



# Interim Report 2002



**Goldlion**<sup>®</sup>

**GOLDLION HOLDINGS LIMITED**  
*(incorporated in Hong Kong under the Companies Ordinance)*

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2002**

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30.6.2002</b>	<b>30.6.2001</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	248,197	225,773
Cost of sales		<u>(121,338)</u>	<u>(96,378)</u>
Gross profit		126,859	129,395
Other revenues	2	1,904	5,048
Selling and distribution costs		(56,377)	(55,805)
Administrative expenses		(61,480)	(52,765)
Impairment loss of commercial center	3	<u>(29,428)</u>	<u>–</u>
Operating (loss)/profit	4	(18,522)	25,873
Finance costs		<u>(37)</u>	<u>(114)</u>
(Loss)/profit before taxation		(18,559)	25,759
Taxation	5	<u>(866)</u>	<u>(417)</u>
(Loss)/profit after taxation		(19,425)	25,342
Minority interests		<u>(420)</u>	<u>(420)</u>
(Loss)/profit attributable to shareholders		<u><u>(19,845)</u></u>	<u><u>24,922</u></u>
Proposed interim dividend	6	<u><u>9,371</u></u>	<u><u>13,157</u></u>
		HK cents	HK cents
Basic (loss)/earnings per share	7	<u><u>(2.20)</u></u>	<u><u>2.84</u></u>
Fully diluted (loss)/earnings per share	7	<u><u>not applicable</u></u>	<u><u>2.81</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 30TH JUNE 2002**

	<i>Note</i>	<b>Unaudited 30.6.2002 HK\$'000</b>	<b>Audited 31.12.2001 HK\$'000</b>
Non-current assets			
Fixed assets	8	1,420,053	1,447,953
Current assets			
Stocks		112,453	125,152
Trade debtors	9	20,429	19,155
Prepayments and deposits		24,418	16,425
Trading investments		600	860
Bank balances and cash		227,603	224,029
		<u>385,503</u>	<u>385,621</u>
Current liabilities			
Creditors and bills payables	10	26,582	16,226
Other payables and accruals		62,574	78,413
Amounts due to related companies		918	6,894
Taxation payable		1,782	941
Bank loans and overdrafts		–	3,371
		<u>91,856</u>	<u>105,845</u>
Net current assets		<u>293,647</u>	<u>279,776</u>
Total assets less current liabilities		<u>1,713,700</u>	<u>1,727,729</u>
Financed by:			
Share capital	11	93,711	87,711
Reserves		1,617,684	1,624,976
Proposed dividend		–	13,157
Shareholders' funds		1,711,395	1,725,844
Minority interests		2,305	1,885
		<u>1,713,700</u>	<u>1,727,729</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2002**

	Unaudited								
	Share capital	Share premium	Properties revaluation reserve	Capital reserve	Capital redemption reserve	PRC statutory reserves	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2002	87,711	916,573	331,433	183,844	484	27,801	(11,359)	189,357	1,725,844
Gain not recognised in the consolidated profit and loss account									
Exchange differences	-	-	-	-	-	-	714	-	714
Exercise of share options (note 11)	6,000	12,739	-	-	-	-	-	-	18,739
Loss for the period	-	-	-	-	-	-	-	(19,845)	(19,845)
2001 final dividend	-	-	-	-	-	-	-	(14,057)	(14,057)
At 30th June 2002	<u>93,711</u>	<u>929,312</u>	<u>331,433</u>	<u>183,844</u>	<u>484</u>	<u>27,801</u>	<u>(10,645)</u>	<u>155,455</u>	<u>1,711,395</u>

	Unaudited								
	Share capital	Share premium	Properties revaluation reserve	Capital reserve	Capital redemption reserve	PRC statutory reserves	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2001	87,711	916,573	344,396	183,844	484	27,801	(9,871)	192,159	1,743,097
Loss not recognised in the consolidated profit and loss account									
Exchange differences	-	-	-	-	-	-	(959)	-	(959)
Profit for the period	-	-	-	-	-	-	-	24,922	24,922
2000 final dividend	-	-	-	-	-	-	-	(21,928)	(21,928)
At 30th June 2001	<u>87,711</u>	<u>916,573</u>	<u>344,396</u>	<u>183,844</u>	<u>484</u>	<u>27,801</u>	<u>(10,830)</u>	<u>195,153</u>	<u>1,745,132</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2002**

