



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

GROUP RESULTS

The Group's total turnover for the year ended 31st December 2003 amounted to HK\$511,258,000, which was 2% lower than the turnover recorded in 2002 of HK\$522,981,000. During the year, gross rental income from investment properties and licensing income recorded a growth of 21% and 41% respectively whilst income from sales of goods decreased slightly from last year. The decrease in income from sales of goods was mainly attributed to the outbreak of SARS epidemic in a number of regions in which the Group operates during the year.

The Group's profit attributable to shareholders for the financial year ended 31st December 2003 was HK\$45,150,000, compared with a restated loss attributable to shareholders for last year of HK\$12,174,000. The Group achieved its turnaround in the year, mainly owing to a satisfactory operational performance and the effective control of major operating expenses during the year.

The Group made a profit before taxation of HK\$63,685,000 for the year, compared with profit before taxation for last year of HK\$14,156,000. During the year, the Group has adopted the Statement of Standard Accounting Practice 12 (revised) "Income taxes" issued by the Hong Kong Society of Accountants. As a result, deferred taxation of HK\$14,265,000 was charged to the Group's profit and loss account of the year. The Group's profit and loss account for last year has also been restated as a result of a charge of deferred taxation amounting to HK\$22,612,000.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 3.0 HK cents per share (2002: 2.0 HK cents per share) for the year ended 31st December 2003, totalling HK\$28,113,000 (2002: HK\$18,742,000). Subject to the shareholders' approval at the forthcoming Annual General Meeting, the final dividend will be payable on 28th May 2004 to shareholders whose names appear on the Register of Members as at 14th May 2004.

BUSINESS REVIEW

Apparel Business

China Mainland Market

Sales of the apparel products for the year decreased by 5%. The decrease resulted from the adverse effect of the SARS epidemic on the Group's apparel operation in China mainland during the second quarter of the year. However, the Group was able to consolidate its development by coordinating and controlling its various business operations during the year. These efforts have laid down a valuable foundation for the Group's continuing development.

During the year, the Group's subsidiaries in the People's Republic of China ("PRC") have adjusted the general retail prices of its products upward whilst at the same time slightly reduced the trade discounts to the distributors. By leaving more room to our distributors to control their selling prices and stock levels, the Group manages to raise their confidence in the business and hence to stimulate their purchases from the Group.

The trade exhibitions organized by our PRC subsidiaries during the year have categorized the products more distinctively with the intention to highlight their different unique characters. For example, a trade exhibition for tie was held for those distributors who were sourcing specialized tie items.



The Group improves its production management system by implementing certain cost control measures. As a result, the quality and style of the products have been upgraded whilst the production costs were maintained without significant increase. Besides, the Group manages to control the production cycle and stock level effectively so that the total stock balance at end of the year has decreased from last year. Furthermore, the logistic system of our PRC subsidiaries has been further improved during the year.

In marketing and promotion aspects, our PRC subsidiaries have implemented the "Mega Shop Plan" concept. The areas of those sales outlets with prime location and good sales record have been expanded. Decoration has been tailor-made to pinpoint our style and brand image. Initial responses from our distributors and customers have been encouraging.

To celebrate the Group's thirty-fifth anniversary, we hosted an evening special entertainment programme named "The Night of Goldlion" at the prestigious People's Great Hall in Beijing at the end of the year. The programme was broadcast through China Central Television (CCTV) to all provinces and cities in China. All representatives of our distributors were invited to attend the event and as a result our client relationship has further been strengthened.

During the year, the Group also implemented a special bonus scheme to reward those staff who have contributed to the Group's strategic decisions and development.



*Trendy products of Goldlion
from our licensees*



Singapore and Malaysia Markets

In Singapore, despite the continued weakness in the economy during the year, the Group's domestic business still recorded a remarkable result. Turnover had a growth of 17% from that of last year. The market penetration of our products has further extended. Currently Goldlion products have occupied the most prominent selling location of the same category of products in most department stores. This reflected that Goldlion products were widely accepted by the local customers and our market leader position has been further secured.

