

Annual Report 2003



STYLE  
FOR MEN



Goldlion Holdings Limited

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## CORPORATE INFORMATION

### DIRECTORS

*Chairman:*

Dr. the Hon. Tsang Hin Chi G.B.M.

*Deputy Chairman:*

Mr. Tsang Chi Ming, Ricky

*Executive Director:*

Mdm. Wong Lei Kuan

*Non-executive Director:*

Mr. Ng Ming Wah, Charles\*

*Independent Non-executive Directors:*

Dr. the Hon. Wong Yu Hong, Philip G.B.S.\*

Mr. Lau Yue Sun\*

\* *Members of Audit Committee*

### COMPANY SECRETARY

Mr. Kam Yiu Kwok

### SOLICITORS

Woo, Kwan, Lee & Lo

F. Zimmern & Co.

### AUDITORS

PricewaterhouseCoopers

### PRINCIPAL BANKERS

Bank of China

Standard Chartered Bank

The Hongkong and Shanghai Banking

Corporation Limited

Asia Commercial Bank Limited

### REGISTRARS

Computershare Hong Kong Investor

Services Limited

Room 1901-5, 19th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

### REGISTERED OFFICE

7th Floor

Goldlion Holdings Centre

13-15 Yuen Shun Circuit

Siu Lek Yuen

Shatin

New Territories

Hong Kong

Telephone: 852-26860666

Fax: 852-26453899

Website: [www.goldlion.com](http://www.goldlion.com)

E-mail Address: [comsec@goldlion.com](mailto:comsec@goldlion.com)

### FINANCIAL POSITION

As at 31st December 2003, the Group's total shareholders' funds were HK\$1,464,912,000 including the net amount of various reserves of HK\$1,371,201,000.

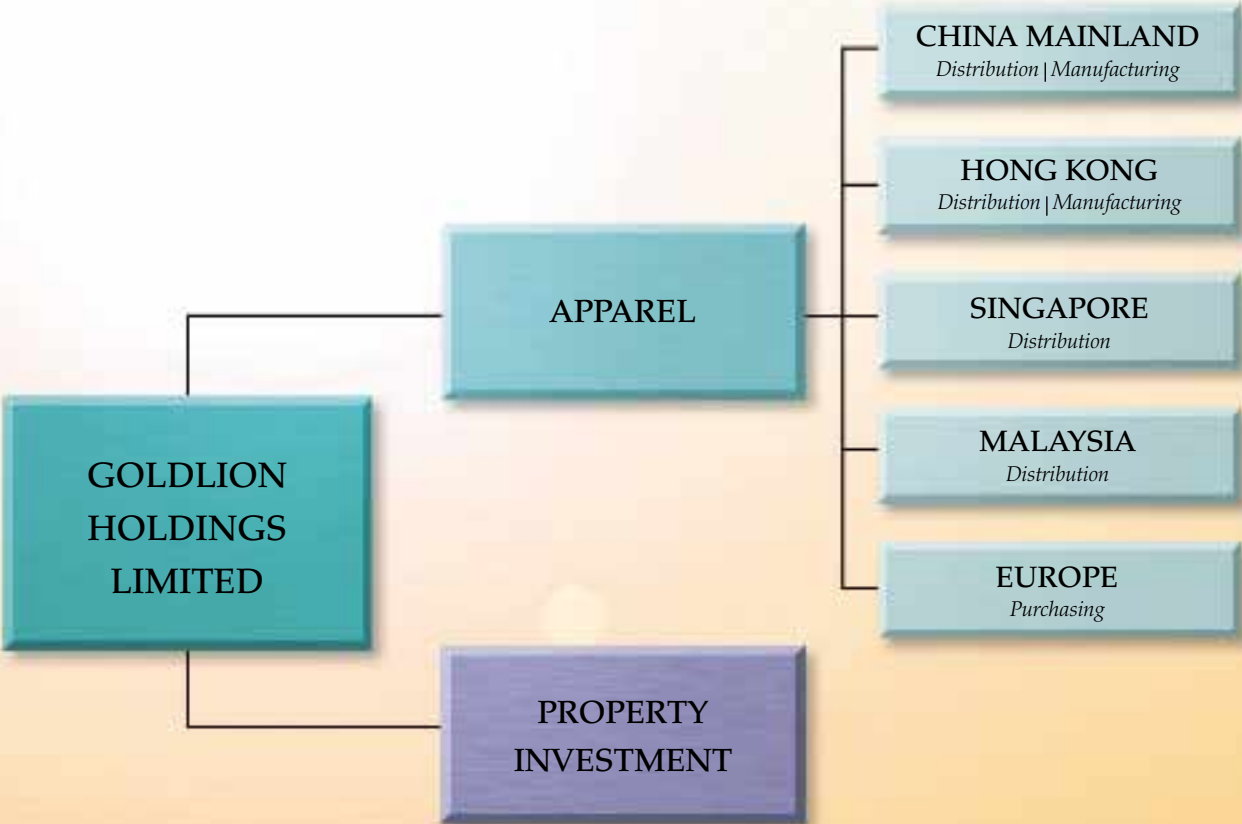
The financial position of the Group remains strong. At 31st December 2003, cash and bank balances were approximately HK\$340,141,000, which was approximately HK\$79,890,000 more than the balance at the end of last year. The increase was mainly derived from the Group's net cash inflow from operating activities during the year.

The Group has sufficient cash on hand and stable cash inflow from operating activities. In additions, the Group had no bank loan or overdraft during the year. All these elements provide the Group with adequate financial resources for further development.

As at 31st December 2003, the Group's current assets and liabilities were HK\$479,611,000 and HK\$128,801,000 respectively, with current ratio at 3.7. Total current liabilities were only 9% of the average shareholders' funds of HK\$1,469,123,000.

With extensive business presence in China mainland and Singapore, the Group is exposed to risks of exchange rate fluctuations in these regions. During the year, the exchange rates of the currencies in these regions were relatively stable and most of the Group's purchases were made directly from domestic suppliers and settled in local currencies. As such, the related foreign exchange risk was reduced. The Group did not carry out any hedging activities against any foreign exchange risk during the year.

As at 31st December 2003, the Group did not have any material contingent liabilities or capital commitments and did not charge any of the Group's assets.



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2004 Annual General Meeting of the shareholders of Goldlion Holdings Limited (the "Company") will be held at the Main Conference Room, 7th Floor, Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong on Friday, 14th May 2004 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited accounts and reports of the Directors and of the Auditors of the Company for the year ended 31st December 2003.
2. To declare a final dividend in respect of the year ended 31st December 2003.
3. To re-elect Directors and to authorise the Board of Directors to fix their remuneration.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.
5. To transact any other ordinary business.

By order of the Board

**Kam Yiu Kwok**

*Company Secretary*

Hong Kong, 1st April 2004

*Registered office:*

7th Floor  
Goldlion Holdings Centre  
13-15 Yuen Shun Circuit  
Siu Lek Yuen  
Shatin  
New Territories  
Hong Kong

*Notes:*

1. Every member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member of the Company.
2. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the registered office of the Company not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting (as the case may be).



Dr. the Hon. Tsang Hin Chi, G.B.M.,  
Chairman of the Group

### GROUP RESULTS

The Group's total turnover for the year ended 31st December 2003 amounted to HK\$511,258,000, which was 2% lower than the turnover recorded in 2002 of HK\$522,981,000. During the year, gross rental income from investment properties and licensing income recorded a growth of 21% and 41% respectively whilst income from sales of goods decreased slightly from last year. The decrease in income from sales of goods was mainly attributed to the outbreak of SARS epidemic in a number of regions in which the Group operates during the year.

The Group's profit attributable to shareholders for the financial year ended 31st December 2003 was HK\$45,150,000, compared with a restated loss attributable to shareholders for last year of HK\$12,174,000. The Group achieved its turnaround in the year, mainly owing to a satisfactory operational performance and the effective control of major operating expenses during the year.

The Group made a profit before taxation of HK\$63,685,000 for the year, compared with profit before taxation for last year of HK\$14,156,000. During the year, the Group has adopted the Statement of Standard Accounting Practice 12 (revised) "Income taxes" issued by the Hong Kong Society of Accountants. As a result, deferred taxation of HK\$14,265,000 was charged to the Group's profit and loss account of the year. The Group's profit and loss account for last year has also been restated as a result of a charge of deferred taxation amounting to HK\$22,612,000.

### FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 3.0 HK cents per share (2002: 2.0 HK cents per share) for the year ended 31st December 2003, totalling HK\$28,113,000 (2002: HK\$18,742,000). Subject to the shareholders' approval at the forthcoming Annual General Meeting, the final dividend will be payable on 28th May 2004 to shareholders whose names appear on the Register of Members as at 14th May 2004.

## BUSINESS REVIEW

### Apparel Business

#### *China Mainland Market*

Sales of the apparel products for the year decreased by 5%. The decrease resulted from the adverse effect of the SARS epidemic on the Group's apparel operation in China mainland during the second quarter of the year. However, the Group was able to consolidate its development by coordinating and controlling its various business operations during the year. These efforts have laid down a valuable foundation for the Group's continuing development.

During the year, the Group's subsidiaries in the People's Republic of China ("PRC") have adjusted the general retail prices of its products upward whilst at the same time slightly reduced the trade discounts to the distributors. By leaving more room to our distributors to control their selling prices and stock levels, the Group manages to raise their confidence in the business and hence to stimulate their purchases from the Group.

The trade exhibitions organized by our PRC subsidiaries during the year have categorized the products more distinctively with the intention to highlight their different unique characters. For example, a trade exhibition for tie was held for those distributors who were sourcing specialized tie items.





The Group improves its production management system by implementing certain cost control measures. As a result, the quality and style of the products have been upgraded whilst the production costs were maintained without significant increase. Besides, the Group manages to control the production cycle and stock level effectively so that the total stock balance at end of the year has decreased from last year. Furthermore, the logistic system of our PRC subsidiaries has been further improved during the year.

In marketing and promotion aspects, our PRC subsidiaries have implemented the "Mega Shop Plan" concept. The areas of those sales outlets with prime location and good sales record have been expanded. Decoration has been tailor-made to pinpoint our style and brand image. Initial responses from our distributors and customers have been encouraging.

To celebrate the Group's thirty-fifth anniversary, we hosted an evening special entertainment programme named "The Night of Goldlion" at the prestigious People's Great Hall in Beijing at the end of the year. The programme was broadcast through China Central Television (CCTV) to all provinces and cities in China. All representatives of our distributors were invited to attend the event and as a result our client relationship has further been strengthened.

