

Chairman's Statement

GROUP RESULTS

For the year under review, the Group's consolidated turnover was HK\$430,328,000 (nine months ended 31.12.1999: HK\$461,581,000). Loss attributable to shareholders was HK\$124,313,000 (nine months ended 31.12.1999: profit of HK\$40,667,000).



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

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 2.5 HK cents per share (nine months ended 31.12.1999: 2 HK cents per share) for the year ended 31st December, 2000, representing a total payment of HK\$21,928,000 (nine months ended 31.12.1999: HK\$17,542,000). Such dividend is expected to be payable on 25th May, 2001 to shareholders whose names appear on the Register of members as at 18th May, 2001.

REVIEW OF OPERATIONS

Competition in China's garment industry will become more severe than ever before, especially after China's entry into the World Trade Organization (the "WTO"). The Group has implemented a series of internal reforms and restructuring initiatives during the year to increase the overall operational efficiency, to strengthen the enterprise's competitive strength, and to meet the challenges of the new century. The Group's business comprises two divisions, namely Apparel and Commercial Network.

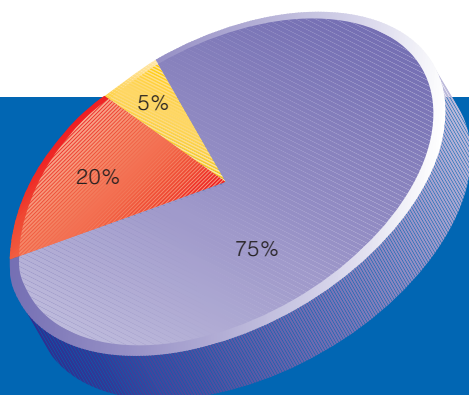
Apparel: This division is principally engaged in marketing and distribution of "GOLDLION" garments and accessories with China Mainland, Hong Kong and Singapore as major markets. It is the Group's core business.

Commercial Network: This division is principally engaged in property investment and the research and development of new projects.

The Directors believe that the above restructuring initiatives will effectively reflect the Group's current operational structure and the Group's future profit potential.



During the year under review, the Group has taken further cost control measures that involve streamlining through merges of various departments, as well as strategically moving specific functional departments to China Mainland, which will enable the Group to respond more swiftly to the demand and changes of the Mainland market. The Group has also recruited various experienced senior managerial staff in Hong Kong and in China Mainland who are responsible for different business developments in these two places. This will facilitate a more modernized and efficient managerial model in our businesses.



Group turnover by business segments for the year ended 31st December, 2000



Apparel

China Mainland Market:

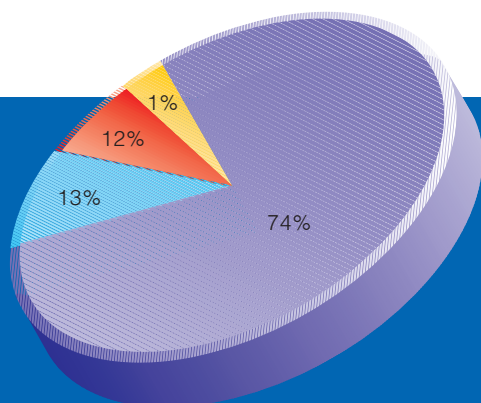
Turnover dropped by 16% compared with the previous period. This is mainly due to the increase in the number of emerging domestic brands and international garment brands entering into the China Mainland market in recent years, making the price war fiercer. Inefficient internal management structure and inexpedient operational practice also contributed to the decline in turnover. The Group was unable to handle the information of market changes and to take appropriate measures accordingly. Counterfeit GOLDLION products continued to bring negative effects on the Group's results.



Zhang Lian Wei, China top golf player, and GOLDLION golf line

On carrying out substantial personnel and policy reforms in June last year, the Group has strengthened its competitive strength by re-establishing its brand-sales integration strategy according to the market and reorganizing the structure, operational framework, design and production, and sales strategies. The main points include:

1. Changing the one-way trading relationship with agents and distributors to strategic cooperative partnership;
2. Implementing intensive operation in order to convert trading model into service sales model;



Group turnover by geographical area for the year ended 31st December, 2000



3. Enhancing the coordination and integration of various parts in our supply chain (including market information, product R&D, production, sales, and logistic management); implementing a market-oriented strategy that emphasizes good timing, appropriate sales and inventory levels; improving before- and after-sale customer services; introducing innovative ideas in franchised stores, packaging and imaging; diversifying advertising initiatives to achieve product innovation and better brand image;
4. Using computerized information management system to achieve better coordination of production and sales; minimizing the cost of production, maximizing production, lowering inventory levels, raising efficiency and improving market decision making;
5. Commitment to the fight against counterfeit products.

