CHAIRMAN'S STATEMENT

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

Group Results

The Group as a whole continued to enjoy satisfactory growth in the financial year ended 31st December 2005, with turnover reaching HK$629,583,000, or an increase of 10% over the previous year. Growth was registered for our two major sources of income, namely sales of goods and gross rental income from investment properties, at a rate of 9% and 21% respectively.

As for profits, profit attributable to equity holders of the Company for the year was HK$136,201,000, rising substantially by 98% from last year's HK$68,675,000.

Under HKAS 40 "Investment Property" issued by the Hong Kong Institute of Certified Public Accountants and adopted by the Group accordingly in 2005, fair value gains on investment properties during the financial year were recorded at HK$39,255,000 which also resulted in a deferred taxation of approximately HK$7,747,000 accordingly.

In addition, the Group also recorded a gain on disposal of properties of HK$25,164,000, representing a sharp increase of HK$22,494,000 when compared to HK$2,670,000 for the previous year.

Excluding the fair value gains on investment properties, their related deferred taxation and gain on disposal of properties, profit attributable to equity holders based on the performance of the Company's core businesses still totalled HK$79,529,000, or an increase of about 20% over the amount of HK$66,005,000 attributed last year.

CHAIRMAN'S STATEMENT

Final Dividend

The Directors have recommended the payment of a final dividend of 5.6 HK cents per share (2004: 4.0 HK cents per share) for the year ended 31st December 2005, totalling HK$52,478,000 (2004: HK$37,485,000). Subject to the shareholders' approval at the forthcoming Annual General Meeting, the final dividend will be paid on or about 1st June 2006 to shareholders whose names appear on the Register of Members as at 19th May 2006.

Business Review

Apparel Business

China Mainland Market:

A solid foundation congenial to steady development has been laid since the Group began restructuring its Mainland apparel business in 2001 by formulating and implementing operational strategies for greater efficiency. Our efforts in the past few years have contributed to the satisfactory performance of the Mainland market as a whole, with overall sales during the year rising by about 12%.

Well aware of the importance of quality to sustainable development, the Group has been working on better designs during the last couple of years so as to present the market with rejuvenated "Goldlion" products that underline quality materials and craftsmanship. To our encouragement, such new lines have proved to be well received by consumers.

Another area of our attention has been enhancing our brand image. The "Key Shop Plan" implemented over the past two years has successfully enhanced the display design of our major outlets and highlighted the trendiness and elegance of "Goldlion". Parallel with this, we strove to raise awareness of and identification with the brand through subscribing more television commercials on the Mainland.

For mutual benefit, the Group is eager to improve our relationship with and the business of our agents and distributors, who are in fact our direct buyers who sell in turn to individual consumers at the retail level and are therefore an important contributor to the Group's overall performance. In particular, the Group provides them with guidance on various aspects of their retail business such as product features, window display, staff training, salesmanship and so on.

As far as operation is concerned, work flow has been streamlined for greater efficiency. The pressure of provision for stocks on profits, in particular, has eased considerably due to year-on-year decrease in stock level brought about by effective stock management, logistic arrangements and advance ordering arrangement.

Profitability rose as a result of satisfactory sales, making the Mainland apparel business the key contributor to the Group's profits in the year.

Singapore and Malaysia Markets:

Sales in the Singapore and Malaysia markets continued to grow steadily for the sixth consecutive year, with overall turnover increasing by 6%, or 8% at the local currency, over the previous year.

CHAIRMAN'S STATEMENT

Although economically stable, the markets have been rife with fierce competitions, especially following the introduction of some world-renowned brands. Nevertheless, the Group has been successful in retaining its leading position by the implementation of proactive marketing strategies.

The Group kept up with its marketing drives in the year to reinforce our brand image with original display design at the various outlets. With regard to the products, the local consumers have responded very favourably to the customer-based strategies we have adopted to offer the market with quality, functional and appropriately priced apparel and accessories that always move with the time in design.

