金利來

GOLDLION HOLDINGS LIMITED

金 利 來 集 團 有 限 公 司

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

(Stock code: 533)

ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2008

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 2008 together with the comparative figures for the previous year as follows:

Consolidated Income Statement
For the year ended 31st December 2008

	Note	**2008** HK$'000	**2007** HK$'000
Turnover	2	1,429,576	1,073,369
Cost of sales	4	(600,615)	(429,459)
Gross profit		828,961	643,910
Other gains, net	3	44,372	105,755
Selling and marketing costs	4	(242,101)	(212,629)
Administrative expenses	4	(211,944)	(189,650)
Operating profit		419,288	347,386
Interest income		10,993	11,716
Profit before income tax		430,281	359,102
Income tax expense	5	(138,039)	(33,380)
Profit for the year		292,242	325,722
Attributable to:			
Equity holders of the Company		291,453	324,987
Minority interest		789	735
		292,242	325,722
Dividends	6	176,118	117,854
		HK cents	*HK cents*
Earnings per share for profit attributable to the equity holders of the Company during the year	7		
- basic		29.73	33.59
- diluted		29.68	33.59

Consolidated Balance Sheet
As at 31st December 2008

	Note	31.12.2008 HK$'000	31.12.2007 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		111,459	115,486
Property, plant and equipment		178,494	154,887
Investment properties		1,635,675	1,468,250
Deferred income tax assets		34,610	37,296
Deposit for acquisition of property, plant and equipment		-	3,982
		1,960,238	1,779,901
Current assets			
Completed property held for sale		71,020	-
Property under development held for sale		-	113,060
Inventories		205,843	130,151
Trade receivables	8	47,535	36,751
Prepayments, deposits and other receivables		32,500	33,035
Cash and cash equivalents		523,159	461,511
		880,057	774,508
Total assets		**2,840,295**	**2,554,409**
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		98,211	98,211
Reserves		2,032,856	1,813,966
Proposed final dividend		117,412	78,569
		2,248,479	1,990,746
Minority interest		1,311	1,311
Total equity		2,249,790	1,992,057
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		223,874	180,632
Other payable		5,310	4,142
		229,184	184,774
Current liabilities			
Trade payables	9	56,023	48,679
Other payables and accruals		276,277	289,684
Taxation payables		29,021	39,215
		361,321	377,578
Total liabilities		590,505	562,352
Total equity and liabilities		**2,840,295**	**2,554,409**
Net current assets		518,736	396,930
Total assets less current liabilities		2,478,974	2,176,831

Notes:

1. Principal accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies..

The following amendments and interpretations are mandatory for the financial year beginning on 1st January 2008. They are not relevant to the Group.

HKAS 39 and HKFRS 7 (Amendments), 'Reclassification of financial assets'
HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions'
HK(IFRIC) – Int 12, 'Service concession arrangements'
HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

The Group has early adopted the following new interpretation which has been issued but is not effective for the financial year beginning 1st January 2008:

HK(IFRIC) – Int 13, 'Customer loyalty programmes'

The following new standards, amendments or interpretations have been issued but are not effective for the financial year beginning 1st January 2008 and have not been early adopted:

HKAS 1 (Revised), 'Presentation of financial statements'
HKAS 23 (Revised), 'Borrowing costs'
HKAS 27 (Revised), 'Consolidated and separate financial statements'
HKAS 32 and HKAS 1 (Amendments), 'Puttable financial instruments and obligations arising on liquidation'
HKAS 39 (Amendment),' Eligible hedged items'
HKFRS 1 (Amendment), 'First-time adoption of HKFRS'
HKFRS 2 (Amendment), 'Share-based payment – vesting conditions and cancellations'
HKFRS 3 (Revised), 'Business combinations'
HKFRS 8, 'Operating segments'
HK(IFRIC) – Int 15, 'Agreements for construction of real estates'
HK(IFRIC) – Int 16, 'Hedges of a net investment in a foreign operation'
HK(IFRIC) – Int 17, 'Distributions of non-cash assets to owners'
HK(IFRIC) – Int 18, 'Transfers of assets from customers'