	<b>Unaudited</b>	
	<b>six months ended</b>	
	<b>30.6.2002</b>	<b>30.6.2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Net cash inflow from operating activities	18,035	23,347
Net cash used in investing activities	(15,705)	(18,701)
Net cash inflow from/(used in) financing activities	<u>4,682</u>	<u>(26,219)</u>
Increase/(decrease) in cash and cash equivalents	7,012	(21,573)
Cash and cash equivalents at the beginning of the period	220,658	262,269
Effect of foreign exchange rate changes	<u>(67)</u>	<u>47</u>
Cash and cash equivalents at the end of the period	<u><u>227,603</u></u>	<u><u>240,743</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	227,603	244,396
Short term bank loan	<u>–</u>	<u>(3,653)</u>
	<u><u>227,603</u></u>	<u><u>240,743</u></u>

## NOTES TO THE CONDENSED INTERIM ACCOUNTS

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim accounts (the “condensed interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim financial reporting, issued by the Hong Kong Society of Accountants.

The condensed interim accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The changes to the Group’s principal accounting policies and the effect of adopting these new policies are set out below:

(i) *SSAP 11 (revised): Foreign currency translation*

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

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

(ii) *SSAP 34: Employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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.

In prior periods, no provision was made for employee entitlements. However, the provision for annual leave in respect of prior periods has not been restated as the effect of this change is not material to the current and prior periods.

**NOTES TO THE CONDENSED INTERIM ACCOUNTS** *(Continued)*

**2. Revenues and segment information**

The Group is principally engaged in the distribution and manufacturing of garments, leather goods and accessories, property investments, and operation of a commercial center with restaurants and business centre. Revenues recognised during the period are as follows:

	<b>Six months ended</b>	
	<b>30.6.2002</b>	<b>30.6.2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sales of goods	219,273	207,045
Gross rental income from investment properties	14,081	15,088
Income from the operation of a commercial center	7,289	–
Building management fee	1,535	1,630
Royalty income	6,019	2,010
	248,197	225,773
Other revenues		
Interest income	1,904	5,048
Total revenues	250,101	230,821

An analysis of the Group's segment revenue and results for the period by business segment is set out as follows:

***Primary reporting format – business segments***

The Group is organised in the following segments:

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

Commercial network – Property investments and operation of a commercial center with restaurants and business centre (note 3).

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

**NOTES TO THE CONDENSED INTERIM ACCOUNTS** *(Continued)*

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

An analysis of the Group's segment revenue and results for the period by business segment is set out as follows:

	Six months ended 30.6.2002				Six months ended 30.6.2001			
	Commercial			Group	Commercial			Group
	Apparel	network	Eliminations		Apparel	network	Eliminations	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	225,292	22,905	–	248,197	209,055	16,718	–	225,773
Inter-segment sales	–	3,895	(3,895)	–	–	3,896	(3,896)	–
	<u>225,292</u>	<u>26,800</u>	<u>(3,895)</u>	<u>248,197</u>	<u>209,055</u>	<u>20,614</u>	<u>(3,896)</u>	<u>225,773</u>
Segment results	<u>33,662</u>	<u>(37,511)</u>		<u>(3,849)</u>	<u>33,964</u>	<u>465</u>		34,429
Unallocated costs				<u>(14,673)</u>				<u>(8,556)</u>
Operating (loss)/profit				(18,522)				25,873
Finance costs				<u>(37)</u>				<u>(114)</u>
(Loss)/profit before taxation				(18,559)				25,759
Taxation				<u>(866)</u>				<u>(417)</u>
(Loss)/profit after taxation				(19,425)				25,342
Minority interests				<u>(420)</u>				<u>(420)</u>
(Loss)/profit attributable to shareholders				<u>(19,845)</u>				<u>24,922</u>

***Secondary reporting format – geographical segments***

The Group mainly operates in the following three geographical areas:

China mainland – Apparel, property investments and commercial center operation.

Hong Kong SAR – Apparel and property investments.

Singapore and Malaysia – Apparel and property investments.



