GOLDLION HOLDINGS LIMITED

(incorporated in Hong Kong under the Companies Ordinance)

Interim Report 2003

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE 2003

		Unaudited Six months ended	
		30.6.2003	**30.6.2002**
	Note	*HK$'000*	*HK$'000* *(Restated)*
Turnover	*2*	248,025	248,197
Cost of sales		(121,983)	(121,338)
Gross profit		126,042	126,859
Other revenues	*2*	1,547	1,904
Selling and distribution costs		(55,884)	(56,377)
Administrative expenses		(43,382)	(61,480)
Impairment loss of commercial center	*3*	–	(29,428)
Operating profit/(loss)	*4*	28,323	(18,522)
Finance costs		–	(37)
Profit/(loss) before taxation		28,323	(18,559)
Taxation	*5*	(7,432)	(10,309)
Profit/(loss) after taxation		20,891	(28,868)
Minority interests		(800)	(420)
Profit/(loss) attributable to shareholders		20,091	(29,288)
Proposed interim dividend	*6*	14,057	9,371
		HK cents	*HK cents*
Basic earnings/(loss) per share	*7*	2.14	(3.24)
Fully diluted earnings/(loss) per share	*7*	not applicable	(3.20)

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2003 AND 31ST DECEMBER 2002

	Note	Unaudited 30.6.2003 HK$'000	Audited 31.12.2002 HK$'000 (Restated)
Non-current assets			
Fixed assets	8	1,208,174	1,216,719
Deferred tax assets	12	31,686	39,849
		1,239,860	1,256,568
Current assets			
Stocks		98,505	111,099
Trade debtors	9	16,263	25,715
Prepayments and deposits		16,818	21,996
Trading investments		530	530
Bank balances and cash		287,933	260,251
		420,049	419,591
Current liabilities			
Creditors and bills payables	10	14,685	20,262
Other payables and accruals		73,133	81,571
Taxation payable		3,503	3,441
		91,321	105,274
Net current assets		328,728	314,317
Total assets less current liabilities		1,568,588	1,570,885
Financed by:			
Share capital	11	93,711	93,711
Reserves		1,365,750	1,360,880
Proposed dividend		14,057	18,742
Shareholders' funds		1,473,518	1,473,333
Minority interests		2,308	2,733
Non-current liabilities			
Deferred tax liabilities	12	92,762	94,819
		1,568,588	1,570,885

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2003

	Unaudited Six months ended 30.6.2003 *HK$'000*	 30.6.2002 *HK$'000* *(Restated)*
Total equity as at 1st January, as previously reported	1,528,303	1,725,844
Effect of changes in accounting policy		
Provision for net deferred tax liabilities *(Note 1)*	(54,970)	(67,502)
Total equity as at 1st January, as restated	1,473,333	1,658,342
Deficit on revaluation of investment properties		
Gross	(1,773)	–
Taxation	585	–
Exchange differences arising on translation of the accounts of foreign subsidiaries	24	714
Net (losses)/profit not recognised in the consolidated profit and loss account	(1,164)	714
Profit/(loss) attributable to shareholders	20,091	(29,288)
Issue of shares upon exercise of share options	–	18,739
Dividends	(18,742)	(14,057)
Total equity as at 30th June	1,473,518	1,634,450

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2003

	Unaudited	
	Six months ended	
	30.6.2003	**30.6.2002**
	HK$'000	*HK$'000*
Net cash inflow from operating activities	49,875	18,035
Net cash used in investing activities	(2,241)	(15,705)
Net cash (used in)/inflow from financing activities	(19,967)	4,682
Increase in cash and cash equivalents	27,667	7,012
Cash and cash equivalents at 1st January	260,251	220,658
Effect of foreign exchange rate changes	15	(67)
Cash and cash equivalents at 30th June	287,933	227,603
Analysis of balances of cash and cash equivalents		
Bank balances and cash	287,933	227,603