During the year, the Group also implemented a special bonus scheme to reward those staff who have contributed to the Group's strategic decisions and development.



*Trendy products of Goldlion  
from our licensees*



*Singapore and Malaysia Markets*

In Singapore, despite the continued weakness in the economy during the year, the Group's domestic business still recorded a remarkable result. Turnover had a growth of 17% from that of last year. The market penetration of our products has further extended. Currently Goldlion products have occupied the most prominent selling location of the same category of products in most department stores. This reflected that Goldlion products were widely accepted by the local customers and our market leader position has been further secured.

As a result of the closure of certain retail outlets with unsatisfactory performance, turnover for the year in Malaysia recorded a 3% decline from last year. However, the subsidiary recorded an improved operating profit from last year by controlling its operating costs more tightly.

*Hong Kong Market*

Performance of our local apparel operation fluctuated dramatically in line with the general market condition during the year. The overall performance in the first half of the year was adversely affected by SARS and did not meet our expectation. Sales in the second half of the year rebounded strongly beyond our expectation owing to the recovery of domestic market and the favourable effects of the "Individual Visit Scheme" for China's tourists.

For the first half of the year, sales of apparel products in Hong Kong fell 29% from the same period last year. However, such trend reversed afterwards and turnover for the year was only 8% lower than that of last year. Currently the Group has six counters and one shop in Hong Kong.

Besides, the Group's distribution network of wholesale and consignment goods in major department stores in Hong Kong has been further developed during the year. Sales through these channels increased significantly from last year and become another major distribution channel of the Group apart from retail sales.

*Licensing income*

Licensing income for the year increased by 41% and becomes a major and stable source of income to the Group. Incomes from the Group's licensees of leather goods and leather shoes in China increased during the year in accordance with the respective license agreements.

During the year, the Group has also appointed respective licensees for jewellery products and undergarments for the China market in the year. Related licensing incomes have been received starting from the second half of the year.

To secure our overall brand image, the Group has set up a designated department to support each of the licensees and to review the operation of their licensee's businesses on a regular basis.

**Property Investment**

Gross rental income of the Group for the year recorded a growth of 21% from last year. Although the markets were temporarily affected by SARS, the property market condition in China mainland and Hong Kong progressively improved as a whole during the year. Leasing market in Hong Kong in particular has become active since the last quarter of the year.

Rental income from "Goldlion Digital Network Centre" in Tianhe, Guangzhou increased further during the year. The occupancy rate of the building was maintaining at nearly 100% with rental standing at a top level in the domestic market. During the year, the Group has carried out numerous properties improvement projects to maintain the prestigious status of the building.



*Trendy products of Goldlion  
from our licensees*

In Shenyang, the Group repackaged its "Goldlion Commercial Building" and adjusted the leasing strategy in May. Certain unsatisfactory tenants were replaced by some well-known tenants since then. Currently the building is almost fully occupied and the return is at a satisfactory level.

The leasing of the Group's properties in Hong Kong was temporarily affected by SARS in the second quarter of the year but the market condition quickly recovered since then. The whole building of No. 3 Yuk Yat Street, Tokwawan has been let out to a prominent client by the end of the year. The rental to be received is rewarding, whilst the related investment properties outgoings are mainly borne by the tenant. The management expected that the local property investment business would benefit from the recent recovery of local property market.

## PROSPECTS

The Group will continue to drive towards the goal in securing its growth and development. Anticipating the intensive competition in the apparel market of China, the Group will devote more effort to enrich its brand and to expand the existing distribution network. The Group will also offer value-added products and control operating costs effectively in order to maximize its profit.

The management also anticipates that the domestic retailing industry will continue its uprising trend. The Group will exploit the local market aggressively in response to the market recovery. This includes the plan to increase the number of local retail outlets and improve the style and image of the outlets.

The performance in Singapore during the year is better than expected. It also meets the Group's target of enlarging the market share. In 2004, the Group will primarily consolidate its established operation and aim at maximizing sales and profitability at the same time.

Besides, the Group will continue to grant licenses for other non-apparel products providing that the terms are favourable. It is anticipated that licensing income will remain a stable source of income to the Group. The relevant licensed products will also enhance the brand image of Goldlion.

With advantageous conditions such as strong financial position and stable operation, the Group is confident in its continuing growth and future development.

**Dr. Tsang Hin Chi**

*Chairman*

Hong Kong, 1st April 2004



□  
Xinjiang





## SCHEDULE OF INVESTMENT PROPERTIES

Property	Description	Lot number	Type	Lease term
<b>Hong Kong</b>				
1. 1st, 2nd, 3rd, 4th and 5th floors, Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories.	The property, with a gross floor area of 19,580 sq.m., comprises the entire 1st, 2nd, 3rd, 4th and 5th floors of a modern 8-storey factory/warehouse. The building was completed in 1989.	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
2. Ground, 1st, 2nd, 3rd, 4th (together with flat roof), 5th, 6th, 8th and 11th floors and main roof, Wai Shun Industrial Building, 5 Yuk Yat Street, To Kwa Wan, Kowloon.	The property comprises altogether 9 floors in a 12-storey industrial building completed in 1972. The property has a gross floor area of 553 sq.m. on the ground floor and 4,831 sq.m. for the upper floors. The gross floor area of the flat roof on the 4th floor is 147 sq.m. and on the main roof is 267 sq.m..	483/618th shares of and in Kowloon Inland Lot No. 9677	Industrial	The property is held for a term of 75 years from 5th January 1970 renewable for a further term of 75 years.
3. No. 3 Yuk Yat Street, To Kwa Wan, Kowloon.	The property comprises a modified 12-storey building completed in 1973. The property has a total gross floor area of 7,018 sq.m..	Kowloon Inland Lot No. 9676	Industrial/office	The property is held for a term of 75 years from 12th November 1969 renewable for a further term of 75 years.
4. Unit D on 6th floor, Unit A, B, C and D on 14th floor, together with car parking S18 on the ground floor, Ming Wah Industrial Building, 17-33 Wang Lung Street, Tsuen Wan, New Territories.	The property comprises a unit on 6th floor, the whole of 14th floor and a car parking space on the ground floor of a 24-storey industrial building completed in 1979. The property has a total gross floor area of 2,127 sq.m..	51/1024th shares of and in Tsuen Wan Town Lot No. 143	Industrial	The property is held for a term of 99 years from 1st July 1898 less the last three days and renewed to 30th June 2047.
5. Unit B on 3rd floor, Acro Industrial Building, 19 Yuk Yat Street, To Kwa Wan, Kowloon.	The property comprises a workshop unit on the third floor of a 12-storey plus basement industrial building completed in 1978. The property has a gross floor area of 536 sq.m..	58/1184th shares of and in Kowloon Inland Lot No. 9681	Industrial	The property is held for a term of 75 years and renewable for a further term of 75 years from 23rd March 1970.

SCHEDULE OF INVESTMENT PROPERTIES

Property	Description	Lot number	Type	Lease term
<b>Singapore</b>				
6. Unit 08-03 3C Ridley Park Tanglin Park Singapore.	The property, with a floor area of 148 sq.m., is situated in an up market private condominiums completed around 1990.	Lot 2155/U204	Residential	Freehold
7. Unit 04-03 Goldlion Building, 161 Kampong Ampat, Singapore.	The property, with a floor area of 405 sq.m., is situated in a 6-storey flatted factory building completed in the early 1980's.	Strata Lot 5994/U12	Industrial	Freehold
<b>China mainland</b>				
8. 4th Level, Room Nos. 501-508 on 5th Level and Room Nos. 2202-3 on 22nd Level of Block C1, Shen Hua Ge, 131 Si You Xin Ma Road, Guangzhou, Guangdong Province.	The property comprises the whole of the 4th level, 8 units on the 5th level and 2 units on the 22nd level of a 25-storey composite building completed in 1992. The property has a gross floor area of 2,571 sq.m..	-	Residential	The land use rights are held for a term of 70 years from 7th November 1990.
9. Levels 1 to 7, 25 to 31 and 53% interest of the parking spaces, Goldlion Digital Network Centre, Ti Yu Dong Road, Tianhe District, Guangzhou, Guangdong Province.	The property is a 29-storey plus 4 basements commercial building built on a site of 6,670 sq.m..  The gross floor area of the commercial and office portions attributable to the Group is approximately 25,819 sq.m..  The carparking area comprises 256 carparking spaces and 10 lorry parking spaces.	-	Commercial/ office	The land use right is held for a term of 50 years from 1994.
10. Shenyang Goldlion Commercial Building 186-190 Zhong Jie Lu, Shen He Qu, Shenyang, Liaoning Province.	The property is a 7-storey commercial building built on a site of 5,379 sq.m.. The 2 phases were completed in 1991 and 1993 respectively and was completely refurbished in 2002. The property has a gross floor area of 14,801 sq.m..	-	Commercial	The land use right is held for a term of 30 years from 28th December 1994.



## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts of Goldlion Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31st December 2003.

### PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 13 to the accounts.

An analysis of the Group’s performance for the year by business and geographical segments is set out in note 2 to the accounts.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2003 are set out in the consolidated profit and loss account on page 26.

The Directors have declared an interim dividend of 1.5 HK cents per ordinary share, totalling HK\$14,057,000 (2002: HK\$9,371,000), which was paid on 8th October 2003.

The Directors recommend the payment of a final dividend of 3.0 HK cents per ordinary share (2002: 2.0 HK cents) totalling HK\$28,113,000, which is to be payable on 28th May 2004 to shareholders whose names appear on the Register of members on 14th May 2004. This recommendation shall become effective subject to the approval of shareholders at the Annual General Meeting to be held on 14th May 2004.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

### DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$135,000 (2002: HK\$129,000).

### FIXED ASSETS

Details of the movements in fixed assets are set out in note 12 to the accounts.

### PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out on pages 14 to 15.

### SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

### DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2003, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$237,816,000 (2002: HK\$73,342,000).

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 64.

