



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

GROUP RESULTS

The total turnover of the Group for the financial year ended 31st December 2002 was HK\$522,981,000, which was 7% higher when compared with the turnover recorded in 2001 of HK\$487,368,000. Major income sources of the Group during the year, including sales of goods, rental income from investment properties and royalty income, have all recorded growth.

However, a provision for impairment loss of HK\$29,428,000 was made for the furniture, fixtures and equipments of the "Goldlion Commercial Center" in Guangzhou during the year. As a result, profit attributable to shareholders for the year was HK\$10,438,000, representing a decrease of 68% when compared to that of HK\$32,283,000 in 2001.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 2 HK cents per share (2001: 1.5 HK cents per share) for the year ended 31st December 2002, totalling HK\$18,742,000 (2001: HK\$13,157,000), which is to be payable on 5th June 2003 to shareholders whose names appear on the Register of Members as at 23rd May 2003.

BUSINESS REVIEW

According to the business structure of the Group, the Group's operation is divided into two major segments, namely the Apparel segment and the Commercial Network segment. The Apparel segment represents the traditional business of Goldlion in the distribution of garments and accessories. The Commercial Network segment represents the Group's property investment business and the operation of a commercial center, which comprises catering and a business centre. However, the mode of operation of the commercial center has changed since August 2002.

Apparel Business

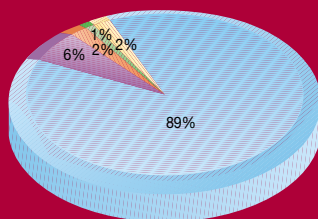
China Mainland Market:

During the year, the Group's apparel business in China mainland maintained a steady growth; sales increased by 5% from last year. To cater for the competition anticipated after China's entry into the WTO, the Group made adaptations in several areas in order to increase its competitiveness:

- The Group's China mainland subsidiaries focused on increasing the coverage of Goldlion's products in major shopping centers with high sales volume and also aimed to increase the sales figures in these shopping centers. As a result, distribution network of the Group became more comprehensive and the quality of the mix of the sales outlets was enhanced.
- In respect of distribution of goods, the advance ordering system was further improved during the year so that recognition of the Goldlion products and market awareness among our distributors were strengthened. This allowed the Group to reduce its risk in inventory control and the timing of production can be managed more effectively.
- To follow the trend around the world, the concept of executive casual style was penetrated in the design of the Goldlion fashion to enhance the elegance and standing of the products.
- The renovation of all sales outlets have been renewed and unified to highlight the unique character of Goldlion products. The new display is expected to further enhance the image and positioning of the Goldlion brands.



The Group's turnover by nature of income for the year ended 31st December 2002



- Sales of goods
- Rental income from investment properties
- Income from operation of a commercial center
- Building management fee
- Royalty income



- The management information system adopted by the Group last year was running steadily and efficiently during the year. This not only provided the Group with real-time market information in this ever changing operating environment, but also increased the efficiency of management of the Group's China mainland subsidiaries.

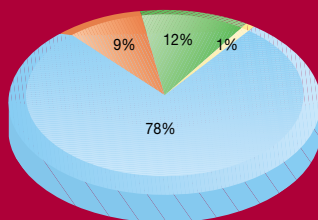
Singapore and Malaysia Markets:

In Singapore, even though the economy continued to remain stagnant and the retail market remained weak during the period under review, the Group still maintained a satisfactory result. Turnover valued in Hong Kong dollars was 7% higher than last year and represented a modest growth in terms of local currency. In most of the shopping centers, Goldlion remained one of the best selling brands among similar products. This demonstrated that Goldlion products were widely accepted by the local customers and continued to maintain its competitive advantage.

In Malaysia, the Group commenced its business through a progressing operating strategy in 2001 and was able to immediately achieve breakeven. During the period under review, sales increased 4% in terms of local currency against last year and a marginal profit contribution was recorded during the year, reflecting the operating strategy currently adopted is appropriate.



The Group's turnover by geographical segments for the year ended 31st December 2002



- China Mainland
- Hong Kong SAR
- Singapore & Malaysia
- Others





Hong Kong Market:

With regard to the retail market in Hong Kong, the Group opened a new shop in Hung Hom at the end of December 2002 to replace the shop in Mongkok, the lease of which expired in November 2002. The Group currently has 6 counters and 1 shop in Hong Kong. The local retail business environment remained weak during the year. However, sales of the Group remained stable and certain retail outlets were able to record increase in sales during the year as compared with last year.