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

The unaudited consolidated 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 "HKSA") and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed interim accounts should be read in conjunction with the 2002 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 2002 except that the Group has adopted SSAP 12 (revised) "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003. The effect to the Group arising from adopting this revised SSAP is set out as below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the condensed consolidated statement of changes in equity, opening retained earnings at 1st January 2003 has been reduced by HK$54,970,000 (at 1st January 2002: HK$67,502,000), which represent the unprovided net deferred tax liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st December 2002 by HK$39,849,000 and HK$94,819,000 respectively. The loss for the six months ended 30th June 2002 has been increased by HK$9,443,000. The balance on the Group's investment properties revaluation reserve at 1st January 2003 have been reduced by HK$91,195,000 (at 1st January 2002: investment properties and other properties revaluation reserves of HK$126,340,000), which represented the unprovided deferred tax liabilities.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

2. Revenues and segment information

The Group is principally engaged in distribution and manufacturing of garments, leather goods and accessories and property investments. Revenues recognised during the period are as follows:

	Six months ended	
	30.6.2003	**30.6.2002**
	HK$'000	*HK$'000*
Turnover		
Sales of goods	218,781	219,273
Gross rental income from investment properties	19,513	14,081
Income from the operation of a commercial center	–	7,289
Building management fee	1,456	1,535
Royalty income	8,275	6,019
	248,025	248,197
Other revenues		
Interest income	1,538	1,904
Dividend income from trading investments	9	–
	1,547	1,904
Total revenues	249,572	250,101

Primary reporting format – business segments

The Group is organised into two main business segments:

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

Property investments – Investments in properties in China mainland, Hong Kong SAR and Singapore.

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 30.6.2003				Six months ended 30.6.2002			
	Apparel	Property Investments	Eliminations	Group	Apparel	Property Investments	Eliminations	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	227,056	20,969	–	248,025	225,292	22,905	–	248,197
Inter-segment sales	–	3,166	(3,166)	–	–	3,895	(3,895)	–
	227,056	24,135	(3,166)	248,025	225,292	26,800	(3,895)	248,197
Segment results	30,345	10,017		40,362	33,662	(37,511)		(3,849)
Unallocated costs				(12,039)				(14,673)
Operating profit/(loss)				28,323				(18,522)
Finance costs				–				(37)
Profit/(loss) before taxation				28,323				(18,559)
Taxation				(7,432)				(10,309)
Profit/(loss) after taxation				20,891				(28,868)
Minority interests				(800)				(420)
Profit/(loss) attributable to shareholders				20,091				(29,288)

Secondary reporting format – geographical segments

The Group operates in the following three geographical areas:

China mainland – Apparel and property investments.

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 set out as follows:

	Six months ended 30.6.2003		Six months ended 30.6.2002	
	Turnover	**Segment results**	**Turnover**	**Segment results**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Geographical segments				
China mainland	196,134	37,760	189,873	(9,435)
Hong Kong SAR	19,814	(1,002)	27,116	1,927
Singapore and Malaysia	30,949	4,493	29,818	4,253
Other countries	1,128	(889)	1,390	(594)
	248,025	40,362	248,197	(3,849)
Unallocated costs		(12,039)		(14,673)
Operating profit/(loss)		28,323		(18,522)

3. Impairment loss of commercial center

In 2002, the Group decided to change the mode of operation of a commercial center located at the Goldlion Digital Network Centre in the People's Republic of China ("PRC"). On 18th July 2002, the Group entered into an agreement with Guangzhou World Trade Centre Club Company Limited (note 15(c)) to lease out the premises occupied by, together with the furniture, fixtures and equipments of the commercial center effective on 1st August 2002.

The Group made an assessment on the carrying amount of the fixed assets of the commercial center in accordance with SSAP 31 "Impairment of assets", and as a result of which an impairment loss of HK$29,428,000 for these fixed assets was charged to the consolidated profit and loss account for the six months ended 30th June 2002.

The revenue and operating result relating to the operation of the commercial center for the six months ended 30th June 2002 are disclosed below and are included in the Property Investments business segment:

	Six months ended	
	30.6.2003	**30.6.2002**
	HK$'000	*HK$'000*
Turnover	–	7,289
Operating loss (including impairment loss)	–	(40,991)

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

4. Operating profit/(loss)

	Six months ended	
	30.6.2003	**30.6.2002**
	HK$'000	*HK$'000*
Operating profit/(loss) is stated after charging the following:		
Cost of stocks sold	113,714	115,556
Net provision for slow moving stocks	3,815	3,089
Outgoings in respect of investment properties	4,454	2,693
Depreciation	10,608	16,553

