

# 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 2001.

## **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 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 2001 are set out in the consolidated profit and loss account on page 27.

The Directors have declared an interim dividend of 1.5 HK cents per ordinary share, totalling HK\$13,157,000, which was paid on 18th October 2001 (2000: nil).

The Directors recommend the payment of a final dividend of 1.5 HK cents per share (2000: 2.5 HK cents) totalling HK\$13,157,000, which is to be payable on 30th May 2002 to shareholders whose names appear on the Register of members on 21st May 2002. This recommendation shall become effective subject to the approval of shareholders at the Annual General Meeting to be held on 21st May 2002.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

## **DONATIONS**

Charitable and other donations made by the Group during the year amounted to HK\$299,000.

## **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 14 to 15.

## **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company at 31st December 2001, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$99,999,000 (2000: HK\$37,900,000).

## **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 62.

## **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 were:

### **Executive Directors**

TSANG Hin Chi

WONG Lei Kuan

TSANG Chi Hung (appointed on 16th May 2001)

TSANG Chi Ming, Ricky (appointed on 16th May 2001)

### **Non-Executive Directors**

WONG Yu Hong, Philip

LAU Yue Sun

NG Ming Wah, Charles

In accordance with Article 92 of the Company's Article of Association, Messrs. Tsang Chi Hung and Tsang Chi Ming, Ricky, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 101 of the Company's Articles of Association, Dr. Tsang Hin Chi and Mr. Ng Ming Wah, Charles, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## **DIRECTORS' SERVICE CONTRACTS**

Messrs. Tsang Chi Hung and Tsang Chi Ming, Ricky have entered into service contracts with the Company which are not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Saved as disclosed above, 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 68, 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, 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, Ministry of Education of the PRC, deputy managing director of Jinan University, Guangzhou, honorary president of Jiaying University Guangdong, and a Honourable Citizen of Beijing, Harbin, Shenyang, Dalin and Guangzhou.

*Mdm. Wong Lei Kuan*, aged 65, 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, 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 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.

*Mr. Tsang Chi Hung*, aged 40, is the executive director of the Group in charge of the Group's Commercial Network business. 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 Limited. He is a Honourable Citizen of Guangzhou, PRC. He is a son of the Chairman.

*Mr. Tsang Chi Ming, Ricky*, aged 35, is the executive director of the Group in charge of the Group's Apparel business. 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.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(continued)*

### **Non-Executive Directors**

*Dr. the Honourable Wong Yu Hong, Philip*, aged 63, 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 treasurer 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 53, 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.

*Mr. Lau Yue Sun*, aged 61, 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 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.

### **Senior Management**

*Mr. Chan Kee Leung, Gary*, aged 39, 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 51, 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", and the name of "Model Toiler" and "Excellent Entrepreneur" in Wuhan. She is now the vice-chairman of the Wuhan Entrepreneur Association and the Hubei Entrepreneur Association.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(continued)*

### **Senior Management** *(continued)*

*Mr. Wong Kwok Ting*, aged 52, 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 40, re-joined the Group in 1998 as the general manager of Goldlion Singapore and is responsible for operations in Singapore and Malaysia. Mr. Quek holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore. He has more than 10 years experience in marketing and company management. He was the assistant general manager of Goldlion Singapore from 1987 to 1994.

*Mr. Dieter Nothofer*, aged 57, 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 40, 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 39, 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.

*Mr. Yao Cbe Hin*, aged 47, 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.

## 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"). Details of the contract are set out in note 11(d) to the accounts.

Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan, Mr. Tsang Chi Hung 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 received administrative and conference fees of HK\$438,000 from GGCP for regular use and lease of facilities of the Group's commercial center located at Goldlion Digital Network Centre.

- (b) The Group paid building management fees of HK\$915,000 to and received administrative and conference fees of HK\$466,000 from Guangzhou Silver Disk Property Management Company Limited ("SDPMCL"). Messrs. Tsang Chi Hung and Tsang Chi Ming, Ricky, are interested in these transactions to the extent that they 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

Pursuant to the Share Option Scheme ("the Scheme") approved by the shareholders at an Extraordinary General Meeting held on 26th August 1992, the Directors of the Company may, at their discretion, grant options to directors and full time employees of the Group to subscribe for shares of the Company subject to the terms and conditions stipulated therein.

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. The subscription price is set at no less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the grant of the option.