At the end of the year, the Group was directly operating in Singapore a total of 22 "Goldlion" outlets, or up by one more when compared to that at the end of the previous year. Most of the comparable outlets witnessed higher sales over the previous year.

Sales tallied with expectations for the "Camel Active" line of casual wear, which was launched on a trial basis during the second quarter of the year following the grant of a local license in Singapore. Owing to the limited size of the outlet and the late start not until the middle of the year that impacted on the product range, the line did not account for a significant proportion of the Group's local turnover. At present, there are six outlets for the line in the local market.

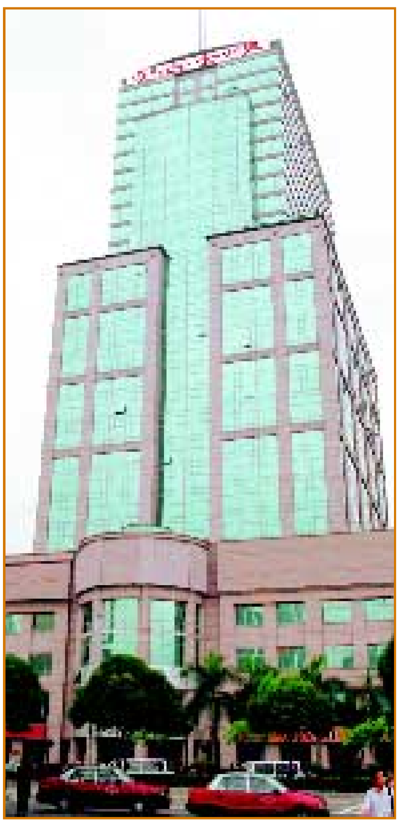
Business in Malaysia remained stable with a total of 24 counters at the end of the year, or down by one when compared with last year. Overall sales, nevertheless, totalled 5% more than that of last year.

Hong Kong Market:
The positioning of the brand "Goldlion" in the local apparel market was reviewed during the year and it was concluded that business should be realigned to highlight style and taste.

At the retail level, there are currently six counters and one shop. A new shop was opened at Park Lane, Tsim Sha Tsui, at the end of April and a number of underperforming retail outlets were closed down. Owing to spiraling rentals of retail premises during the year, new retail outlets could not be identified as planned. The decrease in retail outlets coupled with the restructuring of local operations have led to the fall in overall sales by about 23%.

Complete with a teahouse, a salon and a restaurant, the refreshingly stylish concept store of "TSR" was opened in Lan Kwai Fong, Central, at the end of the year. It is the Group's hope that, with effective publicity and promotion, the store can help remodel "Goldlion" as a refined and healthy brand and renew our image in other markets as well.

CHAIRMAN'S STATEMENT



Licensing Income:
Licensing income rose by about 19% to reach HK$30,551,000 during the year under review. The growth was mainly attributable to the progressive increase in license fees receivable under the relevant license agreements. At present, the licenses granted by the Group are primarily confined to leather goods, shoes, jewellery products, undergarments and woolen sweaters within the Mainland market.

The "Goldlion" segment of business of our major licensees remained to be stable during the year, with leather goods and shoes netting the most remarkable results. In fact, the expansion efforts made by the licensees in the past few years have successfully pushed these products onto the top of their respective categories on the Mainland. As a corroborative effect, not only the image of the "Goldlion" brand but also the sales of the Group's products have been boosted accordingly.

To provide appropriate support and to ensure improvement of our brand image, our designated department has continued to conduct regular visits to review the business and operations of our licensees.

Property Investment
Performance of the Group's property investment was good on the whole during the year. In accordance with HKAS 40, the Group's investment properties were revalued by independent professional valuers and a fair value of HK$1,034,835,000 as at 31st December 2005 was recorded. Accordingly, fair value gains on investment properties of HK$39,255,000 was recognised in the Group's consolidated profit and loss account at the end of the year. The rise in property value was mainly due to the overall bullish property markets both in Hong Kong and the Mainland throughout the year as well as the appreciation of the RMB in the middle of the year which was favourable for valuing our investment property holdings on the Mainland.