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the Government of Hong Kong SAR enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the year 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	
	30.6.2003	**30.6.2002**
	HK$'000	*HK$'000*
		(Restated)
Hong Kong profits tax		
Under/(over) provision in prior periods	69	(33)
Overseas taxation		
Current period	1,358	899
Over provision in prior periods	(686)	–
	672	899
Deferred taxation relating to the origination and reversal of temporary differences	6,691	9,443
Taxation charge	7,432	10,309

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

6. Proposed interim dividend

	Six months ended	
	30.6.2003	**30.6.2002**
	HK$'000	*HK$'000*
Interim dividend, proposed of 1.5 HK cents (2002: 1 HK cent) per ordinary share	14,057	9,371

Note:

At a meeting held on 10th September 2003, the Board of Directors declared an interim dividend of 1.5 HK cents 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 2003.

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on profit attributable to shareholders of HK$20,091,000 (six months ended 30th June 2002: restated loss of HK$29,288,000).

The basic earnings/(loss) per share is based on the weighted average number of 937,114,035 (six months ended 30th June 2002: 903,817,332) shares in issue during the period.

No fully diluted earnings per share for the current period is presented as all share options granted by the company to employees were exercised on 11th April 2002 and no share options were outstanding during the six months ended 30th June 2003.

The fully diluted loss per share for the period ended 30th June 2002 was based on 915,659,656 shares which was the weighted average number of shares in issue during the period plus the weighted average number of shares of 11,842,324 which were deemed to be issued at no consideration if the outstanding share options had been exercised.

8. Capital expenditure

	Fixed assets
	HK$'000
Net book value at 1.1.2003	1,216,719
Additions	4,048
Disposals	(220)
Construction-in-progress cost adjustments	(1,773)
Depreciation	(10,608)
Translation differences	8
Net book value at 30.6.2003	1,208,174

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

9. Trade debtors

The Group's turnover is on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 30th June 2003, the ageing analysis of the trade debtors, net of provision, was as follows:

	30.6.2003	**31.12.2002**
	HK$'000	*HK$'000*
Current	9,783	18,918
31–90 days	5,008	6,343
Over 90 days	1,472	454
	16,263	25,715

10. Creditors and bills payables

At 30th June 2003, the ageing analysis of the creditors and bills payables was as follows:

	30.6.2003	**31.12.2002**
	HK$'000	*HK$'000*
Current	5,675	9,432
31–90 days	4,373	3,759
Over 90 days	4,637	7,071
	14,685	20,262

11. Share capital

	30.6.2003	**31.12.2002**
	HK$'000	*HK$'000*
Authorised:		
1,200,000,000 (31.12.2002: 1,200,000,000) shares of HK$0.10 each	120,000	120,000
Issued and fully paid:		
937,114,035 (31.12.2002: 937,114,035) shares of HK$0.10 each	93,711	93,711

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

12. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movement on the deferred tax assets and liabilities account is as follows:

	Six months ended 30.6.2003 *HK$'000*	Year ended 31.12.2002 *HK$'000*
Deferred tax assets		
At the beginning of the period/year	39,849	62,982
Exchange differences	–	(29)
Deferred taxation charged to profit and loss account	(8,163)	(23,104)
At the end of the period/year	31,686	39,849
Deferred tax liabilities		
At the beginning of the period/year	94,819	130,484
Deferred taxation credited to profit and loss account	(1,472)	(520)
Taxation credited to investment properties revaluation reserves	(585)	(35,145)
At the end of the period/year	92,762	94,819

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the condensed consolidated balance sheet.

	30.6.2003 *HK$'000*	31.12.2002 *HK$'000*
Deferred tax assets	(31,686)	(39,849)
Deferred tax liabilities	92,762	94,819
At the end of the period/year	61,076	54,970
The amounts shown in the condensed consolidated balance sheet include the following:		
Deferred tax assets to be recovered after more than 12 months	(31,686)	(39,849)
Deferred tax liabilities to be settled after more than 12 months	92,762	94,819

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

13. Appropriation to reserves

During the period, the Group's subsidiaries established in the PRC has transferred HK$662,000 from retained profits to the PRC statutory reserves (six months ended 30th June 2002: nil).