## 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.

## DIRECTORS

The Directors during the year were:

### Executive Directors

TSANG Hin Chi  
TSANG Chi Ming, Ricky  
WONG Lei Kuan

### Non-executive Director

NG Ming Wah, Charles

### Independent non-executive Directors

WONG Yu Hong, Philip  
LAU Yue Sun

In accordance with Article 101 of the Company's Articles of Association, Messrs. Lau Yue Sun and Ng Ming Wah, Charles retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

A description of the Directors and senior management of the Group is set out as follows:

### Executive Directors

*Dr. the Honourable Tsang Hin Chi, G.B.M.*, aged 70, is the Chairman and one of the founders of the Group. Dr. Tsang holds an honorary doctorate from Zhong Shan University in the People's Republic of China ("PRC"). He is a standing committee member of the National People's Congress of the PRC, honorary vice chairman of All-China Federation of Industry & Commerce, chairman of The Chinese General Chamber of Commerce, council member of the Hong Kong Trade Development Council, and sits on the committees of several Hong Kong and Mainland trade associations. He is also the director of Tsang Hin Chi Education Foundation, Ministry of Education of the PRC, deputy managing director of Jinan University, Guangzhou, honorary president of Jiaying University Guangdong, and a Honorary Citizen of Beijing, Harbin, Shenyang, Dalin and Guangzhou.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(continued)***Executive Directors** *(continued)*

*Mr. Tsang Chi Ming, Ricky*, aged 37, is the Deputy Chairman and General Manager of the Group overseeing the development and operations of the Group's business. Mr. Tsang joined the Group in 1989. He is a member of Guangzhou Committee of The C.P.P.C.C., a committee member of the Chinese General Chamber of Commerce, Hong Kong, a director of Hong Kong United Youth Association Limited, a vice president of Guangzhou and Henan Overseas Friendship Association and a director of Hong Kong Region of Young Entrepreneur Association of China. He is a son of the Chairman.

*Mdm. Wong Lei Kuan*, aged 67, is one of the founders of the Group and wife of the Chairman. She is a honorary chairman of Ka Ying Chow Commercial Association Limited, supervising advisor of Hong Kong Federation of Women, committee member of The Chinese General Chamber of Commerce and vice chairman of Ladies' Sub-Committee, member of Guangdong Committee of The C.P.P.C.C. and executive committee member of All-China Women's Federation. She is also an executive director of China Women's Development Fund and director of the China Council for the Promotion of Peaceful National Reunification.

**Non-executive Director**

*Mr. Ng Ming Wah, Charles*, aged 54, graduated from the London Business School in England in 1974 with a Master's degree in Business Administration. He is the Managing Director of Equitas Capital Limited, a corporation deemed to be licensed to carry on the business of dealing in securities and advising on corporate finance under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong, which came into force on 1st April, 2003). Mr. Ng has over 25 years of experience in corporate finance and investment banking. Mr. Ng was first appointed to the Board of Directors on 27th July 1992.

**Independent non-executive Directors**

*Dr. the Honourable Wong Yu Hong, Philip, G.B.S.*, aged 65, holds a doctorate in Law from Southland University and a doctorate in Engineering from California Coast University, both in the United States of America. He is a deputy of the National People's Congress, a member of the Legislative Council and a vice-chairman of The Chinese General Chamber of Commerce. He also holds positions with a number of public bodies and sits on the boards of a number of listed and private companies. Dr. Wong was first appointed to the Board of Directors on 27th July 1992.

*Mr. Lau Yue Sun*, aged 63, is the Managing Director and General Manager of New Products Enterprise Limited, New Products Investment Limited and Jip Fair Development Limited, as well as an independent non-executive director of Wing Lee Holdings Limited. He has over 30 years of experience in manufacturing, electronics, plastic injection products and import-export business. He is a member of the National Committee of the C.P.P.C.C., member of the Election Committee for the First Government of the Hong Kong S.A.R., member of the Election Committee of Hong Kong S.A.R., appointed member of Kowloon City District Council for Year 2004 to Year 2007, and standing committee member of the Chinese General Chamber of Commerce. He is also an advisor to Educational Foundation of Guangdong Province, vice president of Guangdong General Chamber of Commerce. Mr. Lau was awarded the Bronze Bauhinia Star of the Hong Kong S.A.R. in 2000, and Doctor of Philosophy, Honoris Causa in Business Administration of American M & N University. Mr. Lau was first appointed to the Board of Directors on 31st December 1994.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(continued)***Senior Management**

*Mr. Chan Kee Leung, Gary*, aged 41, was appointed as the Chief Financial Officer of the Group in September 2000. Mr. Chan has extensive experience in finance, stockbroking and corporate finance. Prior to joining the Group, He has worked with a listed company as an executive director for over 3 years. He is a member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants.

*Mdm. Hu Bing Xin*, aged 53, is the General Manageress of the Group's China mainland operation in charge of the Group's apparel business in China. She joined the Group in June 2000. Mdm. Hu won the title of "Superior Economist" in 1987 and held position of general manageress of several listed enterprises in China. With more than 20 years of experience in market development and sales management, she won the title of the "Nation's Women Red Flag", and the name of "Model Toiler" and "Excellent Entrepreneur" in Wuhan. She was listed as one of the ten "Outstanding Female Entrepreneurs in China" in 2002. She is now the honorary vice-chairman of the Hubei Entrepreneur Association.

*Mr. Quek Chew Teck*, aged 42, re-joined the Group in 1998 as the General Manager of Goldlion Singapore and is also a director of Goldlion Malaysia since 2000. He is responsible for the Group's operations in Singapore and Malaysia. Mr. Quek holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore. He has more than 13 years experience in marketing and company management. He was the Assistant General Manager of Goldlion Singapore from 1987 to 1994.

*Mr. Dieter Nothofer*, aged 59, is the Managing Director of Goldlion (Europe) GmbH and is responsible for the Group's operations in Europe. He holds a Diploma in Textiles from Krefeld Textile School of Engineering and had over 20 years of experience in sales and marketing in the textiles industry before joining the Group in 1993.

*Mr. Tu Wu Yi*, aged 42, graduated with a Bachelor's Degree of Finance. Mr. Tu is a qualified accountant in China mainland and has more than 15 years of experience in finance. He has extensive experience in working with large enterprises and listed companies in China mainland. He joined the Group in June 2000 and is now the Financial Controller of the Group's operations in China mainland.

*Mr. Kam Yiu Kwok*, aged 41, is the Company Secretary of the Group. Mr. Kam is a member of the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. He joined the Group in 1999.

## DIRECTORS' INTEREST IN CONTRACTS AND COMPETING BUSINESSES

- (a) In July 1994, the Group through a wholly owned subsidiary acquired from Goldlion Property Development Limited (“GPDL”) the benefit of 53% of GPDL’s capital contribution to, and the right and obligation to contribute 53% of the capital requirement of Guangzhou Goldlion City Properties Company Limited (“GGCP”) which is the developer of, and owns the Goldlion Digital Network Centre in Guangzhou. Details of the contract are set out in note 12(d) to the accounts.

Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interests in GPDL and GGCP. Ownership of and the leasing activities of GGCP constitute a competing business to the Group. Since the leasing activities of GGCP is conducted on a fair and open market basis, the Directors consider that the Group’s interest is adequately safeguarded.

During the year, the Group paid rentals of HK\$337,000 to GGCP for an office located at Goldlion Digital Network Centre.

- (b) The Group paid building management fees of HK\$756,000 to Guangzhou Silver Disk Property Management Company Limited (“SDPMCL”). Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky are interested in these transactions to the extent that Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interests in SDPMCL.

Save as disclosed above, no contracts and interests in competing businesses of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## SHARE OPTIONS

At an 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 of the Group and other persons who may make a contribution to the Group (the “Eligible Participants”).

Under the New Option Scheme which is valid and effective for a term of ten years from the date of its adoption, the Directors may grant options to the Eligible Participants to subscribe for ordinary shares in the Company at a price to be notified by the Directors and to be no less than the higher of: (i) the closing price of the Company’s ordinary shares as stated in the Daily Quotation Sheets on the day of offer; (ii) the average of the closing prices of the Company’s ordinary shares as stated in the Daily Quotation Sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company’s ordinary shares. The number of ordinary shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1 percent of the issued ordinary share capital of the Company at the date of such grant, without prior approval from the Company’s shareholders. The maximum number of shares in respect of which options may be granted under the New Option Scheme and any other schemes of the Group shall not exceed 30 percent of the issued ordinary share capital of the Company from time to time. The maximum number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other schemes adopted by the Group must not in aggregate exceed 10 percent of the issued ordinary share capital of the Company as at the date of passing the relevant resolution adopting this New Option Scheme.

**SHARE OPTIONS** *(continued)*

Offer for the grant of options under the New Option Scheme must be accepted within 28 days from the offer date, upon payment of a nominal price. Options may be exercised in accordance with the terms of the New Option Scheme at any time to be determined by the Board and, in the absence of such determination, such period of time shall not exceed a period of three years commencing on the expiry of six months after the acceptance date. No options had been granted or remained outstanding under the New Option Scheme or any other share option scheme of the Company during the year.

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

At 31st December 2003, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company were as follows:

- (a) Ordinary shares of HK\$0.10 each in the Company at 31st December 2003

Directors		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>		
Tsang Hin Chi	Long positions	-	1,210,000	565,440,750	566,650,750	60.47%
	Short positions	-	-	-	-	-
Tsang Chi Ming Ricky	Long positions	1,404,000	-	565,440,750	566,844,750	60.49%
	Short positions	-	-	-	-	-
Wong Lei Kuan	Long positions	1,210,000	-	565,440,750	566,650,750	60.47%
	Short positions	-	-	-	-	-

*Note:*

1. Mdm. 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 Mdm. 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 as disclosed in the paragraph headed "Substantial shareholders" below.

- (b) During the year, none of the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporation.

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

- (c) Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.
- (d) 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 31st December 2003, the register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st December 2003 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.

Name of holder of securities	Type of securities		Securities held for <i>(Note)</i>			Total	Percentage to total issued share capital
			Gold Trustee Holding Corporation Number	Silver Trustee Holding Corporation Number	Others Number		
HSBC International Trustee Limited	Ordinary shares of \$0.10 each	Long positions	339,530,000	225,910,750	-	565,440,750	60.34%
		Short positions	-	-	-	-	-
Silver Disk Limited	Ordinary shares of \$0.10 each	Long positions	-	-	158,022,000	158,022,000	16.86%
		Short positions	-	-	-	-	-
Tsang Hin Chi Charities (Management) Limited	Ordinary shares of \$0.10 each	Long positions	-	-	53,880,750	53,880,750	5.75%
		Short positions	-	-	-	-	-

*Note:* HSBC International Trustee Limited held shares for Gold Trustee Holding Corporation and Silver Trustee Holding Corporation as set out above. 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 Mdm. Wong Lei Kuan respectively) are beneficially owned by the Tsang Family Trust.

