Chairman's Statement

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

Results

The Group continued to perform well in the financial year ended 31st December 2006, with turnover rising by 27% over the previous year to reach HK$798,301,000. The bulk of this growth came from two major operating locations, namely China Mainland and Singapore. While increases were registered for all of the Group's major sources of income, sales of goods topped with a remarkable rate of 29%.

Profit attributable to equity holders of the Company for the year was HK$166,161,000, or an increase of 22% when compared with last year's HK$136,201,000.

The above profit attributable to equity holders has already taken into account the fair value gains on investment properties of HK$60,283,000 and the related deferred taxation charge of HK$9,294,000. The corresponding figures for last year were HK$39,255,000 and HK$7,747,000 respectively. Besides, a loss of HK$2,430,000 and a gain of HK$25,164,000 on disposal of properties were recorded respectively in the current and last year.

Upon assessing the performance of the Group's core businesses by excluding the fair value gains on investment properties, related deferred taxation charge and effects on disposal of properties, profit attributable to equity holders for the year stood at HK$117,602,000, representing an increase of approximately HK$38,073,000 or 48% when compared with last year's HK$79,529,000.

Final Dividend

The Directors have recommended the payment of a final dividend of 6.6 HK cents per share (2005: 5.6 HK cents per share) for the year ended 31st December 2006, totalling HK$61,849,000 (2005: HK$52,478,000). Subject to the shareholders' approval at the forthcoming Annual General Meeting, the final dividend will be paid on or about 7th June 2007 to shareholders whose names appear on the Register of Members as at 25th May 2007.

Business Review

Apparel Business

China Mainland Market:

The apparel business in the China Mainland market reported satisfactory performance during the year with annual sales shooting up remarkably by 31%, thanks to firstly the painstaking efforts that the Group has put into its operation over the years and secondly the strong RMB during the year.

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With a view to turn "Goldlion" into a designer label, the China Mainland arm of the Group has reinforced its product development department by taking on board a number of additional designers to upgrade its product design. The new lines launched under this new initiative have been able to highlight the distinct character of our brand. Made from better material and controlled more effectively for quality assurance, these new products have been very well received by consumers in the Mainland. T-shirts for spring/summer season of the year catering for younger clientele in design sold particularly well as soon as they were launched.

Parallel to this, more emphasis was placed on the idea of collection in our conception of new products. Since the beginning of the year, steps have been taken to change the display of our retail outlets from time to time in accordance with varying lifestyle themes. To our encouragement, our autumn and winter collections designed along these lines have reaped fruitful results.

The Group's business coverage expanded accordingly with retail outlets for the China Mainland market continuing to increase during the year. The "Key Shop Plan" implemented in recent years boosted the sales by pooling resources for strategic outlets with steady customer flow.

To push sales further upward through better coordination with our distributors, the Group has continued to strengthen communication through holding more frequent briefings and updating the flow of advance ordering meetings to keep our distributors promptly informed of the Group's business strategies and product features.

Wholesale of sports and casual products saw marked improvement in turnover following expansion of our marketing network during the year. Relatively new in the market, the products have yet accounted for a significant share in our overall apparel sales in the China Mainland market.

Singapore and Malaysia Markets:
Annual sales of apparel and accessories in the market surged by 25% in the year. The encouraging growth is largely due to the wide recognition of the Group's products in the local market. Other favourable factors included the booming local economy, stable growth of the retail market as well as the persistently strong Singapore Dollar.

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In our enthusiastic drive to elevate our products towards higher class and taste, improvements were brought about in the design, choice of material and packaging of our products during the year. As the improvements were reflected in our pricing, turnover climbed accordingly.

To provide a focused selection for our customers and to provide our displays with focal points for greater appeal, the concept of specialization was adopted in the year to divide our outlets into the two major streams of "apparel" and "accessories". The concept was put into practice with the opening of our first specialized shop for accessories in the year. The objective of this specialization strategy in the long run is to target specific clientele with specific marketing strategies.

At the end of the year, the Group was directly operating 25 "Goldlion" outlets in Singapore, or three outlets more than last year with some of them further expanded in terms of floor area. All major comparable outlets have registered higher sales as compared with last year.

Outlets for "Camel Active" have grown to seven at the end of the year and sales were better than expected. Owing to the limited size of the outlets, sales of this line did not make up a significant proportion of our overall sales in the market.

Turning to Malaysia, there were a total of 26 outlets at the end of the year, or up by two over that of last year, pushing sales upward by approximately 9% in local currency.

Hong Kong Market:

During the year, retail business in Hong Kong as a whole was vexed by forbiddingly high operating costs, especially shop rentals. The Group's original plans to expand the local apparel business were thwarted as a result. At the end of the year, the number of outlets dropped to five and sales declined correspondingly by about 14%.