14. Commitments

(a) At 30th June 2003, the Group had future aggregate minimum rental receivables and payments under non-cancellable operating leases as follows:

	30.6.2003	**31.12.2002**
	HK$'000	*HK$'000*
Rental receivables		
not later than one year	32,059	36,281
later than one year and not later than five years	61,947	57,173
later than five years	12,672	9,020
	106,678	102,474
Rental payables		
not later than one year	2,871	3,046
later than one year and not later than five years	622	930
	3,493	3,976

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

(b) The Group did not have any other significant commitments at 30th June 2003 (31st December 2002: Nil).

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

15. Related party transactions

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

		Six months ended	
		30.6.2003	**30.6.2002**
	Note	*HK$'000*	*HK$'000*
Building management fees paid to a related company	*(a)*	(369)	(610)
Professional fees paid to a related company	*(b)*	(330)	(120)
Rental income from a related company	*(c)*	1,978	–
Administrative and conference fees received from a related company		–	526

Note:

(a) Guangzhou Silver Disk Property Management Company Limited provided building management services to a subsidiary of the Group. The fees were charged at HK$31 per square meter. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited.

(b) Equitas Capital Limited acted as financial advisor to the Group during the period for which professional fees of HK$330,000 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.

(c) 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. During the period, the Group received HK$1,978,000 from GWTCCL as rental payment under the lease.

Mr. Tsang Chi Hung, an ex-director of the Group, has indirect beneficial interest in CWTCCL as he become a major shareholder of CWTC starting from 17th December 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

For the six months ended 30th June 2003, the Group's total turnover amounted to HK$248,025,000, which was approximately at the same level of the same period last year's HK$248,197,000. During the period, gross rental income from investment properties and royalty income has recorded a growth while income from sales of goods maintained at the same level when comparing to those of the corresponding period last year.

Overall performance of the Group for the first quarter was satisfactory and showing a remarkable growth when compared with the same period last year. However, the Group's key apparel markets in China Mainland, Singapore and Hong Kong were affected by the onset of Severe Acute Respiratory Syndrome (SARS) in a number of regions in Asia since the end of March. Such adverse effects was gradually diminished after the subsidence of SARS in June.

For the six months ended 30th June 2003, the Group's profit before tax was HK$28,323,000. Loss before tax for the same period last year was HK$18,559,000, which consisted of operating loss (including impairment loss) of commercial center amounting to HK$40,991,000. If excluding such an amount, profit before tax for the first half of this year increased by HK$5,891,000, or approximately 26%, over that of the same period last year. The increase in profit before tax is mainly attributed to the Group's satisfactory performance in the first quarter and the timely response in taking appropriate actions to minimize the effect of SARS under an extreme business environment.

During the period under review, the Group has adopted the Hong Kong Statement of Standard Accounting Practice 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants. As a result, deferred taxation of HK$6,691,000 has been charged to the Group's profit and loss account of the period. The Group's profit and loss account for the same period last year has also been restated as a result of a charge of deferred taxation amounting to HK$9,443,000. After accounting for the relevant deferred taxation, the profit attributable to shareholders for the six months ended 30th June 2003 was HK$20,091,000 and the restated loss attributable to shareholders for the same period last year was HK$29,288,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Position

The Group continued to maintain a prudent financial control policy during the period. As at 30 June 2003, the Group's cash and bank balances amounted to HK$287,933,000, which was HK$27,682,000 higher than that at the end of last year. The increase represented a net cash inflow from operating activities of HK$49,875,000 and an outflow of HK$4,048,000 for the addition of fixed assets and payment of dividend of HK$18,742,000.

The financial position of the Group remains strong. As at 30th June 2003, the current ratio of the Group increased further to 4.6 and the total current liabilities stood at HK$91,321,000. The debt to equity ratio was at a low level of 0.06, based on the average shareholders' equity of HK$1,473,426,000. As at 30th June 2003, the Group did not have any bank loans or overdrafts.

With extensive business presence in China Mainland and Singapore, the Group is exposed to risks of exchange rate fluctuations in these regions. During the period, most of the Group's purchases were made directly from the domestic suppliers in such regions and settled in local currencies. As such, the related foreign exchange risk was reduced. The Group did not carry out any hedging activities against any foreign exchange risk during the period.