## CONNECTED TRANSACTIONS

Connected transactions which are required to be disclosed under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) are as follows:

- (a) The Group paid rentals of HK\$337,000 to GGCP during the period from 11th August 2003 to 31st December 2003 in the ordinary course of its business. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interests in GGCP.
- (b) The Group paid building management fees of HK\$756,000 to SDPMCL in the ordinary course of its business. The building management fees were charged monthly at a fixed amount. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interests in SDPMCL.
- (c) The Group paid professional fees of HK\$680,000 to Equitas Capital Limited during the year in the ordinary course of its business. 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.
- (d) On 28th January 2003, Goldlion (Far East) Limited (“GFEL”), a subsidiary of the Group, and Mr. Ng Ming Wah, Charles entered into a Memorandum of Trust under which and in consideration of a full indemnity given by Mr. Ng Ming Wah, Charles in the Memorandum, GFEL agreed to hold the legal title to a motor vehicle beneficially owned by Mr. Ng Ming Wah, Charles in trust for him.
- (e) On 18th July 2002, the Group, as lessor, entered into a lease with Guangzhou World Trade Center Club Company Limited (“GWTCCCL”) as lessee and China World Trade Corporation (“CWTC”), the holding company of GWTCCCL, as guarantor in respect of a business center and facilities therein located at Goldlion Digital Network Centre. During the year, the Group received HK\$3,448,000 from GWTCCCL as rental payment under the lease. Mr. Tsang Chi Hung, a former executive director of the Company who resigned on 1st August 2002, has indirect beneficial interest in CWTCCL as he becomes a major shareholder of CWTC starting from 17th December 2002. For the period from 1st January 2003 to 31st July 2003 (the date on which Mr. Tsang Chi Hung ceased to be the connected person under Rule 1.01 as extended by Rule 14.03(2)(c) of the Listing Rules), the Group received HK\$2,307,000 from GWTCCCL as rental payment under the lease.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased 12% of its goods and services from its largest supplier and 41% from its five largest suppliers, and sold less than 30% of its goods to its five largest customers.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company’s share capital) had an interest (as defined in the Listing Rules) in these major suppliers and customers.



## CORPORATE GOVERNANCE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive Directors of the Company were not appointed for a specific term and they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Articles of Association.

## AUDIT COMMITTEE

In compliance with the requirement with the Stock Exchange of Hong Kong Limited, an Audit Committee was formed. The primary duties of the Audit Committee are (i) to review the Company's annual reports and accounts and half year report, (ii) to provide advice and comments to the Board of Directors, and (iii) to review and supervise the financial reporting process and internal control procedures of the Group. At present, the Audit Committee has three members comprising Dr. Wong Yu Hong, Philip and Mr. Lau Yue Sun, both of whom are independent non-executive Directors, and Mr. Ng Ming Wah, Charles, a non-executive Director of the Company.

## AUDITORS

The accounts for the year ended 31st December 2003 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Dr. Tsang Hin Chi**

*Chairman*

Hong Kong, 1st April 2004

### AUDITORS' REPORT TO THE SHAREHOLDERS OF GOLDLION HOLDINGS LIMITED

*(incorporated in Hong Kong with limited liability)*

We have audited the accounts on pages 26 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### **Respective responsibilities of directors and auditors**

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

#### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

#### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 1st April 2004

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2003

	Note	2003 HK\$'000	2002 HK\$'000 (Restated)
Turnover	2	511,258	522,981
Cost of sales		<u>(246,066)</u>	<u>(251,914)</u>
Gross profit		265,192	271,067
Other revenues	2	2,930	3,632
Selling and distribution costs		(111,960)	(122,861)
Administrative expenses		(92,477)	(108,213)
Impairment loss of commercial center	3	<u>-</u>	<u>(29,428)</u>
Operating profit	4	63,685	14,197
Finance costs		<u>-</u>	<u>(41)</u>
Profit before taxation		63,685	14,156
Taxation	5	<u>(17,691)</u>	<u>(25,482)</u>
Profit/(loss) after taxation		45,994	(11,326)
Minority interests		<u>(844)</u>	<u>(848)</u>
Profit/(loss) attributable to shareholders	6	<u>45,150</u>	<u>(12,174)</u>
Dividends	7	<u>42,170</u>	<u>28,113</u>
		<b>HK cents</b>	<b>HK cents</b>
Basic earnings/(loss) per share	8	<u>4.82</u>	<u>(1.32)</u>
Fully diluted earnings/(loss) per share	8	<u>not applicable</u>	<u>(1.31)</u>

# CONSOLIDATED BALANCE SHEET

As at 31st December 2003

	Note	2003 HK\$'000	2002 HK\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>			
Fixed assets	12	<b>1,185,096</b>	1,216,719
Deferred tax assets	20	<b>24,093</b>	39,849
		<b>1,209,189</b>	1,256,568
<b>CURRENT ASSETS</b>			
Stocks	14	<b>97,573</b>	111,099
Trade debtors	15	<b>26,273</b>	25,715
Prepayments and deposits		<b>15,624</b>	21,996
Trading investments		<b>-</b>	530
Bank balances and cash	16	<b>340,141</b>	260,251
		<b>479,611</b>	419,591
<b>CURRENT LIABILITIES</b>			
Creditors and bills payables	17	<b>27,530</b>	20,262
Other payables and accruals		<b>98,425</b>	81,571
Taxation payable		<b>2,846</b>	3,441
		<b>128,801</b>	105,274
<b>NET CURRENT ASSETS</b>		<b>350,810</b>	314,317
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,559,999</b>	1,570,885
Financed by:			
SHARE CAPITAL	18	<b>93,711</b>	93,711
RESERVES	19	<b>1,343,088</b>	1,360,880
PROPOSED FINAL DIVIDEND	19	<b>28,113</b>	18,742
<b>SHAREHOLDERS' FUNDS</b>		<b>1,464,912</b>	1,473,333
MINORITY INTERESTS		<b>1,885</b>	2,733
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	20	<b>93,202</b>	94,819
		<b>1,559,999</b>	1,570,885

On behalf of the Board

**Dr. Tsang Hin Chi**  
Chairman

**Mr. Tsang Chi Ming, Ricky**  
Deputy Chairman

# BALANCE SHEET

As at 31st December 2003

	Note	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Subsidiaries	13	<u>1,262,068</u>	<u>1,097,517</u>
CURRENT ASSETS			
Prepayments		172	–
Bank balances and cash		<u>72</u>	<u>71</u>
		<u>244</u>	<u>71</u>
CURRENT LIABILITIES			
Accruals		<u>989</u>	<u>739</u>
NET CURRENT LIABILITIES			
		<u>(745)</u>	<u>(668)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,261,323</u>	<u>1,096,849</u>
Financed by:			
SHARE CAPITAL	18	93,711	93,711
RESERVES	19	1,139,499	984,396
PROPOSED FINAL DIVIDEND	19	<u>28,113</u>	<u>18,742</u>
		<u>1,261,323</u>	<u>1,096,849</u>

On behalf of the Board

**Dr. Tsang Hin Chi**  
Chairman

**Mr. Tsang Chi Ming, Ricky**  
Deputy Chairman

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2003

	Note	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000 (Restated)
Total equity as at 1st January, as previously reported		<b>1,528,303</b>	1,725,844
Effect of change in accounting policy	19(a)	<b>(54,970)</b>	(67,502)
		<b>1,473,333</b>	1,658,342
(Deficit)/surplus on revaluation of investment properties	19(a)		
gross		<b>(20,666)</b>	(203,865)
taxation		<b>125</b>	35,144
Exchange differences arising on translation of the accounts of foreign subsidiaries	19(a)	<b>(231)</b>	575
Net losses not recognised in the consolidated profit and loss account		<b>(20,772)</b>	(168,146)
Profit/(loss) attributable to shareholders		<b>45,150</b>	(12,174)
Issue of shares upon exercise of share options		-	18,739
Dividends		<b>(32,799)</b>	(23,428)
		<b>12,351</b>	(16,863)
Total equity as at 31st December		<b>1,464,912</b>	1,473,333

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2003

	Note	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	21(a)	<b>124,335</b>	69,883
Interest paid		–	(41)
Taxation outside Hong Kong paid		<b>(3,951)</b>	(504)
Hong Kong taxation (paid)/refund		<b>(70)</b>	1,098
Sale of trading investments		<b>530</b>	–
Dividend received from trading investments		<b>9</b>	–
		<hr/>	<hr/>
Net cash inflow from operating activities		<b>120,853</b>	70,436
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		<b>(9,702)</b>	(27,773)
Sale of fixed assets		<b>540</b>	553
Interest received		<b>2,921</b>	3,632
		<hr/>	<hr/>
Net cash used in investing activities		<b>(6,241)</b>	(23,588)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>NET CASH INFLOW BEFORE FINANCING</b>		<b>114,612</b>	46,848
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of shares upon exercise of share options	21(b)	–	18,739
Repayment of bank loans		–	(3,371)
Dividends paid		<b>(32,799)</b>	(23,428)
Dividends paid to minority shareholders in subsidiaries		<b>(1,692)</b>	–
		<hr/>	<hr/>
Net cash used in financing activities		<b>(34,491)</b>	(8,060)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(231)</b>	(2,566)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>79,890</b>	36,222
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>260,251</b>	224,029
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	21(c)	<b>340,141</b>	260,251
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

## 1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (the "HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties and trading investments are stated at fair value.

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income taxes" issued by HKSA which is effective for accounting periods commencing on or after 1st January 2003. The change to the Group's accounting policy and the effect of adopting this revised policy is set out in note 1(m) below.

### (b) Group accounting consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill, including goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less any provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.



## 1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### (c) Goodwill/negative goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the Group's share of the net assets of subsidiaries, associated companies and jointly controlled entities acquired at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than twenty years. Goodwill on acquisitions that occurred prior to 1st January 2001 was taken directly to reserves. Where the fair values ascribed to the net assets of subsidiaries, associated companies and jointly controlled entities acquired exceeded the purchase consideration, such differences were taken directly to capital reserves on acquisitions prior to 1st January 2001.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously taken to reserves, is assessed and written down immediately to its recoverable amount.

### (d) Fixed assets

#### (i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

#### (ii) *Construction-in-progress*

Construction-in-progress, representing building on which construction work has not been completed, is stated at cost, which includes construction expenditures incurred and other direct costs capitalised during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction-in-progress until the construction work is completed. On completion, the construction-in-progress is transferred to appropriate categories of fixed assets.