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 property investments and development. Turnover recognized during the year were as follows:

	2008 HK$'000	**2007** HK$'000
Sales of goods	1,099,821	918,924
Gross rental income from investment properties	109,240	88,756
Sales of properties	143,673	-
Building management fee	29,347	27,107
Licensing income	47,495	38,582
	1,429,576	1,073,369

(a) Primary reporting format – business segments

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

	2008 Segment turnover HK$'000	**2007 Segment turnover** HK$'000	**2008 Segment results** HK$'000	**2007 Segment results** HK$'000
Business segments				
Apparel	1,147,316	957,507	288,103	235,161
Property investment and development	289,456	121,533	188,085	152,990
Inter-segment sales	(7,196)	(5,671)	-	-
	1,429,576	1,073,369	476,188	388,151
Unallocated costs			(45,907)	(29,049)
Profit before income tax			430,281	359,102
Income tax expense			(138,039)	(33,380)
Profit for the year			292,242	325,722

2. **Turnover and segment information (Continued)**

(b) Secondary reporting format – geographical segments

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

	2008 Segment turnover HK$'000	**2007 Segment turnover** HK$'000	**2008 Segment results** HK$'000	**2007 Segment results** HK$'000
Geographical segments				
China Mainland	1,241,464	890,507	447,535	352,648
Hong Kong SAR	48,795	46,524	17,207	22,448
Singapore and Malaysia	138,630	134,016	15,946	15,965
Other countries	687	2,322	(4,500)	(2,910)
	1,429,576	1,073,369	476,188	388,151
Unallocated costs			(45,907)	(29,049)
Profit before income tax			430,281	359,102
Income tax expense			(138,039)	(33,380)
Profit for the year			292,242	325,722

3. **Other gains, net**

	2008 HK$'000	**2007** HK$'000
Fair value gains on investment properties	44,372	95,006
Gain on disposal of properties	-	3,281
Tax refund for reinvestment	-	7,468
	44,372	105,755

4. Expenses by nature

	2008 HK$'000	2007 HK$'000
Cost of inventories sold	496,672	411,503
Cost of property sold	77,633	-
Direct operating expenses arising from investment properties	23,429	17,956
Operating lease rentals - land and buildings	58,842	20,594
Amortization of leasehold land and land use rights	3,851	3,729
Depreciation of property, plant and equipment	20,653	14,510
Impairment loss on property, plant and equipment	229	404
Staff costs including directors' emoluments	186,868	169,545
Auditors' remuneration	3,035	2,758
Other expenses	183,448	190,739
	1,054,660	831,738
Representing:		
Cost of sales	600,615	429,459
Selling and marketing costs	242,101	212,629
Administrative expenses	211,944	189,650
	1,054,660	831,738

5. Income tax expense

	2008 HK$'000	2007 HK$'000
Taxation outside Hong Kong		
Current year	102,124	78,424
(Over)/under provision in prior years	(25)	18
	102,099	78,442
Deferred income tax	35,940	(45,062)
Total income tax expense	138,039	33,380

No Hong Kong profits tax has been provided as there is no estimated assessable profits or there are available tax losses to offset assessable profits 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.

6. Dividends

	2008 HK$'000	2007 HK$'000
2007 interim dividend, paid, of 4.0 HK cents per ordinary share	-	39,285
2007 final dividend, paid, of 8.0 HK cents per ordinary share	-	78,569
2008 interim dividend, paid, of 6.0 HK cents per ordinary share	58,706	-
2008 final dividend, proposed of 12.0 HK cents per ordinary share	117,412	-
	176,118	117,854

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$291,453,000 (2007: HK$324,987,000) and the weighted average number of 980,424,855 (2007: 967,442,802) shares in issue during the year.

The calculation of diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of HK$291,453,000 (2007: HK$324,987,000) and the weighted average number of 982,114,035 (2007: 967,442,802) ordinary shares in issue during the year after adjusting for the effect of all potential dilutive ordinary shares deemed to be transferred to the employee at nil consideration under the Share Award Scheme.