As at 30th June 2003, the Group did not have any material contingent liabilities or capital commitments and did not charge any of the Group's assets.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review

Apparel Business

China Mainland Market

During the period, sales of the apparel products in the PRC recorded a slight increase of 1% over that of the same period last year. Sales in the China Mainland market in the first quarter of this year was satisfactory and the turnover had soared more than 10% over that of the same period last year. However, the outbreak of SARS in the PRC in April had a devastating impact on the business of the Group's domestic distributors and in turn affecting our distributions to them. In response, the Group implemented a range of marketing programmes including increasing the discount margin for distributors and offering promotional gifts. All these flexible sales promotional efforts were aimed at relieving the inventory pressure on our distributors and have proved to be successful in offsetting the adverse effects of SARS. At the same time, the Group has placed sustainable efforts in the following areas:

- The Group's PRC subsidiaries continued to increase the coverage of Goldlion products in the market through the exploitation of distributors with promising potentials.

- The Group has adjusted its sales and distribution policies by increasing the general retail prices of the products and lowering trade discount to the distributors. These have left more room to our distributors to adjust their selling prices and marketing plans in response to the changing market conditions.

- During the period, the ordering system implemented by the Group's PRC subsidiaries was further extended to all sales agents and distributors. The ordering system benefited both the distributors and the Group. The distributors were able to obtain the latest product information so as to formulate their up to date sales strategies. The Group was able to manage more effectively the timing of production and inventory level.

- During the period, the design concept of the Group's apparel products shifted more to a casual and care free style and emphasized on pursuing quality of living. These lines of products have been well received by our customers which is a clear reflection of the market acceptance of this concept of design.

- Renovation of sales outlets has been renewed throughout the period to highlight the unique character of Goldlion products. The theme of shop display changed periodically to meet different seasons and fashion trend.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Apparel Business *(Continued)*

Singapore and Malaysia Markets

The Group's Singapore operation managed to maintain an increase in turnover by 4% valued in Hong Kong dollars for the period under review as compared with that of the same period last year. In terms of local currency, turnover was still up by 2% and profit before tax was also higher than that of the same period last year.

Singapore continued to suffer from a contracted economy during the period. However, sales of Goldlion products in the region before the outbreak of SARS in March this year was strong. The impact of SARS on domestic market was severe but temporary. When the epidemic subsided in May, the sales of Goldlion products rebounded immediately.

In Malaysia, sales during the period under review increased by 2% over that of the same period last year and the business continued to make profit contribution to the Group. During the period, the Group continued to adopt a progressive approach in running the business.

Hong Kong Market

The weak local retail environment together with the adverse effects of SARS have led to the decrease in sales of apparel products in Hong Kong by approximately 29% over that of the same period last year.

Currently the Group has six counters and one shop in Hong Kong. During the period, the Group continued to develop its consignment business in major department stores and the outlook is promising.

Royalty Income

Royalty income for the period under review was HK$8,275,000 which was HK$2,256,000 higher than that of the same period last year. The increase is in accordance with the provisions set out in the license agreements with the Group's licensees of leather series and leather shoes in China.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Apparel Business *(Continued)*

Royalty Income (Continued)

At the end of last year, the Group further granted a license for watches covering China and some South East Asia countries to an international watch group. The marketing plan of the new products has been delayed as a result of SARS and it is agreed that royalty payments will be deferred to the beginning of next year.

The Group has also appointed respective licensees for our jewellery and underclothes products for the China market. The related royalty income will be received starting from the second half of this year.

Property Investment

The Group's rental income of HK$19,513,000 for the first half of this year was HK$5,432,000 higher than that of the same period last year. The increase is mainly contributed by the Group's properties in the PRC. The general property market condition in China remained satisfactory during the period.

Goldlion Digital Network Centre, Tianhe, Guangzhou

The remaining portion of the shopping arcade in the building has been leased out respectively in the second half of last year. At present, the building was almost fully leased out. During the period, the local property market was strong with rental standing at a high level of recent years. The building is located in a prime location and leasing prospect is extremely promising. Rental income of the period was HK$3,940,000 higher than that of the same period last year.