In July 2005, the Group completed the disposal of properties with a total floor area of 5,798 square metres at Wai Shun Industrial Building, 5 Yuk Yat Street, To Kwa Wan, at a consideration of HK$55,000,000. Gains on disposal of properties of HK$25,164,000 has been recognised in the year's consolidated profit and loss account.

Benefiting from the generally good rental condition in both Hong Kong and the Mainland, overall rentals received during the year amounted to HK$54,589,000, or 21% higher than last year.

The related transfer of property titles for the four floors at Goldlion Digital Network Centre, Tianhe, Guangzhou was completed during the second quarter of the year. Together with the floors acquired previously, the Group now owns about 31,768 square metres of the building's floor area. Given the immense space and the higher rental pushed up by growing demand for quality commercial premises, the contractual rentals for the new leases were invariably higher than those of the previous year. As a result, rental income generated by the properties jumped by 26%, or 8% nonetheless after discounting the increase in floor area.

CHAIRMAN'S STATEMENT

Overall rental position for the Goldlion Commercial Building in Shenyang further improved during the year, with average rental achieved increasing by about 11%. At the beginning of the year, a major tenant moved out only to be immediately replaced by a new one at even more favorable leasing terms. At present, the building is substantially fully occupied.

Turning to Hong Kong, overall occupancy and in turn rental income increased as the local property market remained buoyant during the year. Despite the decrease in space following disposal of properties, rental performance was good, with rentals rising all the same by about 12% over that of last year. During the year, the property at 3 Yuk Yat Street, To Kwa Wan, continued to be leased out to a local group. With rentals matching expected levels, the Group's Goldlion Holdings Centre in Shatin was satisfactorily leased out. The leasing performance of the Centre is expected to benefit further from the substantial renovation that took place during the year.

Prospects

Building on its solid foundation, the Group expects to continue growing steadily towards a bright future in the coming year.

Regarding the apparel business on the Mainland, the Group will continue to develop new products with the introduction of lines and series. In addition, to capture the improving spending power of the local consumers, plans are in place to further expand the coverage of our outlets especially in second-tier cities with development potential. As for sports and casual wear, in view of the limited channels of sales which have primarily been confined to a handful of outlets, wholesale business will be introduced for our 2006 spring and summer products together with an increase in number of retail outlets. Turnover is expected to increase significantly when the sales network is thus widened.

In Singapore, retail sector is expected to benefit from the opening of casinos within the coming years as planned although rentals are expected to go up as well. The Group will monitor the developments closely and devise business strategies as appropriate. In the short term, the Group will continue to upgrade its product quality, step up publicity, further consolidate its existing business and explore possible opportunities for expansion.

As for the Hong Kong market, the Group will continue to promote its brand new healthy image to win greater identification from the consumers. This will also form the basis for gradual expansion of our apparel and accessories business.

As far as property investment is concerned, the Group started to study possible development of a site of about 51,300 square metres in Meizhou, Guangdong province, in the middle of the year. After repeated assessments, it was decided that the site should be used for low-density residential development. Preliminary planning has initially been completed and the project is now being considered by the local authorities for approval. If everything goes as planned, construction should commence in mid-2006.

CHAIRMAN'S STATEMENT

In the area of leasing, growth in rental income is expected to turn steady since most of the properties are now bound by leases entered into. Therefore, much depends on the overall market condition at the time when the existing leases determinate so that new terms can be negotiated for the new ones. To ensure gaining the best possible returns, the Group will also from time to time review the portfolio of its property holdings, their leasing position and development potential, and identify properties with potential for acquisition.

Acknowledgement

On behalf on the Board, I would like to extend my gratitude to our staff for their dedication and continuous support.

Dr. Tsang Hin Chi
Chairman

Hong Kong, 4th April 2006