

REPORT OF THE DIRECTORS

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 2002.

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 14 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 2002 are set out in the consolidated profit and loss account on page 28.

The Directors declared an interim dividend of 1 HK cent per ordinary share, totalling HK\$9,371,000, which was paid on 17th October 2002 (2001: HK\$13,157,000).

The Directors recommend the payment of a final dividend of 2 HK cents per share (2001: 1.5 HK cents) totalling HK \$18,742,000, which is to be payable on 5th June 2003 to shareholders whose names appear on the Register of members on 23rd May 2003. This recommendation shall become effective subject to the approval of shareholders at the Annual General Meeting to be held on 23rd May 2003.

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\$129,000 (2001: HK\$299,000).

FIXED ASSETS

Details of the movements in fixed assets are set out in note 13 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out on pages 14 to 15.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2002, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$73,342,000 (2001: HK\$99,999,000).

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 64.

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 Ming, Ricky

TSANG Chi Hung (resigned on 1st August 2002)

Non-executive Directors

WONG Yu Hong, Philip

LAU Yue Sun

NG Ming Wah, Charles

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

DIRECTORS' SERVICE CONTRACTS

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 69, 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, chairman of The Chinese General Chamber of Commerce, Council member of the Hong Kong Trade Development Council, 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.

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

Executive Directors *(continued)*

Mdm. Wong Lei Kuan, aged 66, 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, supervising advisor of Hong Kong Federation of Women, committee member of The Chinese General Chamber of Commerce 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 Ming, Ricky, aged 36, is the executive director and general manager of the Group overseeing the development and operations of the Group's 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, and an executive committee member of Guangzhou Federation of Industry and Commerce. He is a son of the Chairman.

Non-Executive Directors

Dr. the Honourable Wong Yu Hong, Philip, aged 64, 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. 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 Wab, 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, a corporation deemed to be licensed to carry on the business of dealing in securities and advising on corporate finance under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong, which came into force on 1st April 2003). Mr. Ng has over 25 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 62, 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.

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

Senior Management

Mr. Chan Kee Leung, Gary, aged 40, 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 52, 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 was listed as one of the ten “Outstanding Female Entrepreneurs in China” in 2002. She is now the vice-chairman of the Wuhan Entrepreneur Association and the Hubei Entrepreneur Association.

Mr. Wong Kwok Ting, aged 53, 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 41, 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 58, 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 41, 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 Group’s operations in China mainland.

Mr. Kam Yiu Kwok, aged 40, 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.

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 13(d) to the accounts.

Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and Mr. Tsang Chi Hung 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\$531,000 from GGCP for 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\$979,000 to Guangzhou Silver Disk Property Management Company Limited (“SDPMCL”). Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky are and Mr. Tsang Chi Hung was interested in these transactions to the extent that Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have and Mr. Tsang Chi Hung had direct beneficial interests in SDPMCL (Dr. Tsang Hin Chi has beneficial interests in SDPMCL starting from 1st August 2002 whereas Mr. Tsang Chi Hung ceased having beneficial interests in SDPMCL on 1st August 2002).
- (c) The Group paid professional fees of HK\$320,000 to Equitas Capital Limited during the year. Mr. Ng Ming Wah, Charles was interested in these transactions as he was the managing director and a principal shareholder of Equitas Capital Limited.
- (d) On 18th July 2002, the Group entered into a lease as lessor with Guangzhou World Trade Centre Club Company Limited (“GWTCCL”) and China World Trade Corporation (“CWTC”), the holding company of GWTCCL, as lessee and guarantor respectively in respect of the properties and facilities situated at the whole third and fifth floor and a portion of fourth floor of Goldlion Digital Network Centre.

Mr. Tsang Chi Hung has acquired indirect beneficial interest in GWTCCL as he has become a major shareholder of CWTC starting from 17th December 2002.

During the year, the Group received HK\$1,579,210 from GWTCCL as rental payment under the lease, out of which HK\$159,770 was for the period from 17th December 2002 being the date upon which Mr. Tsang Chi Hung becomes a major shareholder of CWTC to 31st December 2002.

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 a share option scheme approved by the shareholders at an Extraordinary General Meeting held on 26th August 1992 (the "Old Option Scheme"). 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 Old Option Scheme was expired on 25th August 2002.

The options are exercisable in whole or in part at any time determined by the Board subject to the terms and conditions stipulated in the Old Option Scheme. 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 (the "Stock Exchange") 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 Old Option 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 be granted under the Old Option Scheme.

A summary of the movements during the year of share options issued pursuant to the Old Option Scheme is set out below.

