the rising RMB and the overall stability of the property market, the Group's investment in properties has continued to produce encouraging results. Fair value gains on investment properties for the period after independent professional valuation are HK\$39,296,000 as compared with HK\$33,681,000 for the same period last year.

Overall performance for leasing was equally satisfactory, with rental income reaching HK\$37,458,000, or 27% over and above that for the corresponding period last year.

The main source of rental income remained to be the Goldlion Digital Network Centre in Tianhe, Guangzhou. The acquisition of Joint Corporation Limited at an aggregate consideration of HK\$177,000,000 and 45,000,000 ordinary shares of the Company was completed by the end of April 2007. Together with the interests already held, the Group now owns approximately 96.3% of the total office area and 100% of car parking spaces of the building. As a result, rental income from the building rose by approximately 29%, or about 7% if excluding the effect of the newly acquired premises, over the same period last year. Besides, the Group has provided quality building management services to tenants of the building through its property management subsidiary since end of last year. The said property management subsidiary recorded a building management income of HK\$7,789,000 and was able to achieve breakeven during the period under review.

Almost fully occupied, the Goldlion Commercial Building held by the Group in Shenyang enjoyed stability in its overall leasing position. Given the similarity of tenancies to those of last year, rental income grew by about 6%.

Reflecting the congenial climate in the rental market, the rise in both leasing rate and rental levels have pushed overall rental income from the Group's properties in Hong Kong up by approximately 24% during the period under review.

The development project in Meizhou, Guangdong, progressed as planned during the period, with total development costs amounting to HK\$55,617,000 as at end of June 2007.

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

### **PROSPECTS**

The Group is optimistic about its business outlook for the latter half of the year. Regarding the Mainland apparel business, focus will continue to be placed on overall quality enhancement. Aided by effective marketing, it is expected that the Group's leading position can be secured even further.

As for the Singapore market, our objectives will be to extend our coverage of the market and to maintain a reasonable level of profits to counter the increasingly swelling local operating costs. There are also plans to upgrade the local computer system by the end of the year for higher efficiency in our operations.

Turning to property investment, the Group's rental income is expected to climb further following the acquisition of remaining interests in the Goldlion Digital Network Centre in Guangzhou. In tandem with this, the Group will continue to improve the quality and rental value of our other investment properties in the hope of gaining even better returns.

Judging from the satisfactory progress of the property development project in Meizhou, it is expected that the pre-sale will take place in the fourth quarter of 2007 and the construction will be completed by end of 2007 as scheduled while income from the project will be recognized in 2008.

### **FINANCIAL POSITION**

As at 30th June 2007, the Group had cash and bank balances of approximately HK\$387,107,000, which was HK\$131,869,000 lower than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK\$119,457,000 and gains from foreign exchange rate changes of HK\$14,545,000. However, the Group also paid dividends of HK\$64,820,000, acquired Joint Corporation Limited with a cash consideration of HK\$177,000,000 and paid for the Meizhou property development project of approximately HK\$32,249,000. As at 30th June 2007, the Group did not have any bank loans or overdrafts.

As at 30th June 2007, the Group's current assets and liabilities were HK\$587,116,000 and HK\$256,534,000 respectively, with current ratio at 2.3. Total current liabilities were only 15% of the average capital and reserves attributable to the Company's equity holders of HK\$1,762,175,000.

As at 30th June 2007, the Group did not have any material contingent liabilities and did not charge any of the Group's assets. As at 30th June 2007, the Group had commitments of HK\$54,948,000 being the remaining construction contract sum of the Meizhou property development project contracted but not provided for.

### **HUMAN RESOURCES**

At 30th June 2007, the Group had approximately 1,500 employees. Employees' costs during the first six months of the year including directors emoluments amounted to HK\$79,582,000. 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 4.0 HK cents per share (2006: 3.3 HK cents per share) for the year ending 31st December 2007, totalling HK\$39,285,000 (2006: HK\$30,925,000), which is expected to be payable on or about 17th October 2007 to shareholders whose names appear on the Register of Members as at 5th October 2007.

***CLOSURE OF REGISTER OF MEMBER***

For the purpose of determining shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed from 4th October 2007 to 5th October 2007 (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 4:30 p.m. on Wednesday, 3rd October 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, 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 approved the adoption of a new share option scheme (the "New Option Scheme"). The New Option Scheme is designed to enable the Group to reward and motivate executives and key employees in service of the Group and other persons who may make a contribution to the Group.

During the six months ended 30th June 2007, no options had been granted or remained outstanding under the New Option Scheme or any other share option scheme of the Company.



**OTHER INFORMATION** *(Continued)***DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As 30th June 2007, 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 required 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 2007

		Number of shares held			Total	Percentage to total issued share capital
		Personal interests	Family interests <i>(Note 1)</i>	Other interests <i>(Note 2)</i>		
Directors						
Tsang Hin Chi	Long positions	–	1,210,000	613,034,750	614,244,750	62.54%
	Short positions	–	–	–	–	–
Tsang Chi Ming, Ricky	Long positions	1,404,000	–	613,034,750	614,438,750	62.56%
	Short positions	–	–	–	–	–
Wong Lei Kuan	Long positions	1,210,000	–	613,034,750	614,244,750	62.54%
	Short positions	–	–	–	–	–
Ng Ming Wah, Charles	Long positions	410,000	–	–	410,000	0.04%
	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' interests and short positions in the shares, underlying shares of the Company" below.

**OTHER INFORMATION** (Continued)**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION** (Continued)

Save as disclosed above, as at 30th June 2007, none of the Directors and Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the six months ended 30th June 2007 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Other than those interests and short positions disclosed above, the Directors and Chief Executives also hold shares of certain subsidiaries in trust for the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY**

As at 30th June 2007, the register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 30th June 2007 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 (Note)	Ordinary Shares of HK\$0.10 each	Long positions	613,034,750	62.42%
		Short positions	–	–
Silver Disk Limited (Note)	Ordinary Shares of HK\$0.10 each	Long positions	160,616,000	16.35%
		Short positions	–	–
Tsang Hin Chi Charities (Management) Limited	Ordinary Shares of HK\$0.10 each	Long positions	53,880,750	5.49%
		Short positions	–	–

*Note:*

HSBC International Trustee Limited holds 339,530,000 shares and 273,504,750 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 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 2007 except that all of the non-executive Directors of the Company have not been appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. During the six months ended 30th June 2007, 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 FINANCIAL INFORMATION**

The Audit Committee has reviewed the Group’s unaudited interim financial information for the six months ended 30th June 2007. At the request of the Board of Directors, the Company’s external auditors have carried out a review of these unaudited interim financial information in accordance with the Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

### **BOARD OF DIRECTORS**

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

On behalf of the Board

**Dr. Tsang Hin Chi**

*Chairman*

Hong Kong, 18th September 2007