

Directors' Report

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, 2000.

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 12 to the accounts.

An analysis of the Group's turnover and contribution to operating loss for the year, by principal activities and markets, is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated profit and loss account on page 28 of this annual report.

The Directors have not declared the payment of an interim dividend (nine months ended 31.12.1999: 3 HK cents per share, totalling HK\$26,313,000).

The Directors recommend the payment of a final dividend of 2.5 HK cents per share (nine months ended 31.12.1999: 2 HK cents), totalling HK\$21,928,000, which is to be payable on 25th May, 2001 to shareholders whose names appear on the Register of members on 18th May, 2001. This recommendation shall become effective subject to the approval of shareholders at the Annual General Meeting to be held on 18th May, 2001.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 18 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$115,000.

FIXED ASSETS

Details of the movements in fixed assets are set out in note 11 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out on pages 15 to 16.

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 58.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed 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 and up to the date of this report are:

Executive Directors:

TSANG Hin Chi

WONG Lei Kuan

Non-executive Directors:

WONG Yu Hong, Philip

NG Ming Wah, Charles

LAU Yue Sun

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

DIRECTORS' SERVICE CONTRACTS

Each of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan have entered into a service contract with the Company which may be terminated by either party by six months' written notice.

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 67, is the Chairman and a co-founder 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, vice chairman of The Chinese General Chamber of Commerce, Hong Kong and sits on the committees of several Hong Kong and Mainland trade associations. He is also a president of Tsang Hin Chi Education Foundation Commission, China State Education Committee, assistant managing director of Jinan University, Guangzhou, honorary principal of Jiaying University Guangdong, and a Honourable Citizen of Beijing, Harbin, Shenyang, Dalin and Guangzhou.

Mdm. Wong Lei Kuan, aged 64, is a co-founder of the Group and wife of the Chairman. She is a honorary chairman of Ka Ying Chow Commercial Association Limited, vice chairman of Hong Kong Federation of Women, standing committee member of The Chinese General Chamber of Commerce, Hong Kong and vice chairman of Ladies' Sub-Committee, member of Guangdong Committee of The C.P.P.C.C. and executive 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 DIRECTORS

Dr. the Honourable Wong Yu Hong, Philip, aged 62, 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, Hong Kong. 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. Ng Ming Wah, Charles, aged 52, graduated from the London Graduate School of Business Studies in England in 1974 with a Master's degree in Business Administration. He is the managing director of Equitas Capital Limited, an exempt dealer and exempt investment advisor under the Securities Ordinance of Hong Kong and has over 20 years of experience in corporate finance and investment banking. Mr. Ng was first appointed to the Board of Directors on 27th July, 1992.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)***NON-EXECUTIVE DIRECTORS** *(continued)*

Mr. Lau Yue Sun, aged 60, is the managing director and general manager of New Products enterprise Limited, New Products Investment Limited and Jip Fair Development Limited, as well as the 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 National Committee of the C.P.P.C.C., member of the first & second Election Committee of Hong Kong S.A.R., standing committee member of the Chinese General Chamber of Commerce, chairman of New Territories Commercial & Industrial General Association Limited. He is also an advisor to Educational Foundation of Guangdong Province, vice chairman of Guangdong General Chamber of Commerce and Shenzhen General Chamber of Commerce. Mr. Lau was awarded the Bronze Bauhinia Star of 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.

Senior Management

Mr. Tsang Chi Hung, aged 39, is the deputy general manager of the Group in charge of the Group's Commercial Network business which mainly comprises the property investment and new business development of the Group. Mr. Tsang had over 9 years of experience in management and leatherware manufacturing before joining the Group in 1992. He is a member of the Beijing Municipal Committee of the C.P.P.C.C, committee member of the Chinese General Chamber of Commerce, Hong Kong and vice chairman of Hong Kong United Youth Association Ltd. He is a Honourable Citizen of Guangzhou, PRC. He is a son of the Chairman.

Mr. Tsang Chi Ming, Ricky, aged 34, is the deputy general manager of the Group in charge of the Group's overall Apparel business and new business development. Mr. Tsang joined the Group in 1989. He is a member of Guangzhou Committee of The C.P.P.C.C., committee member of the Chinese General Chamber of Commerce, Hong Kong, vice chairman of Ka Ying Chow Commercial Association Limited, and an executive committee member of Guangzhou Federation of Industry and Commerce. He is a son of the Chairman.

Mr. Chan Kee Leung, Gary, aged 38, 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.

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

Mdm. Hu Bing Xin, aged 50, is the chief executive officer of the China Mainland market in charge of the Apparel operations. She joined the Group in June, 2000. Mdm. Hu won the title of "Superior Economist" in 1987 and held position of the general manager of several listed enterprises in China Mainland. With more than 20 years of experience in market development and sales management, she won the title of the "Nation's Women Red Flag in 1999", and the name of "Model Toiler" and "Excellent Entrepreneur" in Wuhan for numerous times. She is now the vice-chairman of the Wuhan Entrepreneur Association and the Hubei Entrepreneur Association.

Mr. Wong Kwok Ting, aged 51, is the chief operating officer of Hong Kong Apparel operations. He has more than 20 years of senior management experience in financial and garment industries prior to joining the Group in March, 2001. Mr. Wong holds a Master's degree in Business Administration of University of Santa Clara in California.

Mr. Quek Chew Teck, aged 39, re-joined the Group in 1998 as the general manager of Goldlion Singapore and is responsible for operations in Singapore and South East Asia. Mr. Quek holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore. He has 18 years of experience in marketing and over 10 years of experience in company management. He was the assistant general manager of Goldlion Singapore from 1987 to 1994.