Eligible person	Number of options				Held at 31st December 2002	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1st January 2002	Granted during the year	Exercised during the year	Lapsed during the year					
<i>Directors</i>									
Tsang Hin Chi	18,000,000	-	18,000,000	-	-	0.3136	8th March 2001	10th September 2001	25th August 2002
Wong Lei Kuan	18,000,000	-	18,000,000	-	-	0.3136	8th March 2001	10th September 2001	25th August 2002
Tsang Chi Hung	9,500,000	-	9,500,000	-	-	0.3136	8th March 2001	10th September 2001	25th August 2002
Tsang Chi Ming, Ricky	9,500,000	-	9,500,000	-	-	0.3136	8th March 2001	10th September 2001	25th August 2002
<i>Continuous contract employees</i>	5,000,000	-	5,000,000	-	-	0.3136	8th March 2001	10th September 2001	25th August 2002

Notes:

- 1 The closing price per share immediately before the option granted on 8th March 2001 was HK\$0.3900.
- 2 All the options were exercised on 11th April 2002. The weighted average closing price of the shares immediately before the date of exercise was HK\$0.6500.

SHARE OPTIONS *(continued)*

At an Extraordinary General Meeting of the Company held on 21st May 2002, the shareholders 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 service of the Group and other persons who may make a contribution to the Group (the “Eligible Participants”).

Under the New Option Scheme which is valid and effective for a term of ten years from the date of its adoption, the Directors may grant options to the Eligible Participants to subscribe for ordinary shares in the Company at a price to be notified by the Directors and to be no less than the higher of: (i) the closing price of the Company’s ordinary shares as stated in the Daily Quotation Sheets on the day of offer; (ii) the average of the closing prices of the Company’s ordinary shares as stated in the Daily Quotation Sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company’s ordinary shares. The number of ordinary shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1 percent of the issued ordinary share capital of the Company at the date of such grant, without prior approval from the Company’s shareholders. The maximum number of shares in respect of which options may be granted under the New Option Scheme and any other schemes of the Group shall not exceed 30 percent of the issued ordinary share capital of the Company from time to time. The maximum number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other schemes adopted by the Group must not in aggregate exceed 10 percent of the issued ordinary share capital of the Company as at the date of passing the relevant resolution adopting this New Option Scheme.

Offer for the grant of options under the New Option Scheme must be accepted within 28 days from the offer date upon payment of a nominal price. Options may be exercised in accordance with the terms of the New Option Scheme at any time to be determined by the Board and, in the absence of such determination, such period shall not exceed a period of three years commencing on the expiry of six months after the acceptance date. No options had been granted under the New Option Scheme during the year.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December 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

Directors	Personal interests	Family interests	Corporate interests	Other interests	Total
Tsang Hin Chi	21,400,000	–	–	522,160,750	543,560,750
Wong Lei Kuan	19,210,000	–	–	522,160,750	541,370,750
Lau Yue Sun	725,000	–	–	–	725,000
Tsang Chi Ming, Ricky	1,404,000	–	–	522,160,750	523,564,750

Note: The shareholdings disclosed by Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan 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

Details of share options granted to Directors under the Old Option Scheme are included in Share option 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 2002, the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that the Company had 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	Ordinary shares of \$0.10 each	339,530,000	182,630,750	6,000	522,166,750
Silver Disk Limited	Ordinary shares of \$0.10 each	–	–	114,742,000	114,742,000

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

Connected transactions which are required to be disclosed under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are as follows:

- (a) The Group paid building management fees of HK\$979,000 to SDPMCL in the ordinary course of its business. The building management fees were charged at HK\$31 per square meter of floor area occupied by the Group.
- (b) The Group received administrative and conference fees of HK\$531,000 in the ordinary course of its business from GGCP for use and lease of facilities of the Group's commercial center located in Goldlion Digital Network Centre. These fees were charged monthly at HK\$88,500 for six months up to 30th June 2002.
- (c) The Group paid professional fees of HK\$320,000 to Equitas Capital Limited during the year in the ordinary course of its business.
- (d) The Group received rental income of HK\$159,770 from GWTCCL during the period from 17th December 2002 to 31st December 2002 in the ordinary course of its business. Details of this transaction are disclosed under Directors' interest in contracts and competing business above.

CONNECTED TRANSACTIONS *(continued)*

Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and Mr. Tsang Chi Hung have beneficial interests in GGCP. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have and Mr. Tsang Chi Hung had direct beneficial interests in SDPMCL. Dr. Tsang Hin Chi has beneficial interests in SDPMCL starting from 1st August 2002 whereas Mr. Tsang Chi Hung ceased having beneficial interests in SDPMCL on 1st August 2002.

Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and a principal shareholder of Equitas Capital Limited.

Mr. Tsang Chi Hung has indirect beneficial interests in GWTCCCL as he is a major shareholder of CWTC, holding company of GWTCCCL starting from 17th December 2002.

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 17% of its goods and services from its largest supplier and 38% from its five largest suppliers, and sold less than 30% of its goods to its five 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

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of 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, an Audit Committee was formed. The primary duties of the Audit Committee are (i) to review the Company's annual reports and accounts and half year report, (ii) to provide advice and comments to the Board of Directors, and (iii) to review and supervise the financial reporting process and internal control procedures of the Group. At present, the Audit Committee has three members, Dr. Wong Yu Hong, Philip and Mr. Lau Yue Sun, both of them are independent non-executive Directors and Mr. Ng Ming Wah, Charles, a non-executive Director of the Company.

AUDITORS

The accounts for the year ended 31st December 2002 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dr. Tsang Hin Chi

Chairman

Hong Kong, 8th April 2003