As a result of the closure of certain retail outlets with unsatisfactory performance, turnover for the year in Malaysia recorded a 3% decline from last year. However, the subsidiary recorded an improved operating profit from last year by controlling its operating costs more tightly.

Hong Kong Market

Performance of our local apparel operation fluctuated dramatically in line with the general market condition during the year. The overall performance in the first half of the year was adversely affected by SARS and did not meet our expectation. Sales in the second half of the year rebounded strongly beyond our expectation owing to the recovery of domestic market and the favourable effects of the "Individual Visit Scheme" for China's tourists.

For the first half of the year, sales of apparel products in Hong Kong fell 29% from the same period last year. However, such trend reversed afterwards and turnover for the year was only 8% lower than that of last year. Currently the Group has six counters and one shop in Hong Kong.

Besides, the Group's distribution network of wholesale and consignment goods in major department stores in Hong Kong has been further developed during the year. Sales through these channels increased significantly from last year and become another major distribution channel of the Group apart from retail sales.

Licensing income

Licensing income for the year increased by 41% and becomes a major and stable source of income to the Group. Incomes from the Group's licensees of leather goods and leather shoes in China increased during the year in accordance with the respective license agreements.

During the year, the Group has also appointed respective licensees for jewellery products and undergarments for the China market in the year. Related licensing incomes have been received starting from the second half of the year.

To secure our overall brand image, the Group has set up a designated department to support each of the licensees and to review the operation of their licensee's businesses on a regular basis.

Property Investment

Gross rental income of the Group for the year recorded a growth of 21% from last year. Although the markets were temporarily affected by SARS, the property market condition in China mainland and Hong Kong progressively improved as a whole during the year. Leasing market in Hong Kong in particular has become active since the last quarter of the year.

Rental income from "Goldlion Digital Network Centre" in Tianhe, Guangzhou increased further during the year. The occupancy rate of the building was maintaining at nearly 100% with rental standing at a top level in the domestic market. During the year, the Group has carried out numerous properties improvement projects to maintain the prestigious status of the building.



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In Shenyang, the Group repackaged its "Goldlion Commercial Building" and adjusted the leasing strategy in May. Certain unsatisfactory tenants were replaced by some well-known tenants since then. Currently the building is almost fully occupied and the return is at a satisfactory level.

The leasing of the Group's properties in Hong Kong was temporarily affected by SARS in the second quarter of the year but the market condition quickly recovered since then. The whole building of No. 3 Yuk Yat Street, Tokwawan has been let out to a prominent client by the end of the year. The rental to be received is rewarding, whilst the related investment properties outgoings are mainly borne by the tenant. The management expected that the local property investment business would benefit from the recent recovery of local property market.

PROSPECTS

The Group will continue to drive towards the goal in securing its growth and development. Anticipating the intensive competition in the apparel market of China, the Group will devote more effort to enrich its brand and to expand the existing distribution network. The Group will also offer value-added products and control operating costs effectively in order to maximize its profit.

The management also anticipates that the domestic retailing industry will continue its uprising trend. The Group will exploit the local market aggressively in response to the market recovery. This includes the plan to increase the number of local retail outlets and improve the style and image of the outlets.

The performance in Singapore during the year is better than expected. It also meets the Group's target of enlarging the market share. In 2004, the Group will primarily consolidate its established operation and aim at maximizing sales and profitability at the same time.

Besides, the Group will continue to grant licenses for other non-apparel products providing that the terms are favourable. It is anticipated that licensing income will remain a stable source of income to the Group. The relevant licensed products will also enhance the brand image of Goldlion.

With advantageous conditions such as strong financial position and stable operation, the Group is confident in its continuing growth and future development.

Dr. Tsang Hin Chi

Chairman

Hong Kong, 1st April 2004