As the inventories carried from the previous years freeze a great deal of resources, the Group has launched a bargain sales program through different channels and effectively reduced the inventory volume.

After the termination of underperformed franchised counters and specialty stores and the inception of franchised counters and specialty stores in those cities with potential growth, there are over 700 sales outlets in the China Mainland market.



Hong Kong Market:

As the apparel retail market continue to decline and the lease of our franchised counters in some departments came to an end during the year, turnover in the local market dropped compared with the previous period. At present, there are 7 franchised counters and 1 specialty store in Hong Kong. The Group will make new plans for its business development in Hong Kong and look forward to achieve better results in the coming year.

Singapore Market:

The gradual recovery of the economy and the retail market has brought about an increase in both turnover and profits in this market. The Group will continue to develop products fit in with the market. At present, there are 20 franchised counters and 3 specialty stores in Singapore. The performance of the specialty stores has been especially encouraging. The Group is now expanding its market in Southeast Asia through the Singapore office. At the initial stage, the Group has set up a subsidiary in Malaysia which has already established a sales network with 40 outlets. The Group believes that the company will be able to break even and may even gain marginal profits in the first year of its operation.

Commercial Network

Property Investment:

During the year under review, the Group's rental income has increased by 81%, from the previous period's HK\$12,078,000, to HK\$21,861,000.

- Goldlion Digital Network Centre (formerly "Guangzhou Goldlion Tower") in Tianhe District, Guangzhou: A total office floor area of about 15,000 sq.m. has been leased out which represents an occupancy rate of more than 90% and benefits the Group with considerable rental income.
- Goldlion Holdings Centre in Shatin, Hong Kong: The 2nd to 4th floor of area of 11,750 sq.m. has been rented out at a satisfactory rental.
- 3 Yuk Yat Street in Tokwawan, Hong Kong: The Group bought the industrial building adjacent to one of the Group's property at 5 Yuk Yat Street. The total site area of these two building was 1,400 sq.m. Due to the unfavorable sentiment in the property market, the original plan of converting the area into residential use was shelved. The Group will continue to lease out the two buildings and will consider the possibility of combining these two sites for further development.



- Goldlion Commercial Building in Shenyang: Currently, the building has been undertaking an internal renovation. It will be available for rent in the third quarter of 2001 after the completion of refurbishment. The building has a total floor area of 16,500 sq.m. and is expected to generate rental income in 2002.

New Businesses:

To best leverage the opportunities brought about by the economic globalization and China's imminent accession to the WTO, the Group is now developing an new e-business establishment which will integrate services like property management, business intelligence, commerce connections, wholesale and retail marketing, business consultation, and business

entertainment into an "All-In-One" business centre. A total of approximately 5,500 sq.m. area within the Group's Goldlion Digital Network Centre located in Tianhe, Guangzhou is being used for the development of the named "Goldlion Global Commerce Centre" (the "GGCC") plan. By deploying the latest networking and broadband technologies, the GGCC will be able to provide its customers a most advanced and efficient business working environment, which will enable them to conduct business or recreational activities "anytime, anywhere", if they so choose. The establishment will definitely add positive value to the building on one hand, and more importantly will be in the position to act as a "business gateway" for international businessmen who are eyeing on the potential opportunities provided by China's entry into the WTO on the other hand.

Dependent upon satisfactory completion of the project in the coming financial year, the Group will consider setting up similar business service establishments in other major cities of China for materializing the goal of a "networked business service" e-business model where "people and technologies" can work harmoniously and efficiently towards our business objectives.



PROSPECTS

China's entry into the WTO will bring about enormous business opportunities and, at the same time, further intensify market competition. The Group is committed to enhancing the management of the Goldlion apparel products and brand in the market, and to overcoming the challenges posed by both domestic and foreign counterparts. Riding on the edge of abundant capital, the Group will take prudent and proactive measures to make the best of every investment opportunity and strive for solid performance.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend my gratitude to our staff for their dedication and continuous support.

Dr. Tsang Hin Chi

Chairman

11th April, 2001