**NOTES TO THE CONDENSED INTERIM ACCOUNTS** *(Continued)*

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

An analysis of the Group's segment revenue and results for the period by geographical segment is as follows:

	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>30.6.2002</b>		<b>30.6.2001</b>	
	<b>Turnover</b>	<b>Segment results</b>	<b>Turnover</b>	<b>Segment results</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Geographical segments				
China mainland	189,873	(9,435)	169,748	29,479
Hong Kong SAR	27,116	1,927	24,872	326
Singapore and Malaysia	29,818	4,253	30,010	5,455
Other countries	1,390	(594)	1,143	(831)
	<u>248,197</u>	<u>(3,849)</u>	<u>225,773</u>	<u>34,429</u>
Unallocated costs		<u>(14,673)</u>		<u>(8,556)</u>
Operating (loss)/profit		<u><u>(18,522)</u></u>		<u><u>25,873</u></u>

**3. Impairment loss of commercial center**

In June 2002, the Group decided to change the mode of operation of a commercial center which comprises several restaurants and a business centre located at the Goldlion Digital Network Center in the PRC. On 18th July 2002, the Group entered into an agreement with a third party to lease out the premises occupied by, together with the furniture, fixtures and equipments of the commercial center effective on 1st August 2002 for a period of five years.

The Group made an assessment on the carrying amount of the fixed assets of the commercial center in accordance with SSAP 31, as a result of which an impairment loss of HK\$29,428,000 for these fixed assets was charged to the condensed consolidated profit and loss account.

The revenue and operating result relating to the commercial center are disclosed below and are included in the Commercial Network business segment:

	<b>Six months ended</b>	
	<b>30.6.2002</b>	<b>30.6.2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>7,289</u>	<u>-</u>
Operating loss including impairment loss	<u><u>(40,991)</u></u>	<u><u>(5,998)</u></u>

## NOTES TO THE CONDENSED INTERIM ACCOUNTS (Continued)

## 4. Operating (loss)/profit

	Six months ended	
	30.6.2002	30.6.2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating (loss)/profit is stated after crediting and charging the following:		
<b>Crediting</b>		
Provision for slow moving stocks written back	–	19,342
<b>Charging</b>		
Cost of stocks sold	115,556	111,796
Provision for slow moving stocks	3,089	–
Outgoings in respect of investment properties	2,693	3,924
Depreciation	16,553	12,180

## 5. Taxation

No Hong Kong profits tax has been provided for the period as the Group has no estimated assessable profit arising from Hong Kong for the period. Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profit for the six months' period ended 30th June 2001. Taxation on profits arising outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the condensed consolidated profit and loss account represents:

	Six months ended	
	30.6.2002	30.6.2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
Current period charge	–	400
Over provision in prior periods	(33)	–
	(33)	400
Taxation outside Hong Kong		
Current period charge	899	17
	866	417

**NOTES TO THE CONDENSED INTERIM ACCOUNTS** (*Continued*)

**6. Proposed interim dividend**

	<b>Six months ended</b>	
	<b>30.6.2002</b>	<b>30.6.2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend, proposed of 1 HK cent (2001: 1.5 HK cents) per ordinary share	9,371	13,157

*Note:*

At a meeting held on 17th September 2002, the directors declared an interim dividend of 1 HK cent per share. This proposed dividend is not reflected as a dividend payable in the condensed interim accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2002.

**7. (Loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on loss attributable to shareholders of HK\$19,845,000 (Six months ended 30.6.2001: profit of HK\$24,922,000).

The basic (loss)/earnings per share is based on the weighted average number of 903,817,332 (Six months ended 30.6.2001: 877,114,035) shares in issue during the period.

No diluted loss per share for the period ended 30th June 2002 is presented as all share options granted by the Company to employees were exercised on 11th April 2002 and no share options were outstanding as at 30th June 2002.

The diluted earnings per share for the six months ended 30th June 2001 is based on 886,474,074 ordinary shares which is the weighted average number of ordinary shares in issue during that period of 877,114,035 plus the weighted average number of 9,360,039 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

**8. Capital expenditure**

	<b>Fixed assets</b>
	<i>HK\$'000</i>
Net book value at 1st January 2002	1,447,953
Additions	17,609
Disposals	(309)
Impairment loss ( <i>note 3</i> )	(29,428)
Depreciation	(16,553)
Translation differences	781
	1,420,053
Net book value at 30th June 2002	

## NOTES TO THE CONDENSED INTERIM ACCOUNTS (Continued)

**9. Trade debtors**

The majority of the Group's turnover is on letter of credit or cash on delivery. At 30th June 2002, the age analysis of the trade debtors, net of provision, was as follows:

	<b>30.6.2002</b>	<b>31.12.2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	13,684	13,112
30-90 days	6,379	5,269
Over 90 days	366	774
	<u>20,429</u>	<u>19,155</u>

**10. Creditors and bills payables**

At 30th June 2002, the age analysis of the creditors and bills payable was as follows:

	<b>30.6.2002</b>	<b>31.12.2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	9,455	5,307
30-90 days	10,583	4,837
Over 90 days	6,544	6,082
	<u>26,582</u>	<u>16,226</u>

**11. Share capital**

	<b>30.6.2002</b>	<b>31.12.2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
1,200,000,000 (31.12.2001: 1,200,000,000) shares of HK\$0.10 each	<u>120,000</u>	<u>120,000</u>
<i>Issued and fully paid:</i>		
937,114,035 (31.12.2001: 877,114,035) shares of HK\$0.10 each	<u>93,711</u>	<u>87,711</u>

**NOTES TO THE CONDENSED INTERIM ACCOUNTS** (Continued)

**11. Share capital** (Continued)

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

	<i>Number of shares at HK\$0.10 each</i>	<i>HK\$'000</i>
At 1st January 2002	877,114,035	87,711
Issue of shares upon exercise of share options (note)	<u>60,000,000</u>	<u>6,000</u>
At 30th June 2002	<u><u>937,114,035</u></u>	<u><u>93,711</u></u>

*Note:*

Pursuant to the share option scheme of the Company adopted on 26th August 1992, the Company issued 60,000,000 new ordinary shares of HK\$0.10 each in the capital of the Company to option holders upon exercise of their share options at a price of HK\$0.3136 during the period.

All the new ordinary shares issued by the Company during the period ranked pari passu with the then existing shares of the Company in all respects.

**12. Commitments**

(a) *Capital commitments*

	<b>30.6.2002</b> <i>HK\$'000</i>	<b>31.12.2001</b> <i>HK\$'000</i>
Contracted but not provided for	<u>5,599</u>	<u>19,201</u>

(b) *Commitments under operating leases – where the group is the lessee*

At 30th June 2002, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:-

	<b>30.6.2002</b> <i>HK\$'000</i>	<b>31.12.2001</b> <i>HK\$'000</i>
Land and buildings		
Not later than one year	4,159	7,807
Later than one year and not later than five years	<u>1,542</u>	<u>4,103</u>
	<u><u>5,701</u></u>	<u><u>11,910</u></u>

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

## NOTES TO THE CONDENSED INTERIM ACCOUNTS (Continued)

## 12. Commitments (Continued)

(c) Commitments under operating leases – where the group is the lessor

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

	<b>30.6.2002</b>	<b>31.12.2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
Not later than one year	26,491	19,813
Later than one year and not later than five years	33,477	26,102
Later than five years	10,180	12,317
	<u>70,148</u>	<u>58,232</u>

## 13. Related party transactions

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

		<b>Six months ended</b>	
		<b>30.6.2002</b>	<b>30.6.2001</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Administrative and conference fees received from a related company	<i>(a)</i>	526	–
Building management fees paid to a related company	<i>(b)</i>	(610)	(165)
Professional fees paid to a related company	<i>(c)</i>	<u>(120)</u>	<u>–</u>

- (a) Administrative and conference fees were received from Guangzhou Goldlion City Properties Company Limited at a fixed monthly rate of HK\$88,000 for regular use and lease of facilities of the Group's commercial center located at Goldlion Digital Commercial Center. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan, Mr. Tsang Chi Hung and Mr. Tsang Chi Ming, Ricky have beneficial interest in Guangzhou Goldlion City Properties Company Limited.
- (b) Guangzhou Silver Disk Property Management Company Limited provided building management services to certain subsidiaries of the Group. The fees were charged monthly at fixed amounts. Mr. Tsang Chi Hung and Mr. Tsang Chi Ming, Ricky, have direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited.
- (c) Equitas Capital Limited acted as financial advisor to the Group during the period for which professional fees of HK\$120,000 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.

**NOTES TO THE CONDENSED INTERIM ACCOUNTS** *(Continued)*

**14. Comparative figures**

- (a) Royalty income of HK\$2,010,000 in the condensed consolidated profit and loss account for the six months ended 30th June 2001 has been reclassified as turnover to conform with the current period's presentation with no effect on the operating results.
  