Mr. Dieter Nothofer, aged 56, 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 39, 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 Apparel operations in China Mainland market.

Mr. Kam Yiu Kwok, aged 38, 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.

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

Mr. Yao Che Hin, aged 46, graduated from the McGill University Civil Engineering in 1978. Mr. Yao is a Registered Professional Engineer in Ontario, Canada. He is in charge of the property investment in both Hong Kong and China Mainland. He has over 10 years of experience in engineering design, project management, estate management and project development.

Mr. Pan Han Lin, aged 38, joined the Group in June 2000, is responsible for the management information system of the Apparel operations in China Mainland market. Mr. Pan graduated from Central China Science and Technology University with a Bachelor Degree of Applied Mathematics. He has 15 years of experience in management of information system and has worked with several listed companies in China Mainland.

DIRECTORS' INTEREST IN CONTRACTS AND COMPETING BUSINESSES

- (a) Equitas Capital Limited acted as financial advisor to the Group during the year for which professional fees of HK\$190,000 were paid by the Company. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and a principal shareholder of Equitas Capital Limited.
- (b) 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"). Details of the contract are set out in note 11(d) to the accounts.

Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan have beneficial interests in GPDL. 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 Group considers that its interest is adequately safeguarded.

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.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December, 2000, the interests of the Directors and chief executives in the shares and options of the Company as recorded in the register maintained by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company were as follows:

(a) Shares

Number of ordinary shares of HK\$0.10 each in the Company

Directors	Personal interests	Family interests	Corporate interests	Other interests	Total
Tsang Hin Chi	3,400,000	–	–	502,705,750	506,105,750
Wong Lei Kuan	1,210,000	–	–	502,705,750	503,915,750
Lau Yue Sun	725,000	–	–	–	725,000

Note: The shareholdings disclosed by Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan under the heading "other interests" in the above table refer to the same shares which were held by HSBC Holdings plc for Gold Trustee Holding Corporation and Silver Trustee Holding Corporation as disclosed in the paragraph headed "Substantial Shareholders" below.

(b) Options to subscribe for shares of the Company

Pursuant to the share option scheme of the Company which was approved at an extraordinary general meeting of the Company held on 26th August, 1992, the Board of Directors is authorised to grant 87,711,403 numbers of share options to subscribe the ordinary shares of the Company for the period to 25th August, 2002. No share options were outstanding as at 31st December, 2000.

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.

Save as disclosed above, none of the Directors and chief executives had any interests in the securities of the Company and its associated corporation as defined in the SDI Ordinance, and none of the Directors and chief executives or their respective spouses or children under 18 years of age, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

On 8th March, 2001, options to subscribe for 36,000,000 shares (subject to adjustment) of HK\$0.10 in the Company have been granted to two executive Directors pursuant to the share option scheme approved on 26th August, 1992. The grantees are entitled to exercise their options in whole or in part at a price of HK\$0.3136 per share (subject to adjustment). The options are exercisable in whole or in part at any time not less than six months from the date of acceptance to 25th August, 2002.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that the Company has been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executives.

Name of holder of securities	Type of securities	Securities held for (Note)				Total number
		Gold Trustee Holding Corporation	Silver Trustee Holding Corporation	Others		
		Number	Number	Number	Number	
HSBC Holdings plc	Shares of \$0.10 each	339,530,000	163,175,750	6,000		502,711,750
Silver Disk Limited	Shares of \$0.10 each	–	–	95,287,000		95,287,000

Note: HSBC Holdings plc 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 TRANSACTION

Related party transaction entered by the Group during the year ended 31st December, 2000, which also constitutes connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), required to be disclosed in accordance with Chapter 14 of the Listing Rules, is as follows:

The Group paid building management fees of HK\$1,229,000 on normal commercial terms to Guangzhou Silver Disk Property Management Company Limited in the ordinary course of its business. The building management fees were calculated at approximately HK\$9 per square meter on areas of vacant units of Goldlion Digital Network Centre (formerly "Guangzhou Goldlion Tower") owned by the Group. Mr. Tsang Chi Hung and Mr. Tsang Chi Ming, Ricky, chief executives of the subsidiaries of the Group, have direct beneficial interests in Guangzhou Silver Disk Property Management Company Limited.

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

For the year ended 31st December, 2000, the five largest customers in aggregate accounted for less than 30% of the Group's turnover. The five largest suppliers in aggregate and the largest supplier of the Group accounted for approximately 50% and 18% respectively by value of the Group's total purchases.

At no time during the year, had the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company share capital) any interests (as defined in the Listing Rules) in these major suppliers and customers.

CHANGE OF FINANCIAL YEAR END

The financial year end of the Company was changed from 31st March to 31st December with effect from 1st April, 1999. Accordingly, the accounts for the comparative period covered a period of nine months ended 31st December, 1999.

CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice as set out in 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. Reporting to the Board of Directors, the Audit Committee is dedicated to the review of matters within the purview of audit, such as financial statements and internal control, to protect the interests of the shareholders of the Company.

AUDITORS

The accounts for the year ended 31st December, 2000 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

The accounts for the nine months ended 31st December, 1999 and for the year ended 31st March, 1999 were audited by PricewaterhouseCoopers and Price Waterhouse respectively. PricewaterhouseCoopers replaced Price Waterhouse as auditors following the merger of Price Waterhouse and Coopers & Lybrand.

On behalf of the Board

Dr. Tsang Hin Chi

Chairman

Hong Kong, 11th April, 2001