During the year, the Group has successfully set up a distribution network of wholesale and consignment in major domestic department stores and the preliminary result was encouraging. The Group expects that such business will become an important driver of the local business of the Group.

Royalty income

The royalty income of the Group surged to HK\$13,047,000 during the year when compared with HK\$5,478,000 of last year. The Group licensed the Goldlion leather series in November 2001. This together with the licence of leather shoes, which was granted earlier, provided the Group with substantial royalty income during the year.

In November 2002, the Group further granted the licence of watches covering regions mainly in China to an international watch group. It is expected that the new agreement will generate royalty income to the Group from mid 2003.

Commercial Network Business

Property Investment:

During the year, the property market in China mainland remained satisfactory. The rental income as well as the overall occupancy rate in major cities, such as Guangzhou, continued to improve and so the Group's investments in properties were benefit from that. However, the property market in Hong Kong continued to deteriorate, rentals were decreasing and the overall occupancy rate continued to drop. Under these conditions, the Group achieved a promising increase of 6% in rental income from last year.

- Leasing of the "Goldlion Digital Network Center" in Tianhe, Guangzhou was satisfactory. Overall occupancy rate was over 90% in average and rental income was 6% higher than that of last year. The increase of rental income was mainly attributed to the renewal of a number of leases with more favourable terms during the year. It is anticipated that such favourable conditions will continue.
- The interior renovation and refurbishment of the "Goldlion Commercial Building" in Shenyang was completed during the year. The building was operated as a shopping mall and leasing was commenced in September 2002 with an acceptable initial response. However, due to the persisting excessive supply of shopping malls in that area, the Group has to adjust its leasing strategies to attract and maintain potential and existing tenants. Numerous measures have been launched respectively and their positive effects are expected to be visible in the second half of 2003.
- Three floors in "Goldlion Holdings Centre" located in Shatin, Hong Kong continued to be leased out during the year. Besides, most of the area of another floor of the said building was successfully leased out in December 2002.
- During the year, leasing of the two buildings at No. 3 and 5 Yuk Yat Street, Tokwawan, Hong Kong was not satisfactory. The Group will consider from time to time the latest market conditions to adjust its future leasing strategies of the buildings.

Since the outlook for the property market is still uncertain and in particular the property market in Hong Kong continued to be weak, the value of the investment properties held by the Group decreased when a valuation was made by professional valuer at the end of 2002. The relevant decrease was transferred to the investment property revaluation reserve.

Commercial Center:

The Group's "Goldlion Global Commercial Center" on the third and fifth floors and on part of the fourth floor in the "Goldlion Digital Network Center" in Tianhe, Guangzhou was formally opened in August 2001. However, the operating performance since its opening was below expectation and continued to incur losses. The operating loss during the period from the beginning of the year up to the change in mode of operation was approximately HK\$12,318,000, of which HK\$6,824,000 was depreciation of the fixed assets.

In June 2002, the Group was approached by an international business club for the proposed leasing of the premises together with the furniture and equipment therein. After considering the relative economic benefits, the Group decided to lease the premises together with the furniture and equipment to the club from August 2002 in return for stable rental income. In compliance with the Statements of Standard Accounting Practice 31 "Impairment of Assets" issued by the Hong Kong Society of Accountants, the Group has made an assessment of the furniture and equipment of the commercial center and a provision for impairment loss of HK\$29,428,000 was made accordingly.

PROSPECTS

The management of the Group reviews its businesses regularly and adopts appropriate measures to adjust its operations if necessary. Apart from closing down those businesses with adverse prospects, the Group also focused more on businesses with immediate profit contribution or with good potential. Preliminary results of these corporate restructuring measures are positive. Looking ahead towards 2003, there will be much more severe competition in the apparel industry when the China mainland market is open following its entry into the WTO and the penetration of foreign brands into China mainland. However, these competitions will stimulate the Group to strive for enhancing profitability of the Goldlion brands. The Group will further exploit the market through a distinct market positioning and a more flexible business strategy. The Group will also provide customers with more efficient services and input more innovative and lively concepts in the development of its products.

Although the market conditions in Singapore and Hong Kong remain stagnant during the year, the overall performance in Singapore was satisfactory while Hong Kong was still below our expectations. The market outlook in these regions is still very uncertain. The Group has laid down its target to surpass its performance than last year by enlarging its market share.

Currently the Group has various valuable assets for growth. These include abundant cash on hand and zero bank loans, an integrated and stable distribution network in major markets, and holding of investment properties that can generate steady rental return. The Group will also take good advantage of the above valuable resources to achieve its established goal in increasing shareholders' return.

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

Hong Kong, 8th April 2003