- (b) Certain financial figures in the condensed consolidated cash flow statement for the period ended 30th June 2001 have been restated due to the adoption of SSAP15 (revised). Tax paid of HK\$1,441,000 and interest paid of HK\$115,000 have been included in the cash flows from operating activities, interest received of HK\$5,224,000 has been included in cash flows from investing activities, whereas dividend paid of HK\$21,928,000 has been included in cash flows from financing activities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Results

The total turnover of the Group for the six months' period ended 30th June 2002 was HK\$248,197,000, which was 10% higher than the HK\$225,773,000 for the same period last year. During the period, the loss attributable to shareholders was HK\$19,845,000 as the Group had incurred an impairment loss of HK\$29,428,000 for the fixed assets of a commercial center. The profit attributable to shareholders for the same period in 2001 was HK\$24,922,000.

### Financial Position

As at 30th June 2002 the Group's cash and bank balances were approximately HK\$227,603,000, which is approximately HK\$3,574,000 higher than that at the end of last year. During the period, the Group had a net cash inflow of approximately HK\$18,035,000 from operating activities and another net cash inflow of HK\$18,739,000 from issue of new shares on exercise of share options, but these inflows were partly offset by an outflow of approximately HK\$17,609,000 for the addition of fixed assets of the "Goldlion Commercial Building" in Shenyang, PRC and the payment of final dividend of HK\$14,057,000.

The Group's current ratio stood at 4.2 as at 30th June 2002. Total liabilities amounted to HK\$91,856,000. The debt equity ratio was 0.05, based on the average shareholders' equity of HK\$1,718,620,000. As at 30th June 2002, the Group did not have any bank loans or overdrafts. The bank loan of HK\$3,371,000 at the end of last year was fully repaid during the period.

As at 30th June 2002, the Group did not have any other capital commitment apart from HK\$5,599,000 contracted but not provided for in respect of the interior decoration of the "Goldlion Commercial Building" in Shenyang. In view of the Group's strong cash position, the Group will finance the above capital commitment with its internal resources. Apart from the above, the Group has no major plan of investment at present.

With extensive businesses in the China mainland and Singapore markets, the Group is exposed to the risk of exchange rate fluctuations of currencies in these regions. In order to minimize the foreign exchange risks associated with such currencies, the Group increased its direct purchases from local suppliers during the period. Further, the Group did not invest in the hedging of foreign currencies during the period.

As at 30th June 2002, the Group had neither any asset charges nor contingent liabilities.



**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

**Business Review**

In accordance with the established structure, the Group's businesses are divided into two major segments, namely the Apparel and the Commercial Network. The Apparel segment represents the Goldlion's traditional business of distributing garments and accessories. The Commercial Network segment comprises property investments and the operation of a commercial center with restaurants and business centre.

**Apparel Business**

*China Mainland Market:*

During the period, the turnover for sales of goods of the apparel business in PRC registered a 6% growth over that of the same period last year. However, it failed to meet the expectation of the management, as sales were hampered by the abnormal weather condition in the PRC in the second quarter of this year. During the period under review, competition in the PRC apparel market was extremely keen. In response to such a market environment, the Group's PRC subsidiaries have strengthened their business ties with major distributors. In particular, they have enhanced their services to distributors in a more scientific management approach, which enabled the Group to know more timely on the distributors' demand of the products and their inventory information for the purpose of attaining a more efficient supply and circulation of inventory. Meanwhile the Group also offered professional advice and assistance to distributors including the training of their frontline salesmen and the display of merchandise.

In terms of production materials, the Group has focused more on the concepts of environmental protection and high technology to enhance the style and standing of its products. As to quality control, the Group's clothes making subsidiary in PRC has obtained the ISO9001:2000 certification for apparel design and production as a recognition of product quality at international standard.

During the period under review, the Group's PRC subsidiaries continued the combat against trademark infringement to protect the brand's position, and the Group successfully cracked down on certain infringement activities during the period.

**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)***Apparel Business** *(Continued)**China Mainland Market: (Continued)*

Royalty income of the Group during the period increased more than double of the amount for the same period last year. Up till now, the Group's PRC subsidiaries have granted the licences for Goldlion leather shoes and Goldlion leatherware series separately to two independent operators. The management is considering the feasibility of granting further licenses for other products and expects the provision of royalty income as a considerable and steady source of revenue to the Group.

