

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 2003.

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 13 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 2003 are set out in the consolidated profit and loss account on page 26.

The Directors have declared an interim dividend of 1.5 HK cents per ordinary share, totalling HK\$14,057,000 (2002: HK\$9,371,000), which was paid on 8th October 2003.

The Directors recommend the payment of a final dividend of 3.0 HK cents per ordinary share (2002: 2.0 HK cents) totalling HK\$28,113,000, which is to be payable on 28th May 2004 to shareholders whose names appear on the Register of members on 14th May 2004. This recommendation shall become effective subject to the approval of shareholders at the Annual General Meeting to be held on 14th May 2004.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$135,000 (2002: HK\$129,000).

FIXED ASSETS

Details of the movements in fixed assets are set out in note 12 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 18 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2003, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$237,816,000 (2002: HK\$73,342,000).

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 did not redeem 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
TSANG Chi Ming, Ricky
WONG Lei Kuan

Non-executive Director

NG Ming Wah, Charles

Independent non-executive Directors

WONG Yu Hong, Philip
LAU Yue Sun

In accordance with Article 101 of the Company's Articles of Association, Messrs. Lau Yue Sun and Ng Ming Wah, Charles 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 70, 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 the director 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 Honorary Citizen of Beijing, Harbin, Shenyang, Dalin and Guangzhou.

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

Mr. Tsang Chi Ming, Ricky, aged 37, is the Deputy Chairman 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., a committee member of the Chinese General Chamber of Commerce, Hong Kong, a director of Hong Kong United Youth Association Limited, a vice president of Guangzhou and Henan Overseas Friendship Association and a director of Hong Kong Region of Young Entrepreneur Association of China. He is a son of the Chairman.

Mdm. Wong Lei Kuan, aged 67, 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.

Non-executive Director

Mr. Ng Ming Wah, Charles, aged 54, graduated from the London Business School 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.

Independent non-executive Directors

Dr. the Honourable Wong Yu Hong, Philip, G.B.S., aged 65, 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. Lau Yue Sun, aged 63, is the Managing Director and General Manager of New Products Enterprise Limited, New Products Investment Limited and Jip Fair Development Limited, as well as an independent non-executive 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 the National Committee of the C.P.P.C.C., member of the Election Committee for the First Government of the Hong Kong S.A.R., member of the Election Committee of Hong Kong S.A.R., appointed member of Kowloon City District Council for Year 2004 to Year 2007, and standing committee member of the Chinese General Chamber of Commerce. He is also an advisor to Educational Foundation of Guangdong Province, vice president of Guangdong 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 41, 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 53, is the General Manageress of the Group's China mainland operation in charge of the Group's apparel business in China. She joined the Group in June 2000. Mdm. Hu won the title of "Superior Economist" in 1987 and held position of general manageress of several listed enterprises in China. 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 honorary vice-chairman of the Hubei Entrepreneur Association.

Mr. Quek Chew Teck, aged 42, re-joined the Group in 1998 as the General Manager of Goldlion Singapore and is also a director of Goldlion Malaysia since 2000. He is responsible for the Group's operations in Singapore and Malaysia. Mr. Quek holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore. He has more than 13 years experience in marketing and company management. He was the Assistant General Manager of Goldlion Singapore from 1987 to 1994.

Mr. Dieter Nothofer, aged 59, 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 42, 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 41, 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") which is the developer of, and owns the Goldlion Digital Network Centre in Guangzhou. Details of the contract are set out in note 12(d) to the accounts.

Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky 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 paid rentals of HK\$337,000 to GGCP for an office located at Goldlion Digital Network Centre.

- (b) The Group paid building management fees of HK\$756,000 to Guangzhou Silver Disk Property Management Company Limited ("SDPMCL"). Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky are interested in these transactions to the extent that Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interests in SDPMCL.

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

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 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.