**1. PRINCIPAL ACCOUNTING POLICIES** *(continued)***(d) Fixed assets** *(continued)**(iii) Other properties, plant and equipment*

Other properties are interests in land and buildings other than investment properties as mentioned in note 1(d)(i). Freehold land is stated at cost less accumulated impairment losses. Plant and equipment and other properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not amortised whereby leasehold land is amortised on a straight line basis over the unexpired period of the lease.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

Other tangible fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Buildings on freehold and leasehold land	2% to 5%
Plant and machinery	10% to 20%
Furniture and fixtures	20%
Computers	30%
Motor vehicles	20%

*(iv) Impairment and gain or loss on sale*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in construction-in-progress, other properties and other tangible fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any remaining revaluation reserve balance attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

**1. PRINCIPAL ACCOUNTING POLICIES** *(continued)***(e) Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payment obligations in respect of operating leases on properties with fixed rentals are accounted for on a straight-line basis over the periods of the respective leases. Payment obligations in respect of operating leases on properties with rentals which vary with gross revenues of the Group are charged to the profit and loss account as incurred.

**(f) Trading investments**

Trading investments are carried at fair value. Fair value represents the quoted market price for securities which are listed or actively traded in a liquid market. For securities which are unlisted and not actively traded, fair value is determined with reference to recent transaction prices and estimated net realisable value. At each balance sheet date, the net unrealised gains and losses arising from the changes in fair value of trading investments are recognised in the profit and loss account. Profits and losses on disposal of trading investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

**(g) Stocks**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**(h) Trade debtors**

Provision is made against trade debtors to the extent that they are considered to be doubtful. Trade debtors in the balance sheet is stated net of such provision.

**(i) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investments and bank overdrafts.

**(j) Translation of foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

**1. PRINCIPAL ACCOUNTING POLICIES** *(continued)***(j) Translation of foreign currencies** *(continued)*

The balance sheets of subsidiaries expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average exchange rate during the year. Exchange differences are dealt with as a movement in reserves.

**(k) Revenue recognition**

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Operating lease rental income is recognised on a straight line basis over the periods of the respective leases.

Royalty income and building management fee income are recognised on an accrual basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

**(l) Employee benefits***(i) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

*(ii) Profit sharing and bonus plans*

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within the next twelve months and are measured at the amounts expected to be paid when they are settled.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (l) Employee benefits (continued)

#### (iii) Pension obligations

The Group operates defined contribution retirement schemes which are available for all qualified employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. For the retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and/or are reduced by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in the Peoples' Republic of China (the "PRC") and is required to make annual contributions in the range of 2% to 28% of annual payroll costs to these schemes. The municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contribution under these schemes. The contributions are charged to the profit and loss account as incurred.

#### (iv) Equity compensation benefits

Share options are granted to certain directors and employees. No compensation cost is recognised in the profit and loss account in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

### (m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

## 1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### (m) **Deferred taxation** *(continued)*

As detailed in note 19(a) to the accounts, opening retained profits at 1st January 2002 and 2003 has been increased by HK\$59,680,000 and HK\$37,068,000 respectively. In addition, the balances of the Group's capital reserve and properties revaluation reserves at 1st January 2002 and 2003 have been reduced by HK\$127,182,000 and HK\$92,038,000 respectively. These changes have resulted in increases in deferred tax assets and deferred tax liabilities at 31st December 2002 by HK\$39,849,000 and HK\$94,819,000 respectively. The loss for the year ended 31st December 2002 has been increased by HK\$22,612,000.

### (n) **Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### (o) **Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that the primary segment reporting format is by business segments and the secondary segment reporting is by geographical segments.

Unallocated costs represent corporate expenses less interest income. Segment assets consist primarily of fixed assets, stocks, receivables and operating cash, and mainly exclude corporate cash funds and trading investments. Segment liabilities comprise operating liabilities and exclude items such as payables and accruals for corporate expenses. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the countries in which the group company operates. Total assets and capital expenditure are where the assets are located.

## 2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in distribution and manufacturing of garments, leather goods and accessories and property investments. Revenues recognised during the year are as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Turnover		
Sales of goods	<b>451,690</b>	467,927
Gross rental income from investment properties	<b>38,272</b>	31,579
Income from the operation of a commercial center	–	7,689
Building management fee	<b>2,869</b>	2,739
Licensing income	<b>18,427</b>	13,047
	<u><b>511,258</b></u>	<u>522,981</u>
Other revenues		
Interest income	<b>2,921</b>	3,632
Dividend income from trading investments	<b>9</b>	–
	<u><b>2,930</b></u>	<u>3,632</u>
Total revenues	<u><b>514,188</b></u>	<u>526,613</u>

### Primary reporting format – business segments

The Group is organised into two main business segments:

Apparel – Distribution and manufacturing of garments, leather goods and accessories.

Property investments – Investments in properties in China mainland, Hong Kong SAR and Singapore.

There are no material transactions between the business segments except for office rental charge.

**2. TURNOVER, REVENUE AND SEGMENT INFORMATION** (continued)

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

	2003				2002 (Restated)			
	Apparel HK\$'000	Property investments HK\$'000	Eliminations HK\$'000	Group HK\$'000	Apparel HK\$'000	Property investments HK\$'000	Eliminations HK\$'000	Group HK\$'000
<b>Results</b>								
Turnover	470,117	41,141	-	511,258	480,974	42,007	-	522,981
Inter-segment sales	-	4,911	(4,911)	-	-	6,489	(6,489)	-
	<u>470,117</u>	<u>46,052</u>	<u>(4,911)</u>	<u>511,258</u>	<u>480,974</u>	<u>48,496</u>	<u>(6,489)</u>	<u>522,981</u>
Segment results	<u>73,315</u>	<u>19,636</u>		<u>92,951</u>	<u>78,534</u>	<u>(36,558)</u>		<u>41,976</u>
Unallocated costs				(29,266)				(27,779)
Operating profit				63,685				14,197
Finance costs				-				(41)
Profit before taxation				63,685				14,156
Taxation				(17,691)				(25,482)
Profit/(loss) after taxation				45,994				(11,326)
Minority interests				(844)				(848)
Profit/(loss) attributable to shareholders				<u>45,150</u>				<u>(12,174)</u>
<b>Assets</b>								
Segment assets	445,224	961,831		1,407,055	483,453	908,930		1,392,383
Unallocated assets				281,745				283,776
Total assets				<u>1,688,800</u>				<u>1,676,159</u>
<b>Liabilities</b>								
Segment liabilities	95,334	15,978		111,312	76,423	18,712		95,135
Unallocated liabilities				110,691				104,958
Total liabilities				<u>222,003</u>				<u>200,093</u>
<b>Other information</b>								
Capital expenditure	5,284	4,418		9,702	3,751	24,022		27,773
Depreciation	14,476	4,597		19,073	13,180	13,421		26,601
Impairment loss of fixed assets	-	-		-	415	29,428		29,843
Provision for slow moving stocks	14,878	-		14,878	14,634	-		14,634



**2. TURNOVER, REVENUE AND SEGMENT INFORMATION** (continued)**Secondary reporting format – geographical segments**

The Group operates in the following three main geographical areas:

China mainland – Apparel and property investments

Hong Kong SAR – Apparel and property investments

Singapore and Malaysia – Apparel and property investments

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

	2003			Capital expenditure HK\$'000
	Turnover HK\$'000	Segment results HK\$'000	Segment assets HK\$'000	
<b>Geographical segments</b>				
China mainland	394,824	85,848	1,035,363	8,300
Hong Kong SAR	42,489	1,769	586,405	954
Singapore and Malaysia	71,557	7,208	56,278	443
Other countries	2,388	(1,874)	10,754	5
	<u>511,258</u>	<u>92,951</u>	<u>1,688,800</u>	<u>9,702</u>
Unallocated costs		<u>(29,266)</u>		
Operating profit		<u>63,685</u>		

**2. TURNOVER, REVENUE AND SEGMENT INFORMATION** (continued)**Secondary reporting format – geographical segments** (continued)

	2002			
	Turnover HK\$'000	Segment results HK\$'000	Segment assets HK\$'000 (Restated)	Capital expenditure HK\$'000
<b>Geographical segments</b>				
China mainland	411,120	39,666	1,007,996	24,263
Hong Kong SAR	46,360	(3,119)	607,601	3,353
Singapore and Malaysia	62,722	6,603	49,431	146
Other countries	2,779	(1,174)	11,131	11
	<u>522,981</u>	<u>41,976</u>	<u>1,676,159</u>	<u>27,773</u>
Unallocated costs		<u>(27,779)</u>		
Operating profit		<u>14,197</u>		

**3. IMPAIRMENT LOSS OF COMMERCIAL CENTER**

In 2002, the Group decided to change the mode of operation of a commercial center located at the Goldlion Digital Network Centre in the PRC. On 18th July 2002, the Group entered into an operating lease agreement to lease out the premises occupied by, together with the furniture, fixtures and equipments of the commercial center effective on 1st August 2002.

The Group made an assessment on the carrying amount of the fixed assets of the commercial center in accordance with SSAP 31 "Impairment of assets", and as a result of which an impairment loss of HK\$29,428,000 for these fixed assets was charged to the consolidated profit and loss account for the year ended 31st December 2002. No such provision was made for the year ended 31st December 2003.