*Singapore and Malaysia Markets:*

During the period, the turnover from the Singapore market remained much the same as that of last year in terms of Hong Kong dollars and decreased by 3% in terms of local currency. This is due to the continuous economic slowdown in Singapore. Notwithstanding this, the Group is able to maintain a dominant market share as in most of the department stores, Goldlion is one of the best selling brands when compared with the sales of competitive merchandise.

Likewise the Malaysia market was also hurt by the feeble economy. In terms of local currency, turnover during the period was dropped by 4% as compared to the same period last year. Nonetheless, the local operation managed to breakeven during the period.

*Hong Kong Market:*

Despite the ongoing contraction of the local retail market, turnover of the apparel business for the first six months of the year increased 9% over the same period last year. This was mainly attributable to the Group's efforts in expanding its wholesale business in local department stores and the launching of a new line of men's underwear collection in the second half of last year.

During the period, the Group maintained its operation of seven counters and one franchised store. Total turnover from these retail outlets recorded a slight increase over that of the same period last year. The Group is looking for other potential retail outlets and planning to refurbish the existing outlets to match with the Group's established image.

**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

**Commercial Network Business**

*Property Investment:*

During the period under review, the Hong Kong property market remained sluggish. The continuous decline of rents and the rise of overall vacancy rate both hit the Group's real properties. Meanwhile the property market in PRC, particularly in Guangzhou area, was relatively strong, with rental and occupancy rate both at sustainable levels. During the period, total rental income and building management fees for the Group decreased 7% as compared to the same period last year.

- The Goldlion Digital Network Center in Tianhe District, Guangzhou maintained an average occupancy rate of over 90% during the period, with rental income at a level similar to that of last year. A number of leases entered into at relatively lower rentals in previous years expired during the period and were replaced by leases with more favourable terms. The rental of the building is comparable to the rental value of Grade A commercial buildings in the same region. The management anticipates a growth in the overall rental income of the building.
- The interior decoration of the "Goldlion Commercial Building" in Shenyang has been completed and the building is scheduled to go on trial business in September this year. The building is to operate in leasing of shop spaces. For the purpose of attracting tenants, the Group has offered favourable rentals and rent-free terms in the initial period. Occupancy rate is satisfactory and over 94% of the space presently available for lease has been rented out. The management is optimistic about the lease prospects.
- A total floor area of 11,750 square meters in Goldlion Holdings Centre in Shatin, Hong Kong continued to be leased out during the period, except for one of the floors with about 3,900 square meters, the lease agreement of which was expired in May this year. The Group is now actively looking for a new tenant for the above vacant floor.
- In view of the poor market condition, the Group has no immediate plan of redeveloping the buildings located at 3 and 5 Yuk Yat Street, Tokwawan and instead holds these two buildings for lease purposes. Yet the Group continues to explore other development feasibilities of these properties.

**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)***Commercial Network Business** *(Continued)**Commercial Center:*

The Group's "Goldlion Global Commercial Center" on the third and fifth floors and part of the fourth floor inside the Goldlion Digital Network Center in Tianhe District, Guangzhou opened for business in August 2001. This Commercial Center has added value to the leasing business of the building. However, the operating performance since its opening did not meet expectation and continued to record a loss. In the first six months of this year, the operating loss amounted to HK\$11,563,000, of which depreciation on fixed assets accounted for HK\$6,745,000.

In June 2002, an international business club approached the Group proposing to lease the premises occupied by, together with the furniture, fixtures and equipments of the commercial center. After careful consideration of the relative economic benefits, the Group decided to lease the premises occupied by, together with the furniture, fixtures and equipments of, the commercial center to the said business club from August this year onwards for the purpose of securing a stable source of rental income. In complying with the requirements in the Hong Kong Statement of Standard Accounting Practice 31 "Impairment of Assets" issued by the Hong Kong Society of Accountants, the Group made an assessment of the furniture, fixtures and equipments of the commercial center and made a provision of HK\$29,428,000 for impairment loss of fixed assets based on the assessment result.

**Prospects**

Competition has never been so keen as a result of market liberalization following China's accession to the WTO. Worse still, both local and foreign economies remain sluggish with weak consumer confidence. In spite of such difficulties, the Group will stick to its prudent yet progressive approach. Capitalising on its strength, in particular its abundant cash and zero bank loan position, the Group will on one hand maintain and expand its existing market share, while on the other hand explore and develop profitable business and products.