8. Trade receivables

The Group grants credit terms to customers ranging from 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 31.12.2008 HK$'000	As at 31.12.2007 HK$'000
1-30 days	38,993	26,304
31-90 days	8,267	9,995
Over 90 days	275	452
	47,535	36,751

9. Trade payables

The ageing analysis of the trade payables was as follows:

	As at 31.12.2008 HK$'000	As at 31.12.2007 HK$'000
1-30 days	46,916	40,239
31-90 days	8,210	6,368
Over 90 days	897	2,072
	56,023	48,679

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 12.0 HK cents per share (2007: 8.0 HK cents per share) for the year ended 31st December 2008, totalling HK$117,412,000 (2007: HK$78,569,000). Subject to the shareholders' approval at the forthcoming Annual General Meeting, the final dividend will be paid on or about 18th June 2009 to shareholders whose names appear on the Register of Members as at 5th June 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The year under review was struck by economic turmoil. Economies worldwide were hit by repercussions radiating from the subprime credit crunch in the USA. Nevertheless, the Group has not been significantly implicated. Turnover for the financial year ended 31st December 2008 was HK$1,429,576,000, representing a year-on-year growth of 33% or 20% when the sales proceeds of HK$143,673,000 from the Meizhou property development project are excluded. All of the Group's major sources of income have registered growth, including sales of goods which increased by 20%.

Profit attributable to shareholders of the Company for the year was HK$291,453,000. This was approximately 10% lower than last year's HK$324,987,000, reflecting decrease in the fair value gains on investment properties, and the inclusion of certain non-recurring items in last year's profit including the effect on change of PRC tax rate and tax refund for reinvestment in the PRC. In terms of underlying business, profit for the year rose by 13%. An analysis of profit for the year is as follows:

	2008 HK$'000	**2007** HK$'000
Profit per financial statements	291,453	324,987
Adjusted for:		
Fair value gains on investment properties net of deferred tax effect	(35,827)	(71,577)
Deferred tax effect on change of PRC tax rate	-	(57,014)
Tax refund for reinvestment in the PRC	-	(7,468)
Gain on disposal of properties	-	(3,281)
Deferred tax effect on unrealized exchange gain	16,378	-
(Profit)/loss after tax from Meizhou property development project	(42,915)	16,636
Profit of the Group from underlying business	229,089	202,283

BUSINESS REVIEW

Apparel Business

China Mainland Market

Apparel business in the China Mainland market performed well during the year, with overall sales rising by 24% over last year, or by 15% when the appreciation of the Renmenbi ("RMB") is excluded.

The Mainland market fluctuated in the wake of first the snow storms, Sichuan earthquakes, mounting inflation, slides in the stock market and receding wealth effect in the first half of the year, and then the severe financial crisis that overshadowed the entire consumer market in the second half. Thanks to appropriate adjustments in our operation strategies, the Group succeeded in achieving satisfactory results nonetheless.

With a view to gearing our products towards the high end through quality improvement, the Group succeeded in enlarging the proportion of middle to high-end products in our product mix. Such increase in high-value products has contributed favorably to not just the Group's sales but also its brand image.

During the year, outlets at prime locations were expanded and renovated in a tasteful style for attracting a bigger clientele under the on-going "Key Shop Plan". Incidentally, the idea of discount stores was pursued vigorously such that clearance of off-season stocks was improved as the number of discount stores increased.

To further centralize the product development process, the workflow of our design teams was again fine-tuned in the year. The designs thus turned out closely follow the latest world trends and our continuous migration towards stylish business wear has proved to be well received by the market.

Special efforts were made during the year to boost the sale of suits. Publicity was stepped up while suits were produced with more original designs and fabrics of better quality for our autumn/winter 2008 collection. As a result, sales of suits in the Mainland market shot up by 42%, testifying acceptance and recognition by consumers at large.

To coincide with the Group's 40th anniversary in 2008, a series of publicity activities were launched, including a celebratory function in Shanghai towards the end of the year. These activities were instrumental in not only boosting the pervasiveness of our brand but also reinforcing links with our clients and business partners.