SHARE OPTIONS *(continued)*

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 of time shall not exceed a period of three years commencing on the expiry of six months after the acceptance date. No options had been granted or remained outstanding under the New Option Scheme or any other share option scheme of the Company during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31st December 2003, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company were as follows:

- (a) Ordinary shares of HK\$0.10 each in the Company at 31st December 2003

		Number of shares held			Total	Percentage to total issued share capital
		Personal interests	Family interests <i>(Note 1)</i>	Other interests <i>(Note 2)</i>		
Directors						
	Tsang Hin Chi					
	Long positions	-	1,210,000	565,440,750	566,650,750	60.47%
	Short positions	-	-	-	-	-
	Tsang Chi Ming					
	Long positions	1,404,000	-	565,440,750	566,844,750	60.49%
	Ricky					
	Short positions	-	-	-	-	-
	Wong Lei Kuan					
	Long positions	1,210,000	-	565,440,750	566,650,750	60.47%
	Short positions	-	-	-	-	-

Note:

- Mdm. Wong Lei Kuan is the wife of Dr. Tsang Hin Chi. Her shareholding disclosed under the heading "personal interests" in the above table is the family interest of Dr. Tsang Hin Chi.
- The shareholdings disclosed by Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Mdm. Wong Lei Kuan under the heading "other interests" in the above table refer to the same shares which were held by HSBC International Trustee Limited for Gold Trustee Holding Corporation and Silver Trustee Holding Corporation as disclosed in the paragraph headed "Substantial shareholders" below.

- (b) During the year, none of the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(continued)*

- (c) 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.
- (d) Other than those interests and short positions disclosed above, the Directors and Chief Executives also hold shares of certain subsidiaries in trust for the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31st December 2003, the register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st December 2003 the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of holder of securities	Type of securities		Securities held for <i>(Note)</i>			Total	Percentage to total issued share capital
			Gold Trustee Holding Corporation Number	Silver Trustee Holding Corporation Number	Others Number		
HSBC International Trustee Limited	Ordinary shares of \$0.10 each	Long positions	339,530,000	225,910,750	-	565,440,750	60.34%
		Short positions	-	-	-		
Silver Disk Limited	Ordinary shares of \$0.10 each	Long positions	-	-	158,022,000	158,022,000	16.86%
		Short positions	-	-	-		
Tsang Hin Chi Charities (Management) Limited	Ordinary shares of \$0.10 each	Long positions	-	-	53,880,750	53,880,750	5.75%
		Short positions	-	-	-		

Note: HSBC International Trustee Limited 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 rentals of HK\$337,000 to GGCP during the period from 11th August 2003 to 31st December 2003 in the ordinary course of its business. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interests in GGCP.
- (b) The Group paid building management fees of HK\$756,000 to SDPMCL in the ordinary course of its business. The building management fees were charged monthly at a fixed amount. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interests in SDPMCL.
- (c) The Group paid professional fees of HK\$680,000 to Equitas Capital Limited during the year in the ordinary course of its business. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director of, and a principal shareholder in Equitas Capital Limited.
- (d) On 28th January 2003, Goldlion (Far East) Limited (“GFEL”), a subsidiary of the Group, and Mr. Ng Ming Wah, Charles entered into a Memorandum of Trust under which and in consideration of a full indemnity given by Mr. Ng Ming Wah, Charles in the Memorandum, GFEL agreed to hold the legal title to a motor vehicle beneficially owned by Mr. Ng Ming Wah, Charles in trust for him.
- (e) On 18th July 2002, the Group, as lessor, entered into a lease with Guangzhou World Trade Center Club Company Limited (“GWTCCCL”) as lessee and China World Trade Corporation (“CWTC”), the holding company of GWTCCCL, as guarantor in respect of a business center and facilities therein located at Goldlion Digital Network Centre. During the year, the Group received HK\$3,448,000 from GWTCCCL as rental payment under the lease. Mr. Tsang Chi Hung, a former executive director of the Company who resigned on 1st August 2002, has indirect beneficial interest in CWTCCL as he becomes a major shareholder of CWTC starting from 17th December 2002. For the period from 1st January 2003 to 31st July 2003 (the date on which Mr. Tsang Chi Hung ceased to be the connected person under Rule 1.01 as extended by Rule 14.03(2)(c) of the Listing Rules), the Group received HK\$2,307,000 from GWTCCCL as rental payment under the lease.

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 12% of its goods and services from its largest supplier and 41% 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 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 comprising Dr. Wong Yu Hong, Philip and Mr. Lau Yue Sun, both of whom 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 2003 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, 1st April 2004