

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 2004.

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 12 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 2004 are set out in the consolidated profit and loss account on page 31.

The Directors have declared an interim dividend of 2.0 HK cents (2003: 1.5 HK cents) per ordinary share, totalling HK\$18,742,000 (2003: HK\$14,057,000), which was paid on 5th October 2004.

The Directors recommend the payment of a final dividend of 4.0 HK cents (2003: 3.0 HK cents) per ordinary share totalling HK\$37,485,000 (2003: HK\$28,113,000), which is to be payable on 1st June 2005 to shareholders whose names appear on the Register of members on 20th May 2005. This recommendation shall become effective subject to the approval of shareholders at the Annual General Meeting to be held on 20th May 2005.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 18 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$3,000 (2003: HK\$135,000).

FIXED ASSETS

Details of the movements in fixed assets are set out in note 11 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes at 31st December 2004 are set out on pages 16 to 18.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 17 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2004, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$191,942,000 (2003: HK\$237,816,000).

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 71.

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
WONG Ying Ho, Kennedy (appointed on 1 June 2004)

In accordance with Article 92 of the Company's Article of Association, Mr. Wong Ying Ho, Kennedy retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 101 of the Company's Articles of Association, Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers them to be independent.

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 71, 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, Ex-officio life honorary chairman of The Chinese General Chamber of Commerce, and sits on the committees of several Hong Kong and Mainland trade associations. He is also the director of Tsang Hin Chi Manned Space Foundation, 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.

Mr. Tsang Chi Ming, Ricky, aged 38, is the Deputy Chairman and Chief Executive Officer of the Company overseeing the development and operations of the Group's business. Mr. Tsang joined the Group in 1989 and was appointed as an executive director in 2001. He is a committee member of the C.P.P.C.C. Guangzhou, a standing committee member of the Chinese General Chamber of Commerce, Hong Kong, vice chairman of Ka Ying Chow Commercial Association Limited, an executive director of Hong Kong United Youth Association Limited and a director of Young Entrepreneur Association of China. He is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan.

Mdm. Wong Lei Kuan, aged 68, is one of the founders of the Group and the wife of Dr. Tsang Hin Chi. 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, committee member of the C.P.P.C.C. Guangdong 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.

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

Non-Executive Director

Mr. Ng Ming Wah, Charles, aged 55, was appointed to the Board as a non-executive Director in 1992. Mr. Ng graduated from Loughborough University in England in 1972 with a bachelor degree in Electrical and Electronic Engineering and from London Business School in England in 1974 with a Master degree in Business Administration. He is the Managing Director of Equitas Capital Limited, the business of which is the provision of corporate financial advisory services. Mr. Ng has over 25 years of experience in corporate finance and investment banking. Mr. Ng is also an independent non-executive director of two Hong Kong listed companies, namely China Everbright Limited and Stone Group Holdings Limited and has acted as the chairman of the audit committees of such companies since August 1999 and September 2004, respectively. Mr. Ng also holds independent directorships in 中國光大銀行股份有限公司 (China Everbright Bank Company, Limited), 德邦證券有限責任公司 (Tebon Securities Company Limited) and 招金礦業股份有限公司 (Zhaojin Mining Industry Company, Limited), which are, respectively, a licensed commercial bank, a licensed securities firm and a gold mining company in China Mainland. In addition, Mr. Ng holds a number of community service positions, including as a member of the Council of Lingnan University of Hong Kong and a member of the Board of Governors of Hong Kong Arts Centre.

Independent non-executive Directors

Dr. the Honourable Wong Yu Hong, Philip, G.B.S., aged 66, holds a doctorate in Law from Southland University and a doctorate in Engineering from California Coast University, both in the United States of America. Dr. Wong is a deputy of the National People's Congress, a member of the Legislative Council and a treasurer of The Chinese General Chamber of Commerce. He holds positions with a number of public bodies and is also a director of listed companies in Hong Kong including Hop Hing (Holdings) Limited, Asia Financial Holdings Limited, Qin Jia Yuan Media Services Company Limited and Grand Investment International Limited. Dr. Wong was appointed to the Board of Directors in 1992.

Dr. Lau Yue Sun, B.B.S., aged 64, is the Managing Director of New Products Investment Limited and Jip Fair Development Limited, as well as an independent non-executive director of Wing Lee Holdings Limited. Dr. Lau 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 Selection Committee for the First Government of the H.K.S.A.R., member of the Election Committee of H.K.S.A.R., appointed member of Kowloon City District Council and standing committee member of the Chinese General Chamber of Commerce. He is also an advisor of Guangdong Education Foundation and a vice president of Guangdong General Chamber of Commerce. Dr. Lau was appointed to the Board of Directors in 1994.