The Group's strategy to restructure the local business was reviewed in the year and a consultancy firm was commissioned to advise on a possible new brand image for "Goldlion". The recommendations proposed to be implemented in 2007.

Opened in Lan Kwai Fong, Central, at the end of last year for projecting a chic and elegant image for our brand, the "TSR" concept store was able to raise public awareness of the brand but has not yet been able to break even. The Group will continue to improve its operation while striving to promote the brand.

Chairman's Statement

Licensing Income:

Licensing income in the year under review totaled HK$33,076,000, increasing by approximately 8% over that of the previous year. Since the Group has always been prudent in granting licenses, no new license agreements were entered into in the year. Although license fees receivable were to progressively increase under the existing agreements, growth was far from significant and compared less favourably with that of the previous years. At present, licenses granted by the Group are primarily confined to leather goods, shoes, jewellery products, undergarments and woolen sweaters within the China Mainland market.

To safeguard our brand image, our designated department has continued to visit our licensees for inspections and to provide them with appropriate support and assistance.

Property investments and development

Property investments:

Property investment has kept up its satisfactory performance during the year. Riding on the generally buoyant property market and the appreciation of RMB, fair value gains on investment properties for the year after independent professional valuation is HK$60,283,000 as compared with HK$39,255,000 for last year.

Equally satisfactory was rental income which amounted to HK$62,018,000, rising by 14% over that of last year.

Chairman's Statement

Rental income for the year was primarily derived from Goldlion Digital Network Centre situated in Tianhe, Guangzhou. With floor area available for leasing increasing following the acquisition of four additional floors in the second quarter of last year, rental income rose by about 13%. Given the prosperity of the local rental market and the keen demand for quality commercial premises, the growth in rentals fetched by the building was 4% even excluding the effect of the increase in floor area. To maintain the overall quality of the building, the Group has been providing quality property management service to its tenants through its subsidiary property management company since the end of the year.

Leasing of Goldlion Commercial Building in Shenyang remained largely stable during the year, with rental income rising by approximately 12% when compared to last year. The building is currently almost fully occupied.

Benefiting from the bullish local rental market, both occupancy rate and rentals for Hong Kong properties held by the Group have risen in general. Overall rentals generated by comparable properties climbed by approximately 18% during the year.

Property development:

As for the property development project in Meizhou, Guangdong, plans were drawn up early in the year and approval was subsequently obtained from the local authorities. The Group then entered into a construction contract to engage a contractor to undertake the construction works. The contract sum of the construction contract of approximately RMB91,921,000 will be fully funded from internal resources of the Group. Sitting on a plot of 47,619 square meters, the low-density residential development project will yield a total saleable floor area of approximately 70,850 square meters including residential units and car parking spaces of approximately 61,137 square meters, and retail shops of approximately 9,713 square meters.

Prospects

The Group boasts remarkable performance no matter in terms of sales and profit. In view of our solid foundation, business is expected to continue to thrive and progress towards a promising future.

As far as the apparel business on the Mainland is concerned, the Group will continue to implement the existing development plans including enhancing our product development process for better product quality, reinforcing our marketing drives, improving our product displays and regularly reviewing the positioning and way forward for our brand so as to forge a distinguished image and to become a leading apparel brand on the Mainland in the long run.

The Group is equally optimistic with the Singapore apparel business. As our brand gains an even firmer foothold in the local market, the Group will improve the local infiltration of our products. This will be achieved by increasing the size of our outlets in major department stores and by progressively streaming some of our outlets into specializing in either apparel or accessories. A side development will be to strengthen exports of our apparel products to neighbouring areas.

Regarding the Hong Kong market, rejuvenation of our brand has initially completed. The first store offering new collections under this renewed image is anticipated to open for business in the second quarter of 2007. The opportunity will also be taken to gradually restructure and expand our local sales network.

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Turning to property investment, the Group has entered into an agreement with a related company in early 2007 to acquire the entire share capital of Joint Corporation Limited at an aggregate consideration of HK$240,000,000 (subject to adjustment). The sole asset of the company is the interest in office spaces with total floor area of approximately 18,917 square meters and 47% interest in car parking spaces in Goldlion Digital Network Centre at Tianhe, Guangzhou. Details of the transaction have been disclosed in the Company's circular to its shareholders dated 12th February 2007. In a subsequent extraordinary general meeting, the Company's independent shareholders approved the transaction. Completion of the acquisition is expected to take place by the end of April 2007. Upon completion, the Group will own approximately 96.3% of the building's office area and the entirety of its car parking spaces, which are expected to provide the Group with satisfactory rental returns. In addition, the Group will continue to improve the quality and value of the existing investment properties in order to secure even more satisfactory returns.

As for the property development project in Meizhou, works have been progressing on schedule. In view of the existing working progress, it is expected that the pre-sale will take place before the end of 2007 while the construction will be completed by end of 2007. It is further expected that the results of the project will be recognized in 2008.

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, 3rd April 2007