The revenue and operating result relating to the operation of the commercial center for the period prior to the effective change in mode of operation, are disclosed below and are included in the Property Investments business segment:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Turnover	<u>-</u>	<u>7,689</u>
Operating loss (including impairment loss)	<u>-</u>	<u>(41,746)</u>

## 4. OPERATING PROFIT

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Operating profit is stated after charging the following:		
Cost of stocks sold	<b>221,781</b>	228,651
Provision for slow moving stocks	<b>14,878</b>	14,634
Outgoings in respect of investment properties	<b>9,407</b>	8,629
Operating lease rentals – land and buildings	<b>12,210</b>	15,995
Depreciation	<b>19,073</b>	26,601
Staff costs including Directors' emoluments ( <i>note 9</i> )	<b>76,170</b>	80,509
Auditors' remuneration	<b>1,490</b>	1,518
Provision for doubtful debts	<b>967</b>	2,567
Loss on disposal of fixed assets	<b>1,045</b>	1,286
Impairment loss of fixed assets other than commercial center ( <i>note 3</i> )	–	415
Unrealised losses on trading investments	–	330
	<b>_____</b>	<b>_____</b>

## 5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16.0%) on the estimated assessable for the year. In 2003, the Government of Hong Kong SAR enacted a change in the profits tax rate from 16.0% to 17.5% for the fiscal year 2003/2004. 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/(credited) to the consolidated profit and loss account represents:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Hong Kong profits tax		
Under/(over) provision in prior years	70	(134)
Overseas taxation		
Current year	4,013	2,671
(Over)/under-provision in prior years	(657)	333
	3,356	3,004
Deferred taxation	14,265	22,612
Total taxation charges	<b>17,691</b>	25,482

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Profit before taxation	63,685	14,156
Calculated at a taxation rate of 17.5%	11,145	2,477
Effect of difference taxation rates in other countries	8,149	1,047
Income not subject to taxation	(3,910)	(2,483)
Expenses not deductible for taxation purposes	847	1,184
Utilisation of previously unrecognised tax losses	(3,630)	(4,911)
Tax loss for the year not recognised	8,431	26,969
Recognition of previously unrecognised deferred tax assets	(2,750)	-
Others	(591)	1,199
Total taxation charges	<b>17,691</b>	25,482

## 6. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes profit of the Company to the extent of HK\$197,273,000 (2002: loss of HK\$3,229,000).

## 7. DIVIDENDS

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
2003 interim dividend, paid, of 1.5 HK cents per ordinary share	<b>14,057</b>	–
2002 interim dividend, paid, of 1.0 HK cent per ordinary share	–	9,371
2003 final dividend, proposed of 3.0 HK cents per ordinary share (Note)	<b>28,113</b>	–
2002 final dividend, paid, of 2.0 HK cents per ordinary share	–	18,742
	<b>42,170</b>	28,113

Note:

At a meeting held on 1st April 2004, the Directors declared a final dividend of 3.0 HK cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2004.

## 8. EARNINGS/(LOSS) PER SHARE

The calculation of basic and fully diluted earnings/(loss) per share is based on the profit attributable to shareholders of HK\$45,150,000 (2002: restated loss of HK\$12,174,000).

The basic earnings/(loss) per share is based on the weighted average number of 937,114,035 (2002: 920,511,295) shares in issue during the year.

No fully diluted earnings per share for current year is presented as all share options granted by the Company to employees were exercised on 11th April 2002 and no share options were outstanding during the year.

The fully diluted loss per share for the year 2002 was based on 926,416,235 shares which was the weighted average number of shares in issue during the year plus the weighted average number of shares of 5,904,940 which are deemed to be issued at no consideration if the outstanding share options had been exercised.

## 9. STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
Staff costs		
– Wages and salaries	<b>72,365</b>	76,092
– Termination benefits	<b>–</b>	970
– Retirement benefit costs ( <i>note 10</i> )	<b>3,805</b>	3,447
	<hr/> <b>76,170</b> <hr/>	<hr/> 80,509 <hr/>

## 10. RETIREMENT BENEFIT COSTS

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
Defined contribution schemes for:		
The Hong Kong employees ( <i>note (a)</i> )	<b>597</b>	926
The Singaporean employees ( <i>note (b)</i> )	<b>2,022</b>	1,884
The PRC employees ( <i>note (c)</i> )	<b>1,186</b>	637
	<hr/> <b>3,805</b> <hr/>	<hr/> 3,447 <hr/>

## Notes:

- (a) Under the Mandatory Provident Fund (the "MPF") scheme, both the employer and employee have to contribute 5% of the employee's relevant income or HK\$1,000, whichever is lower, as mandatory contribution. The employer and employee may further contribute certain percentage of the employee's relevant income, as voluntary contribution.

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK\$786,000 (2002: HK\$940,000) including forfeited contributions of HK\$189,000 (2002: HK\$14,000). The forfeited contributions represent contributions to the retirement scheme prior to the MPF scheme for those employees who leave prior to vesting fully on the contributions. Contributions totalling HK\$129,000 (2002: HK\$134,000) payable to the MPF scheme at the year end are included in other payables. There was no unutilised forfeited contribution at year end (2002: Nil).

- (b) Contributions paid and payable by the Group to the schemes amounted to HK\$2,022,000 (2002: HK\$1,884,000). Contributions totalling HK\$986,000 (2002: HK\$620,000) payable to the schemes at the year end are included in other payables. There was no unutilised forfeited contribution at year end (2002: Nil).
- (c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contributions payable (2002: Nil) to the municipal governments at the year end.

**11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**

- (a) The aggregate amounts of emoluments payable to the Directors of the Company during the year are as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Fees	<b>360</b>	360
Basic salaries, housing and other allowances, and benefits in kind	<b>13,180</b>	26,310
Contributions to retirement scheme	<b>29</b>	44
	<b>13,569</b>	26,714

The emoluments of the Directors fell within the following bands:

<b>Emolument bands</b>	<b>Number of Directors</b>	
	<b>2003</b>	2002
HK\$ nil – HK\$1,000,000	<b>3</b>	3
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	–
HK\$2,500,001 – HK\$3,000,000	<b>1</b>	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$6,000,001 – HK\$6,500,000	–	1
HK\$8,500,001 – HK\$9,000,000	<b>1</b>	–
HK\$11,500,001 – HK\$12,000,000	–	1

Directors' fees include HK\$240,000 (2002: HK\$240,000) paid to two (2002: two) independent non-executive Directors.

**11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS** *(continued)*

- (b) The five individuals whose emoluments were the highest in the Group for the year included three (2002: four) Directors whose emoluments are reflected in the analysis presented in 11(a) above. The emoluments payable to the remaining two (2002: one) individual during the year are as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Basic salaries, housing and other allowances, and benefits in kind	<b><u>3,213</u></b>	<u>1,698</u>

The emoluments fell within the following band:

<b>Emolument bands</b>	<b>Number of individual</b>	
	<b>2003</b>	2002
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	–
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	<b><u>1</u></b>	<u>–</u>

- (c) Other than disclosed above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.



## 12. FIXED ASSETS – GROUP

	Investment properties HK\$'000	Other properties HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Computers HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation							
At 1st January 2003	886,742	392,134	15,488	80,787	9,930	11,447	1,396,528
Translation differences	-	-	-	344	(1)	-	343
Additions	4,037	-	271	3,512	566	1,316	9,702
Disposals	-	-	-	(1,990)	(160)	(1,959)	(4,109)
Transfer	68,800	(68,800)	-	-	-	-	-
Revaluation (note 12(a))	(32,376)	-	-	-	-	-	(32,376)
<b>At 31st December 2003</b>	<b>927,203</b>	<b>323,334</b>	<b>15,759</b>	<b>82,653</b>	<b>10,335</b>	<b>10,804</b>	<b>1,370,088</b>
Accumulated depreciation and impairment losses							
At 1st January 2003	-	78,757	12,032	74,897	6,874	7,249	179,809
Translation differences	-	-	-	345	(1)	-	344
Depreciation charge	-	10,693	1,605	3,753	1,536	1,486	19,073
Disposals	-	-	-	(723)	(143)	(1,658)	(2,524)
Transfer	11,710	(11,710)	-	-	-	-	-
Revaluation (note 12(a))	(11,710)	-	-	-	-	-	(11,710)
<b>At 31st December 2003</b>	<b>-</b>	<b>77,740</b>	<b>13,637</b>	<b>78,272</b>	<b>8,266</b>	<b>7,077</b>	<b>184,992</b>
Net book value							
<b>At 31st December 2003</b>	<b>927,203</b>	<b>245,594</b>	<b>2,122</b>	<b>4,381</b>	<b>2,069</b>	<b>3,727</b>	<b>1,185,096</b>
At 31st December 2002	886,742	313,377	3,456	5,890	3,056	4,198	1,216,719
The analysis of the cost or valuation of the above assets is as follows:							
At cost	-	323,334	15,759	82,653	10,335	10,804	442,885
At 2003 professional valuation	927,203	-	-	-	-	-	927,203
<b>At 31st December 2003</b>	<b>927,203</b>	<b>323,334</b>	<b>15,759</b>	<b>82,653</b>	<b>10,335</b>	<b>10,804</b>	<b>1,370,088</b>
At cost	-	392,134	15,488	80,787	9,930	11,447	509,786
At 2002 professional valuation	886,742	-	-	-	-	-	886,742
At 31st December 2002	886,742	392,134	15,488	80,787	9,930	11,447	1,396,528

**12. FIXED ASSETS – GROUP** (continued)

- (a) Investment properties were revalued at 31st December 2003 and 2002 on an open market value basis by Mr Ng Sai Hee, an independent professional valuer, for properties located in Hong Kong and the PRC, and Knight Frank Pte Limited, an independent professional valuer, for properties located in Singapore. The gross revaluation deficit of HK\$20,666,000 (2002: HK\$203,865,000) was taken to investment properties revaluation reserve (note 19(a)).
- (b) The Group's interests in investment properties and other properties are analysed at their net book values as follows:

	2003		2002	
	Investment properties HK\$'000	Other properties HK\$'000	Investment properties HK\$'000	Other properties HK\$'000
In Hong Kong, held on:				
Leases of over 50 years	30,200	–	30,400	–
Leases of between 10 to 50 years	222,610	121,190	188,300	181,932
	<u>252,810</u>	<u>121,190</u>	<u>218,700</u>	<u>181,932</u>
Outside Hong Kong, held on:				
Freehold	10,113	13,482	10,922	13,845
Leases of over 50 years	8,480	3,831	8,720	4,352
Leases of between 10 to 50 years	655,800	107,091	648,400	113,248
	<u>674,393</u>	<u>124,404</u>	<u>668,042</u>	<u>131,445</u>
	<u>927,203</u>	<u>245,594</u>	<u>886,742</u>	<u>313,377</u>

- (c) Included in other properties are properties with aggregate net book value of HK\$50,797,000 as at 31st December 2003 (2002: HK\$54,055,000) located in the PRC in respect of which title documents have not been obtained from the relevant government authorities.

**12. FIXED ASSETS – GROUP** *(continued)*

- (d) Included in investment properties is a property with total net book value of HK\$579,000,000 as at 31st December 2003 (2002: HK\$580,400,000) which represents the Group's interests of approximately 53% of the gross floor area and the car parking spaces of a commercial complex, named as Goldlion Digital Network Centre, situated at Ti Yu Dong Road, Tianhe District, the city of Guangzhou, the PRC ("the Designated Property").