Mr. Wong Ying Ho, Kennedy, J.P., aged 42, is a solicitor and a China Appointed Attesting Officer. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. Mr. Wong is a member of the National Committee of the C.P.P.C.C.. He is also a director of listed companies in Hong Kong including Raymond Industrial Limited, China Overseas Land & Investment Limited, i-SteelAsia Holdings Limited, Capinfo Company Limited, Qin Jia Yuan Media Services Company Limited and Far Eastern Polychem Industries Limited. Mr. Wong was appointed to the Board of Directors in June 2004.

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

Mr. Chan Kee Leung, Gary, aged 42, is the Qualified Accountant and Chief Financial Officer of the Group. Mr. Chan has extensive experience in finance, stockbroking and corporate finance. Prior to joining the Group in 2000, Mr. Chan has worked with a listed company as an executive director for over 3 years. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mdm. Hu Bing Xin, aged 54, 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 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 43, 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 14 years experience in marketing and company management. He was the Assistant General Manager of Goldlion Singapore from 1987 to 1994.

Mr. Dieter Nothofer, aged 60, 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 43, 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 2000 and is now the financial controller of the Group's operations in China Mainland.

Mr. Kam Yiu Kwok, aged 42, joined the Group in 1999 and was appointed as Secretary of the Company in 2000. Mr. Kam is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

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 11(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 rental of HK\$938,000 (2003: HK\$337,000) to GGCP for the office located at Goldlion Digital Network Centre in Guangzhou.

- (b) The Group paid building management fees of HK\$608,000 (2003: 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 as 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 in service of the Group and other persons who may make a contribution to the Group (the “Eligible Participants”).

SHARE OPTIONS *(continued)*

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 of time shall not be 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 2004, the interests and short positions of each Director and Chief Executive 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 2004

Directors		Number of shares held			Total	Percentage to total issued share capital
		Personal interests	Family interests (Note 1)	Other interests (Note 2)		
Tsang Hin Chi	Long positions	-	1,210,000	565,440,750	566,650,750	60.47%
	Short positions	-	-	-	-	-
Tsang Chi Ming, Ricky	Long positions	1,404,000	-	565,440,750	566,844,750	60.49%
	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 2004, the register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st December 2004, 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. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Name of holder of securities	Type of securities		Securities held for <i>(Note)</i>			Total number of shares	Percentage to total issued share capital
			Gold Trustee Holding Corporation Number of shares	Silver Trustee Holding Corporation Number of shares	Others Number of shares		
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 rental of HK\$938,000 to GGCP during the year 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\$608,000 to SDPMCL under normal commercial terms in the ordinary course of its business. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interests in SDPMCL.
- (c) The Group paid professional fee of HK\$700,000 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 18th July 2002, the Group, as lessor, entered into a lease with Guangzhou World Trade Center Club Company Limited ("GWTCCL") as lessee and China World Trade Corporation ("CWTC"), the holding company of GWTCCL, as guarantor in respect of a business center and facilities therein located at Goldlion Digital Network Centre. During the year, the Group received HK\$2,666,000 from GWTCCL as rental payment under the lease. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a sibling of Mr. Tsang Chi Ming, Ricky.
- (e) On 30th December 2004, Guangzhou Goldlion Environmental Technology Co. Limited, a wholly owned subsidiary of the Company, entered into two conditional acquisition agreements (the "Agreements") with General Business Network (Holdings) Limited ("GBNL") and Mr. Tsang Chi Hung to acquire Level 19 and Levels 20 to 22 (inclusive) of Goldlion Digital Network Centre in Guangzhou respectively at an aggregate consideration of RMB81,340,000 (approximately HK\$76,735,850). The consideration was negotiated on an arm's length basis by reference to open market valuations by an independent professional property valuer. Completions of the acquisitions are subject to the conditions precedent stated in the Agreements and disclosed in the related Circular of the Company to its shareholders dated 20th January 2005. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in those transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a sibling of Mr. Tsang Chi Ming, Ricky.

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 less than 30% 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 prevailing 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 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 four members including Dr. Wong Yu Hong, Philip, Dr. Lau Yue Sun and Mr. Wong Ying Ho, Kennedy, all of them are independent non-executive Directors, and Mr. Ng Ming Wah, Charles, a non-executive Director of the Company.

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SUBSEQUENT EVENT

On 7th February 2005, the independent shareholders of the Company approved the transactions referred to in item (e) under the paragraph headed "Connected Transactions" of this report and the acquisition of Levels 20 to 22 of Goldlion Digital Network Centre was completed as at the date of this report.

AUDITORS

The accounts for the year ended 31st December 2004 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, 6th April 2005