Singapore and Malaysia Markets

Singapore as an externally oriented economy suffered a sooner and harder blow under the current global economic crisis, and has slumped into a technical recession the end of the year. Despite the gloomy economy and pessimistic consumer sentiment, the Group managed to maintain stability in its local operations, with total turnover climbing by about 4% at local currency.

The satisfactory performance owes itself to the Group's commitment to overall product quality improvement in order to cater to the tastes of the local clientele as well as more effective publicity campaigns.

To ensure instantaneous access to operation information essential for making business decisions, the local information technology systems were upgraded towards the end of last year. In tandem with this, workflow and deployment of human resources were streamlined for better control of operating costs and more desirable management.

There was no drastic change in the number of outlets in the local market during the past year and turnover of key comparable outlets largely approximated that of last year. At the end of the year, there were 8 Goldlion shops and 18 counters in Singapore.

Over in Malaysia, the number of outlets remained to be 36 for the year. Business was stable, with sales decreased slightly by about 2% at local currency over those of last year.

Hong Kong Market
The business environment in Hong Kong continued to be less than satisfactory during the year under review, especially in the second half of the year following the outbreak of the global financial crisis. In response, the Group upheld its prudent business strategy and introduced adjustments as and when necessary in order to have a tight grip on costs and expenses. Since there were more outlets than the previous year, overall turnover for the apparel business grew by 6%. Following the closure of certain outlets upon termination of leases, the Group operated a total of two counters and one shop in Hong Kong at the end of the year.

Lease termination also led to the closure of the "TSR" concept store in Lan Kwai Fong, Central, at the end of August last year.

Licensing Income
The Group's licensing income stood at HK$47,495,000 for the year, representing an increase of approximately 23% over that of last year. There was no change in both our licencees and licensed products during the year with licensees granted mainly for leather goods and shoes within the China Mainland market. Satisfactory growth was registered as licenses signed some years ago were renewed and became effective during the year at higher agreed fees.

Property Investment and Development

Performance of property investment was satisfactory during the year. Notwithstanding the downturn in the overall property market, fair value gains on investment properties after an independent professional valuation amounted to HK$44,372,000, the bulk of which being derived from the investment properties in Shenyang and Meizhou on the Mainland.

Approval was granted during the year after the payment of a consideration for extending the land use rights of the Goldlion Commercial Building in Shenyang from the original outstanding period of around 17 years to 40 years. Along with the extension, rental return soared and valuation rose by approximately HK$15,425,000 accordingly.

Parallel with this, the Group leased out three shop spaces from its holdings of Meizhou properties, turning them from properties held for sale to investment properties. On account of their higher gross profit and rental income when compared with the residential portion of the project, their fair value increased by HK$18,291,000.

As for other investment properties, their value changed little as last year owing to the relative constant rentals.

Income derived from our leasing activities amounted to HK$109,240,000 during the year, or 23% higher than that of last year.

As was previously the case, the Goldlion Digital Network Centre in Tianhe, Guangzhou, provided the Group with the single largest source of rental income and registered a growth of about 23% over the same period last year. This was due partly to the rising RMB and largely to the Group's holding of additional floor area in the building since April last year. Excluding these effects, the rental income was similar to that of last year. At the end of the year, the occupancy rate of the building stood at around 90%.

A stable leasing position was reported for the Goldlion Commercial Building held by the Group in Shenyang, which continued to be entirely leased out. Thanks to the rise in turnover rental, rental income grew by 20% over the same period last year.

Benefitting from the climbing rentals, the Group's rental income from properties in Hong Kong registered a growth of about 18% over that of last year with occupancy over and above 95%.