On 22nd July 1994, Goldlion (Guangdong) Limited ("Goldlion Guangdong"), a wholly owned subsidiary of the Group, entered into a contract (the "Contract") with Goldlion Property Development Limited ("GPD") to acquire 53% of GPD's capital contribution to, and the right and obligation to contribute 53% of the capital requirement of Guangzhou Goldlion City Properties Company Limited ("GGCP"). In accordance with GGCP's Articles of Association, Goldlion Guangdong, other than receiving the Designated Property as mentioned above, will not participate in any profit or loss of GGCP and will not be entitled to the distribution of GGCP's assets on liquidation. The entire issued share capital of GPD is beneficially owned by three executive Directors, Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky, and the Tsang family trust. The principal activity of GGCP is to develop, construct, market, let and manage Goldlion Digital Network Centre. In consideration of the capital contribution to GGCP, Goldlion Guangdong, on completion of Goldlion Digital Network Centre, is entitled to receive, free of further payment to GGCP or any other partner thereto, approximately 53% of the Designated Property. The construction of Goldlion Digital Network Centre was practically completed as at 31st March 1999.

On 29th May 1999, Goldlion Guangdong entered into a supplemental contract and a memorandum with GPD and the other PRC joint venture partner of GGCP to amend certain terms of the Contract for the purpose of minimising tax liabilities of GGCP. Simultaneously, Dr. Tsang Hin Chi and GPD had executed an indemnity in favour of Goldlion Guangdong as an additional measure to safeguard Goldlion Guangdong's interest in the Designated Properties. The Directors are of the opinion that the entitlements and the rights of the Group in the Designated Property before and after the amendment of the terms of the Contract remain unchanged. In this connection, the Group has not obtained the title documents in respect of the Designated Properties from the relevant government authorities.

- (e) The aggregate cost, accumulated depreciation and accumulated impairment losses of the Group's furniture and fixtures held for use under operating leases as at 31st December 2003, amounted to approximately HK\$34,278,000 (2002: HK\$35,048,000), HK\$7,099,000 (2002: HK\$6,991,000) and HK\$25,042,000 (2002: HK\$25,042,000) respectively.

## 13. SUBSIDIARIES – COMPANY

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
Unlisted investments, at cost	<b>10</b>	10
Amounts due from subsidiaries, net of provision	<b>1,262,885</b>	1,098,334
Amount due to a subsidiary	<b>(827)</b>	(827)
	<b><u>1,262,068</u></b>	<b><u>1,097,517</u></b>

The balances with subsidiaries are unsecured and interest free, and have no fixed terms of repayment.

The following is a list of principal subsidiaries, which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest	
					2003	2002
China Silverlion Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB3,613,724	–	90%	90%
Goldlion (China) Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB103,640,175	–	99.25%	99.25%
Goldlion Clothes Making Company Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	US\$6,330,110	–	98.82%	98.82%
# Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	S\$1,000,000	Ordinary	100%	100%
# Goldlion Distribution (M) Sdn. Bhd.	Malaysia Limited liability company	Distribution of garments in Malaysia	MYR1,200,000	Ordinary	100%	100%
Goldlion (Europe) GmbH	Germany Limited liability company	Purchasing office in Germany	EUR127,823	Ordinary	90%	90%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution and manufacturing of garments in Hong Kong	HK\$200 HK\$50,000,000 (non-voting deferred shares)	Ordinary	100%	100%

## 13. SUBSIDIARIES – COMPANY (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest	
					2003	2002
* Goldlion Group (BVI) Limited	British Virgin Islands Limited liability company	Investment holding in Hong Kong	US\$10,000	Ordinary	100%	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Property holding in the PRC	HK\$2	Ordinary	100%	100%
Guangzhou Goldlion Commercial Network Limited	PRC Limited liability company	Commercial center operation in the PRC	RMB10,609,000	–	100%	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Property holding in Germany	US\$50,000	Ordinary	100%	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	HK\$2 HK\$59,999,998 (redeemable shares)	Ordinary	100%	100%
Shenyang Goldlion Commercial Mansion Limited	PRC Limited liability company	Property holding in the PRC	RMB70,000,000	–	100%	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property investment in Hong Kong	HK\$2	Ordinary	100%	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	HK\$2	Ordinary	100%	100%

\* Subsidiary held directly by the Company

# Subsidiaries not audited by PricewaterhouseCoopers

The aggregate net assets and turnover of subsidiaries not audited by PricewaterhouseCoopers accounted for approximately 3% and 14% (2002: 2% and 12%) of the Group's net assets and turnover respectively.

**14. STOCKS – GROUP**

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
Raw materials	<b>2,927</b>	4,095
Work in progress	<b>14,727</b>	18,384
Finished goods	<b>79,919</b>	88,620
	<hr/> <b>97,573</b> <hr/>	<hr/> 111,099 <hr/>

At 31st December 2003, the carrying amount of stocks that are carried at net realisable value amounted to HK\$74,278,000 (2002: HK\$84,426,000).

**15. TRADE DEBTORS – GROUP**

The Group's turnover is on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 31st December 2003, the ageing analysis of the trade debtors, net of provision, was as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
Current	<b>16,613</b>	18,918
31-90 days	<b>7,405</b>	6,343
Over 90 days	<b>2,255</b>	454
	<hr/> <b>26,273</b> <hr/>	<hr/> 25,715 <hr/>

**16. BANK BALANCE AND CASH – GROUP**

Bank balances and cash of the Group include an amount of HK\$139,994,000 (2002: HK\$77,137,000) denominated in Renminbi. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

**17. CREDITORS AND BILLS PAYABLES – GROUP**

At 31st December 2003, the ageing analysis of the creditors and bills payables was as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
Current	<b>17,230</b>	9,432
31-90 days	<b>3,717</b>	3,759
Over 90 days	<b>6,583</b>	7,071
	<b><u>27,530</u></b>	<u>20,262</u>

**18. SHARE CAPITAL**

	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
<i>Authorised:</i>		
1,200,000,000 (2002: 1,200,000,000) shares of HK\$0.10 each	<b><u>120,000</u></b>	<u>120,000</u>
<i>Issued and fully paid:</i>		
937,114,035 (2002: 937,114,035) shares of HK\$0.10 each	<b><u>93,711</u></b>	<u>93,711</u>

Details of the movements in the issued and fully paid up share capital of the Company during the year are summarised as follows:

	<b>2003</b>		2002	
	<b>Number of shares</b>	<b>HK\$'000</b>	Number of shares	HK\$'000
At 1st January	<b>937,114,035</b>	<b>93,711</b>	877,114,035	87,711
Issue of shares upon exercise of share options	<u>–</u>	<u>–</u>	<u>60,000,000</u>	<u>6,000</u>
At 31st December	<b><u>937,114,035</u></b>	<b><u>93,711</u></b>	<u>937,114,035</u>	<u>93,711</u>

At an Extraordinary General Meeting of the Company held on 21st May 2002, a new share option scheme was approved and adopted (the "New Option Scheme"). No share options were granted during the year (2002: Nil) under the New Option Scheme.

## 19. RESERVES

## (a) Group

	Share premium	Investment properties revaluation reserve	Other properties revaluation reserve	Capital redemption reserve	Capital redemption reserve	Other reserves	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2002, as previously reported	916,573	225,338	106,095	183,844	484	27,801	(11,359)	189,357	1,638,133
Change in accounting policy									
- Provided for net deferred tax liabilities (note 1(m))	-	(92,765)	(33,574)	(843)	-	-	-	59,680	(67,502)
At 1st January 2002, as restated	916,573	132,573	72,521	183,001	484	27,801	(11,359)	249,037	1,570,631
(Deficit)/surplus on revaluation of investment properties (note 12(a))									
- gross	-	(203,865)	-	-	-	-	-	-	(203,865)
- taxation	-	35,144	-	-	-	-	-	-	35,144
Exchange translation differences	-	-	-	-	-	-	575	-	575
Issue of shares upon exercise of share options	12,739	-	-	-	-	-	-	-	12,739
Transfers	-	72,521	(72,521)	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	-	(12,174)	(12,174)
2001 final dividend paid	-	-	-	-	-	-	-	(14,057)	(14,057)
2002 interim dividend paid	-	-	-	-	-	-	-	(9,371)	(9,371)
At 31st December 2002	929,312	36,373	-	183,001	484	27,801	(10,784)	213,435	1,379,622
Representing:									
Reserves	929,312	36,373	-	183,001	484	27,801	(10,784)	194,693	1,360,880
2002 final dividend proposed	-	-	-	-	-	-	-	18,742	18,742
	929,312	36,373	-	183,001	484	27,801	(10,784)	213,435	1,379,622



## 19. RESERVES (continued)

## (a) Group (continued)

	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2003, as previously reported	929,312	127,568	183,844	484	27,801	(10,784)	176,367	1,434,592
Change in accounting policy								
- Provided for net deferred tax liabilities (note 1(m))	-	(91,195)	(843)	-	-	-	37,068	(54,970)
At 1st January 2003, as restated	929,312	36,373	183,001	484	27,801	(10,784)	213,435	1,379,622
(Deficit)/surplus on revaluation of investment properties (note 12(a))								
- gross	-	(20,666)	-	-	-	-	-	(20,666)
- taxation	-	125	-	-	-	-	-	125
Exchange translation differences	-	-	-	-	-	(231)	-	(231)
Profit for the year	-	-	-	-	-	-	45,150	45,150
2002 final dividend paid	-	-	-	-	-	-	(18,742)	(18,742)
2003 interim dividend paid	-	-	-	-	-	-	(14,057)	(14,057)
<b>At 31st December 2003</b>	<b>929,312</b>	<b>15,832</b>	<b>183,001</b>	<b>484</b>	<b>27,801</b>	<b>(11,015)</b>	<b>225,786</b>	<b>1,371,201</b>
Representing:								
Reserves	929,312	15,832	183,001	484	27,801	(11,015)	197,673	1,343,088
2003 final dividend proposed	-	-	-	-	-	-	28,113	28,113
	<b>929,312</b>	<b>15,832</b>	<b>183,001</b>	<b>484</b>	<b>27,801</b>	<b>(11,015)</b>	<b>225,786</b>	<b>1,371,201</b>

Other reserves are attributable to certain subsidiaries established in the PRC. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in the PRC. The amount set aside is determined by the Board of Directors of these subsidiaries at their financial year end.