**Human Resources**

As at 30th June 2002, the Group has a total of approximately 1,300 staff. However, due to the cease of operation of the Goldlion Global Commercial Center, Guangzhou in the end of July this year, the total number of staff is now approximately 1,060. The remuneration policy of the Group is determined with reference to various factors including job nature, individual performance, qualification, experience and market condition. The management of the Group conducts regular review in respect of the remuneration policy.

## **OTHER INFORMATION**

### **Interim Dividend**

The Directors have declared an interim dividend of 1 HK cent per share (2001: 1.5 HK cents per share) for the year ending 31st December 2002 totally HK\$9,371,000 (2001: HK\$13,157,000). Such dividend is expected to be payable on 17th October 2002 to shareholders whose names appear on the Register of members as at 11th October 2002.

### **Closure of Register of Member**

Register of Members of the Company will be closed from 9th October 2002 to 11th October 2002 (both days inclusive), during which period no transfer will be effected.

In order to qualify for the abovementioned interim dividend, all transfers accompanied by the relevant shares certificates must be lodged by 4:00 p.m. on Tuesday, 8th October 2002 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

### **Purchase, Sale or Redemption of Shares**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

**OTHER INFORMATION** (Continued)**Share Options**

The Share Option Scheme of the Company adopted on 26th August 1992 (the “Old Option Scheme”) was expired on 25th August 2002.

At the Extraordinary General Meeting of the Company held on 21st May 2002, the shareholders of the Company 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 in the service of the Group and other persons who may make a contribution to the Group.

As at 30th June 2002, no share options were outstanding under the Old Option Scheme. No options have been granted under the New Option Scheme.

A summary of the movements of share options during the six months ended 30th June 2002 pursuant to the Old Option Scheme is set out below.

Eligible person	Number of share options				Balance as at 30.6.2002	Exercise price per share HK\$	Date of grant	Exercisable period
	Balance as at 01.1.2002	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period				
<i>Directors</i>								
Tsang Hin Chi	18,000,000	-	18,000,000	-	-	0.3136	8. 3. 2001	10. 9. 2001 to 25. 8. 2002
Wong Lei Kuan	18,000,000	-	18,000,000	-	-	0.3136	8. 3. 2001	10. 9. 2001 to 25. 8. 2002
Tsang Chi Hung*	9,500,000	-	9,500,000	-	-	0.3136	8. 3. 2001	10. 9. 2001 to 25. 8. 2002
Tsang Chi Ming, Ricky	9,500,000	-	9,500,000	-	-	0.3136	8. 3. 2001	10. 9. 2001 to 25. 8. 2002
<i>Continuous contract employees</i>	5,000,000	-	5,000,000	-	-	0.3136	8. 3. 2001	10. 9. 2001 to 25. 8. 2002

\* *Mr. Tsang Chi Hung resigned as a director of the Company with effect from 1st August 2002.*

**Notes:**

1. The closing price per share immediately before the option granted on 8th March 2001 was HK\$0.3900
2. The weighted average closing price of the shares immediately before the dates of exercise was HK\$0.6500

**OTHER INFORMATION** *(Continued)*

**Directors' Interests in Equity or Debt Securities**

At 30th June 2002, 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

<b>Directors</b>	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	<b>Other interests</b>	<b>Total</b>
Tsang Hin Chi	21,400,000	–	–	503,160,750	524,560,750
Wong Lei Kuan	19,210,000	–	–	503,160,750	522,370,750
Lau Yue Sun	725,000	–	–	–	725,000
Tsang Chi Hung	9,500,000	–	–	503,160,750	512,660,750
Tsang Chi Ming, Ricky	10,904,000	–	–	503,160,750	514,064,750

*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 were 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.

**OTHER INFORMATION** (Continued)**Directors' Interests in Equity or Debt Securities** (Continued)

Save as disclosed above, at no time during the period 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 period.

**Substantial Shareholders**

As at 30th June 2002, 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



**OTHER INFORMATION** *(Continued)*

**Substantial Shareholders** *(Continued)*

*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.

**Corporate Governance**

The Directors are not aware of any information that would indicate that the Company was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the period 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, 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.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim accounts. At the request of the Board of Directors, the Group’s external auditors have carried out a review of the unaudited interim accounts in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

On behalf of the Board  
**Tsang Hin Chi**  
*Chairman*

Hong Kong, 17th September 2002