Goldlion Commercial Building, Shenyang

In view of the intense competition in the leasing of shopping space in that area, the Group adjusted its leasing strategy and implemented new measures to attract quality tenants. These measures included the repackaging of the building in May this year. Consequently, certain unsatisfactory tenants were replaced by some well-known tenants which are expected being able to stimulate the traffic of the building.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Property Investment *(Continued)*

Hong Kong Property

During the period, the domestic property market suffered from the adverse effects of SARS and slipped further. The leasing of the Group's Goldlion Holdings Centre in Shatin is below our expectation. Terms offered to tenants of the Group's other properties in Hong Kong are more favourable than before. The Group has adopted a more flexible leasing strategy but does not expect any major improvements before the rebound of the local property market.

Prospects

The Group's corporate philosophy in running the business progressively together with a prudent financial control policy has proved to be effective during the SARS epidemic. With its abundant cash and zero bank loans position, the Group was able to navigate the harsh business conditions.

The Group will continue to drive towards its goal in enlarging the sales volume and the market share. To this end, the Group will continue to widen its distribution network and to consider the development of new products related to its apparel business. The Group will also continue to grant licenses for other non-apparel products to further increase our royalty income.

The Group anticipates that the recent signing of "Closer Economic Partnership Arrangement (CEPA)" will provide a more flexible trading environment to our business in China. The Group will therefore formulate corresponding strategies to maximize its benefits to the Group. The Group also anticipates that the recent relaxation of China's tourist travelling to Hong Kong will benefit the Group's domestic business and we will implement appropriate measures to seize these opportunities.

Human Resources

At 30th June 2003, the Group has approximately 960 employees. The employees' remuneration packages are determined mainly on various factors, including job nature, individual performance, qualification, experience and market conditions, and are usually reviewed on an annual basis. The Group also provides other benefits to its employees and training as and when required.

OTHER INFORMATION

Interim Dividend

The Directors have recommended the payment of an interim dividend of 1.5 HK cents per share (2002: 1 HK cent per share) for the year ending 31st December 2003, totally HK$14,057,000 (2002: HK$9,371,000), which is to be payable on 8th October 2003 to shareholders whose names appear on the Register of Members as at 30th September 2003.

Closure of Register of Member

Register of Members of the Company will be closed from 29th September 2003 to 30th September 2003, 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 Friday, 26th September 2003 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.

Share Options

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.

During the six months ended 30th June 2003, no options have been granted under the New Option Scheme or any scheme previously operated by the Company and no options were outstanding during the period.

OTHER INFORMATION *(Continued)*

Directors' Interests in Equity or Debt Securities

At 30th June 2003, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which have been notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listing Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

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

Directors	Personal interests	Family interests *(Note 1)*	Other interests *(Note 2)*	Total interests	Percentage to total issued share capital
Tsang Hin Chi	21,400,000	19,210,000	526,040,750	566,650,750	60.47
Wong Lei Kuan	19,210,000	21,400,000	526,040,750	566,650,750	60.47
Lau Yue Sun	725,000	–	–	725,000	0.08
Tsang Chi Ming, Ricky	1,404,000	–	526,040,750	527,444,750	56.28

Notes:

1. Mdm. Wong Lei Kuan is the wife of Dr. Tsang Hin Chi. Their respective shareholdings disclosed under the heading "personal interests" in the above table is deemed to be their respective interests of spouse of each other.

2. 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.

Save as disclosed above, as at 30th June 2003, none of the Directors and Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO.

OTHER INFORMATION *(Continued)*

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

Save as disclosed above, at no time during the six months ended 30th June 2003 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 30th June 2003, the register of interests in shares and short positions maintained under section 336 of the SFO shows that the Company had been notified of the following interests in the shares of the Company held by substantial shareholders:

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

	Securities held for *(Note)*				
Name of holder of securities	**Gold Trustee Holding Corporation Number**	**Silver Trustee Holding Corporation Number**	**Others Number**	**Total Number**	**Percentage to total issued share capital**
HSBC Holdings plc	339,530,000	186,510,750	–	526,040,750	56.13
Silver Disk Limited	–	–	118,622,000	118,622,000	12.66
Tsang Hin Chi Charities (Management) Limited	–	–	53,880,750	53,880,750	5.75

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.

OTHER INFORMATION *(Continued)*

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.

In compliance with the requirement with The Stock Exchange of Hong Kong Limited, 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 including 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.

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, 10th September 2003