## 19. RESERVES (continued)

## (b) Company

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2002	916,573	484	99,999	1,017,056
Issue of shares upon exercise of share options	12,739	–	–	12,739
Loss for the year	–	–	(3,229)	(3,229)
2001 final dividend paid	–	–	(14,057)	(14,057)
2002 interim dividend paid	–	–	(9,371)	(9,371)
	<u>929,312</u>	<u>484</u>	<u>73,342</u>	<u>1,003,138</u>
At 31st December 2002	<u>929,312</u>	<u>484</u>	<u>73,342</u>	<u>1,003,138</u>
Representing:				
Reserves	929,312	484	54,600	984,396
2002 final dividend proposed	–	–	18,742	18,742
	<u>929,312</u>	<u>484</u>	<u>73,342</u>	<u>1,003,138</u>
At 1st January 2003	929,312	484	73,342	1,003,138
Profit for the year	–	–	197,273	197,273
2002 final dividend paid	–	–	(18,742)	(18,742)
2003 interim dividend paid	–	–	(14,057)	(14,057)
	<u>929,312</u>	<u>484</u>	<u>237,816</u>	<u>1,167,612</u>
<b>At 31st December 2003</b>	<b><u>929,312</u></b>	<b><u>484</u></b>	<b><u>237,816</u></b>	<b><u>1,167,612</u></b>
Representing:				
Reserves	929,312	484	209,703	1,139,499
2003 final dividend proposed	–	–	28,113	28,113
	<u>929,312</u>	<u>484</u>	<u>237,816</u>	<u>1,167,612</u>

## 20. DEFERRED TAXATION – GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movement on the net deferred tax liabilities of the Group is as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
At 1st January	<b>54,970</b>	67,502
Exchange differences	–	29
Deferred taxation charged to profit and loss account	<b>14,264</b>	22,583
Taxation credited to investment properties revaluation reserves (note 19(a))	<b>(125)</b>	(35,144)
	<hr/>	<hr/>
At 31st December	<b>69,109</b>	54,970
	<hr/>	<hr/>

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$444,154,000 (2002: HK\$402,793,000) to carry forward against future taxable income. Included in the unrecognised tax losses, HK\$341,664,000 (2002: HK\$290,656,000) has no expiry date and the remaining losses will expire at various dates up to and including 2008.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities	Accelerated taxation depreciation		Fair values gains		Others		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	<b>6,825</b>	8,283	<b>91,195</b>	126,339	<b>1,471</b>	1,001	<b>99,491</b>	135,623
Charged/(credited) to profit and loss account	<b>(1,022)</b>	(1,458)	–	–	<b>(697)</b>	470	<b>(1,719)</b>	(988)
Credited to equity	–	–	<b>(125)</b>	(35,144)	–	–	<b>(125)</b>	(35,144)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	<b>5,803</b>	6,825	<b>91,070</b>	91,195	<b>774</b>	1,471	<b>97,647</b>	99,491
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**20. DEFERRED TAXATION – GROUP** (continued)

Deferred tax assets	Provisions		Tax losses		Others		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	(16,282)	(13,436)	(17,810)	(33,503)	(10,429)	(21,182)	(44,521)	(68,121)
Charged/(credited) to profit and loss account	(3,072)	(2,846)	13,441	15,693	5,614	10,753	15,983	23,600
At 31 December	(19,354)	(16,282)	(4,369)	(17,810)	(4,815)	(10,429)	(28,538)	(44,521)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2003 HK\$'000	2002 HK\$'000
Deferred tax assets	(24,093)	(39,849)
Deferred tax liabilities	93,202	94,819
	<b>69,109</b>	54,970

The amounts shown in the balance sheet include the following:

	2003 HK\$'000	2002 HK\$'000
Deferred tax assets to be recovered after more than 12 months	(24,093)	(39,849)
Deferred tax liabilities to be settled after more than 12 months	93,202	94,819

## 21. CONSOLIDATED CASH FLOW STATEMENT

## (a) Reconciliation of operating profit to cash generated from operations

	2003 HK\$'000	2002 HK\$'000
Operating profit	63,685	14,197
Depreciation	19,073	26,601
Interest income	(2,921)	(3,632)
Dividend income	(9)	–
Loss on disposal of fixed assets	1,045	1,286
Impairment of fixed assets	–	29,843
Unrealised loss on trading investments	–	330
	<hr/>	<hr/>
Operating profit before working capital changes	80,873	68,625
Decrease in stocks	13,526	14,053
Decrease/(increase) in debtors and prepayments	5,814	(13,095)
Increase in creditors, other payables and accruals	24,122	300
	<hr/>	<hr/>
Cash generated from operations	<b>124,335</b>	<b>69,883</b>

## (b) Analysis of changes in financing during the year

	Share capital and share premium		Dividends payable		Bank loans		Minority interests	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Balance at 1st January	1,023,023	1,004,284	–	–	–	3,371	2,733	1,885
Issue of shares upon exercise of share options	–	18,739	–	–	–	–	–	–
Minority interests in share of results	–	–	–	–	–	–	844	848
Repayment of bank loans	–	–	–	–	–	(3,371)	–	–
Dividends declared	–	–	32,799	23,428	–	–	–	–
Dividends paid	–	–	(32,799)	(23,428)	–	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	(1,692)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st December	<b>1,023,023</b>	<b>1,023,023</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,885</b>	<b>2,733</b>

**21. CONSOLIDATED CASH FLOW STATEMENT** *(continued)***(c) Analysis of balances of cash and cash equivalents**

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Bank balances and cash	<b><u>340,141</u></b>	<u>260,251</u>

**22. CONTINGENT LIABILITIES – COMPANY**

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Guarantees for credit facilities given to subsidiaries	<b><u>162,464</u></b>	<u>157,464</u>

At 31st December 2003 and 31st December 2002, the above facilities, which were covered by the Company's guarantee, were not utilised by the subsidiaries.

**23. COMMITMENTS – GROUP****(a) Commitments under operating leases – where the Group is the lessee**

At 31st December 2003, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Land and buildings		
Not later than one year	<b>2,551</b>	3,046
Later than one year and not later than five years	<b><u>1,199</u></b>	<u>930</u>
	<b><u>3,750</u></b>	<u>3,976</u>

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

The Company did not have any commitments at 31st December 2003 (2002: Nil).

**23. COMMITMENTS – GROUP** (continued)**(b) Commitments under operating leases – where the Group is the lessor**

The future minimum rental payments receivable under non-cancellable leases are as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Land and buildings		
Not later than one year	<b>36,349</b>	36,281
Later than one year and not later than five years	<b>96,732</b>	57,173
Later than five years	<b>68,141</b>	9,020
	<b>201,222</b>	102,474

**24. RELATED PARTY TRANSACTIONS – GROUP**

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

(a)	Note	<b>2003</b>	2002
		<b>HK\$'000</b>	HK\$'000
Building management fees paid to a related company	(i)	<b>756</b>	979
Professional fees paid to a related company	(ii)	<b>680</b>	320
Rental paid to a related company	(iii)	<b>251</b>	–
Administrative and conference fees received from a related company		<b>–</b>	531

Notes:

- (i) Guangzhou Silver Disk Property Management Company Limited provided building management services to a subsidiary of the Group. The fees were charged monthly at a fixed amount. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited.
- (ii) Equitas Capital Limited acted as financial advisor to the Group during the year for which professional fees of HK\$680,000 (2002: HK\$320,000) were paid by the Company. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director of, and a principal shareholder in Equitas Capital Limited.
- (iii) Rentals were paid to Guangzhou Goldlion City Properties Company Limited at a fixed monthly rate of HK\$72,000 for the period from 11th August 2003 to 31st December 2003 for lease of office area in Goldlion Digital Network Centre. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interest in Guangzhou Goldlion City Properties Company Limited.

**24. RELATED PARTY TRANSACTIONS – GROUP** *(continued)*

- (b) On 28th January 2003, Goldlion (Far East) Limited (“GFEL”), a subsidiary of the Company, and Mr. Ng Ming Wah, Charles entered into a Memorandum of Trust under which and in consideration of the indemnity given by Mr. Ng Ming Wah, Charles in the Memorandum, GFEL agreed to hold the legal title to a motor vehicle beneficially owned by Mr. Ng Ming Wah, Charles in trust for him.
- (c) On 18th July 2002, the Group, as lessor, entered into a lease with Guangzhou World Trade Center Club Company Limited (“GWTCCL”) as lessee and China World Trade Corporation (“CWTC”), the holding company of GWTCCL, as guarantor in respect of a business center and facilities therein located at Goldlion Digital Network Centre. During the year, the Group received HK\$3,448,000 (2002: HK\$1,579,210) from GWTCCL as rental payment under the lease. Mr. Tsang Chi Hung, a former executive director of the Company who resigned on 1st August 2002, has indirect beneficial interest in CWTCCL as he becomes a major shareholder of CWTC starting from 17th December 2002.

**25. APPROVAL OF ACCOUNTS**

The accounts were approved by the Board of Directors on 1st April 2004.



## FIVE YEAR FINANCIAL SUMMARY

	<b>Year ended 31.12.2003 HK\$'000</b>	Year ended 31.12.2002 HK\$'000 (Restated)	Year ended 31.12.2001 HK\$'000 (Restated)	Year ended 31.12.2000 HK\$'000 (Restated)	Nine months ended 31.12.1999 HK\$'000 (Restated)
Turnover	<b>511,258</b>	522,981	487,368	434,244	461,581
Operating profit/(loss)	<b>63,685</b>	14,197	33,527	(120,773)	35,425
Finance costs	–	(41)	(201)	(536)	(528)
Profit/(loss) before taxation	<b>63,685</b>	14,156	33,326	(121,309)	34,897
Profit/(loss) attributable to shareholders (i)	<b>45,150</b>	(12,174)	3,675	(137,372)	38,257
Total assets (i)	<b>1,688,800</b>	1,676,159	1,896,556	1,960,790	2,261,310
Total liabilities (including minority interests) (i)	<b>(223,888)</b>	(202,826)	(238,214)	(258,931)	(351,743)
Shareholders' funds	<b>1,464,912</b>	1,473,333	1,658,342	1,701,859	1,909,567

Notes:

- (i) The profit/(loss) attributable to shareholders for the three years and nine months ended 31st December 2002 and total assets and total liabilities as at 31st December 2002, 2001, 2000 and 1999 have been restated as a result of prior year adjustments in respect of provision for net deferred tax liabilities in accordance with SSAP 12 (revised) "Income taxes", issued by the HKSA.