Construction of the Group's property development project in Meizhou, Guangdong, was completed during the year. Excluding a few units reserved for the Group's own use and about 1,714 square meters of commercial spaces re-designated for lease, the project yields a total of 53,067 square meters of residential units, 9,498 square meters of parking spaces and 13,450 square meters of commercial spaces for sale. Following presale of residential units that had started at the end of last year, a total of about 35,395 square meters of residential units and about 5,181 square meters of parking spaces were sold during the year. Commercial units were also offered for sale in the last quarter of the year. As some of the sold units were not yet delivered at the end of the year, a relative limited sale of about 222 square meters was recorded. Sales for the project in the year totaled HK$143,673,000, representing a net profit after tax of HK$42,915,000 upon deduction of property costs, incidental expenses and taxes.

PROSPECTS

Business environment as a whole is expected to be extremely precarious in 2009. With the financial crisis rippling further outwards, negative impact on economies all around the world will gradually surface in the coming year.

The China Mainland market, implicated by the struggling fringe markets, has witnessed dwindling export, winding down of factories and acute slowdown of the economy. Now that the Central Government has introduced measures to boost domestic demand and consumer spending, the Group will closely monitor the latest developments so as to adjust its operation strategies with a view to improving its brand image and product quality. In view of the drastic changes in the market, the Group will work even more closely with its distributors. Once any new development is detected, we will help them respond by providing them with appropriate support and assistance. At the same time, every effort will be made to clear our stock and to ensure that our business can continue to advance at a steady pace.

Over in the Singapore market, there is little expectation for the retail sector to pick up in the near future. With the same grim outlook facing both the Group and its competitors, the Group will take advantage of its leading position and effective business strategies in an attempt to expand its business and to gain a bigger market share.

Turning to investment properties, considering the fact that tenancy agreements for most of our holdings have already been signed, rental income is expected to remain stable unless there is an unforeseen abrupt recession. To alleviate possible pressure for downward rental adjustment, the Group will continue to improve the quality and leasing potential of its investment properties. The yet unsold units of the Meizhou project will be offered for sale depending on market conditions.

The Group is convinced that the crisis will one day be over although economies worldwide seem to be pessimistic for the time being. Without any loan or financial product on its balance sheet, the Group is in a favourable position to preserve its strength at such times of crises and to progress prudently in preparation for a recovery in the economy.

FINANCIAL POSITION

As at 31st December 2008, cash and bank balances held by the Group was approximately HK$523,159,000, which was HK$61,648,000 higher than the balance at the end of last year. During the year, the Group recorded a net cash generated from operating activities of HK$277,442,000 and interest income of HK$10,993,000. However, the Group also paid dividends of HK$137,275,000 and acquired fixed assets approximately HK$67,376,000 during the year. As at 31st December 2008, the Group did not have any bank loans or overdrafts.

As at 31st December 2008, the Group's current assets and liabilities were HK$880,057,000 and HK$361,321,000 respectively, with current ratio at 2.4. Total current liabilities were only 17% of the average capital and reserves attributable to the Company’s equity holders of HK$2,119,613,000.

As at 31st December 2008, 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 31st December 2008, the Group had approximately 1,860 employees. Staff costs including directors’ emoluments of the year amounted to HK$186,868,000. 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 3rd June 2009 to 5th June 2009 (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 Tuesday, 2nd June 2009 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, except that the trustee of the Share Award Scheme had, pursuant to the rules of the Share Award Scheme, purchased from the market a total of 3,680,000 shares being the shares to be awarded under the Share Award Scheme. The Group paid an aggregate amount of approximately $6,017,000 for the acquisition of these 3,680,000 shares.

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), Dr. 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 STATEMENTS

The Group’s consolidated financial statements for the year ended 31st December 2008 have been reviewed by the Company’s Audit Committee. Also, the figures in respect of this preliminary results announcement have been agreed by the Company’s external auditors, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31st December 2008. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

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

This announcement is published on the website of the Company (www.goldlion.com) and the Stock Exchange (www.hkexnews.hk). The Company's 2008 annual report, containing all the information required by Appendix 16 of the Listing Rules, will be dispatched to shareholders and made available on the above websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Directors of the Company comprise Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan as executive Directors; Mr. Ng Ming Wah, Charles as a non-executive Director; and Dr. Lau Yue Sun, Dr. 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, 7th April 2009