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the share capital of the Company in issue from time to time but excluding shares issued pursuant to the Scheme and the maximum number of shares in respect of which options may be granted to any one full time employee or director shall not exceed 25% of the maximum number of shares in respect of which options may granted under the Scheme.

# Directors' Report

## SHARE OPTIONS *(continued)*

There were no share options outstanding as at 31st December 2000. During the year, 60,000,000 share options with an exercise price of HK\$0.3136 per share (subject to adjustment) were granted and remained outstanding as at 31st December 2001. These share options were not exercised during the year. Details of the options are as follows:

Name of Directors	Options granted during year and held at 31st December 2001	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
Tsang Hin Chi	18,000,000	0.3136	8th March 2001	10th September 2001	25th August 2002
Wong Lei Kuan	18,000,000	0.3136	8th March 2001	10th September 2001	25th August 2002
Tsang Chi Hung	9,500,000	0.3136	8th March 2001	10th September 2001	25th August 2002
Tsang Chi Ming, Ricky	9,500,000	0.3136	8th March 2001	10th September 2001	25th August 2002
Continuous contract employees	5,000,000	0.3136	8th March 2001	10th September 2001	25th August 2002

*Note:* At 7th March 2001, the date immediately before the options were granted, the closing price per share was HK\$0.3900.

The Directors considered it is inappropriate to value the options granted during the year as a number of factors critical for the value cannot be determined accurately. Therefore, the Directors considered that any various speculative assumptions would not be meaningful but would be misleading to the shareholders.

The Scheme will expire on 25th August 2002. Moreover, Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") relating to share option scheme has been revised with effect from 1st September 2001. In order to comply with the relevant regulations, a resolution for the adoption of a new share option scheme will be proposed at the forthcoming Extraordinary General Meeting.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December 2001, the interests of the Directors and Chief Executive in the shares and options of the Company and its associated companies (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under section 29 of 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	–	–	503,160,750	506,560,750
Wong Lei Kuan	1,210,000	–	–	503,160,750	504,370,750
Lau Yue Sun	725,000	–	–	–	725,000
Tsang Chi Hung	–	–	–	503,160,750	503,160,750
Tsang Chi Ming, Ricky	1,404,000	–	–	503,160,750	504,564,750

*Note:* The shareholdings disclosed by Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan, Mr. Tsang Chi Hung and Mr. Tsang Chi Ming, Ricky 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

Share options are granted to Directors under the share option scheme approved by the shareholders at an Extraordinary General Meeting held on 26th August 1992. Refer to details under Share Options above.

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 Executive 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 Executive or their respective spouses or children under 18 years of age, had any right to subscribe for the securities in the Company, or had exercised any such right during the year.



## SUBSTANTIAL SHAREHOLDERS

As at 31st December 2001, 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 Executive.

Name of holder of securities	Type of securities	Securities held for (note)		Others Number	Total number
		Gold Trustee Holding Corporation Number	Silver Trustee Holding Corporation Number		
HSBC Holdings plc	Shares of \$0.10 each	339,530,000	163,630,750	6,000	503,166,750
Silver Disk Limited	Shares of \$0.10 each	–	–	95,742,000	95,742,000

*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 TRANSACTIONS

Related party transactions entered into by the Group during the year ended 31st December 2001, which also constitute connected transactions under the Listing Rules, are disclosed in accordance with Chapter 14 of the Listing Rules as follows:

- (a) The Group paid building management fees of HK\$915,000 to SDPMCL in the ordinary course of its business. The building management fees were charged monthly at amounts ranged from HK\$11,000 to HK\$31,000.
- (b) The Group received administrative and conference fees of HK\$466,000 from SDPMCL for regular use and lease of facilities of the Group's commercial center located at Goldlion Digital Network Centre. These fees were charged monthly at HK\$93,000.
- (c) The Group received administrative and conference fees of HK\$438,000 from GGCP for regular use and lease of facilities of the Group's commercial center located at Goldlion Digital Network Centre. These fees were charged monthly at HK\$88,000.

Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan, Mr. Tsang Chi Hung and Mr. Tsang Chi Ming, Ricky have beneficial interests in GGCP. Mr. Tsang Chi Hung and Mr. Tsang Chi Ming, Ricky, have direct beneficial interests in SDPMCL.

## 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 less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods to its 5 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

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 2001 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

The accounts for the year ended 31st December 2000 and for the nine months ended 31st December 1999 were audited by PricewaterhouseCoopers. The accounts for the year ended 31st March 1999 were audited by Price Waterhouse. 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 2002