Goldlion Holdings Limited

Stock Code: 0533

Annual Report 2007

Contents

Corporate Information

DIRECTORS

Chairman:
Dr. the Hon. Tsang Hin Chi G.B.M.

Deputy Chairman and Chief Executive Officer:
Mr. Tsang Chi Ming, Ricky

Executive Director:
Mdm. Wong Lei Kuan

Non-executive Director:
Mr. Ng Ming Wah, Charles

Independent Non-executive Directors:
Dr. Lau Yue Sun B.B.S.
Dr. Wong Ying Ho, Kennedy B.B.S., J.P.
Mr. Yin, Richard Yingneng

QUALIFIED ACCOUNTANT

Mr. Chan Kee Leung, Gary

COMPANY SECRETARY

Mr. Kam Yiu Kwok

AUDIT COMMITTEE

Mr. Yin, Richard Yingneng *(Chairman)*
Dr. Wong Ying Ho, Kennedy B.B.S., J.P. *(Deputy Chairman)*
Dr. Lau Yue Sun B.B.S.
Mr. Ng Ming Wah, Charles

REMUNERATION COMMITTEE

Dr. Wong Ying Ho, Kennedy B.B.S., J.P. *(Chairman)*
Dr. Lau Yue Sun B.B.S.
Mr. Yin, Richard Yingneng
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky

NOMINATION COMMITTEE

Dr. Lau Yue Sun B.B.S. *(Chairman)*
Dr. Wong Ying Ho, Kennedy B.B.S., J.P.
Mr. Yin, Richard Yingneng
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky

SOLICITORS

Woo, Kwan, Lee & Lo
F. Zimmern & Co.

AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

REGISTRARS

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

REGISTERED OFFICE

7th Floor
Goldlion Holdings Centre
13-15 Yuen Shun Circuit
Siu Lek Yuen
Shatin
New Territories
Hong Kong
Telephone: 852-26860666
Fax: 852-26453899
Website: www.goldlion.com

Financial Highlights

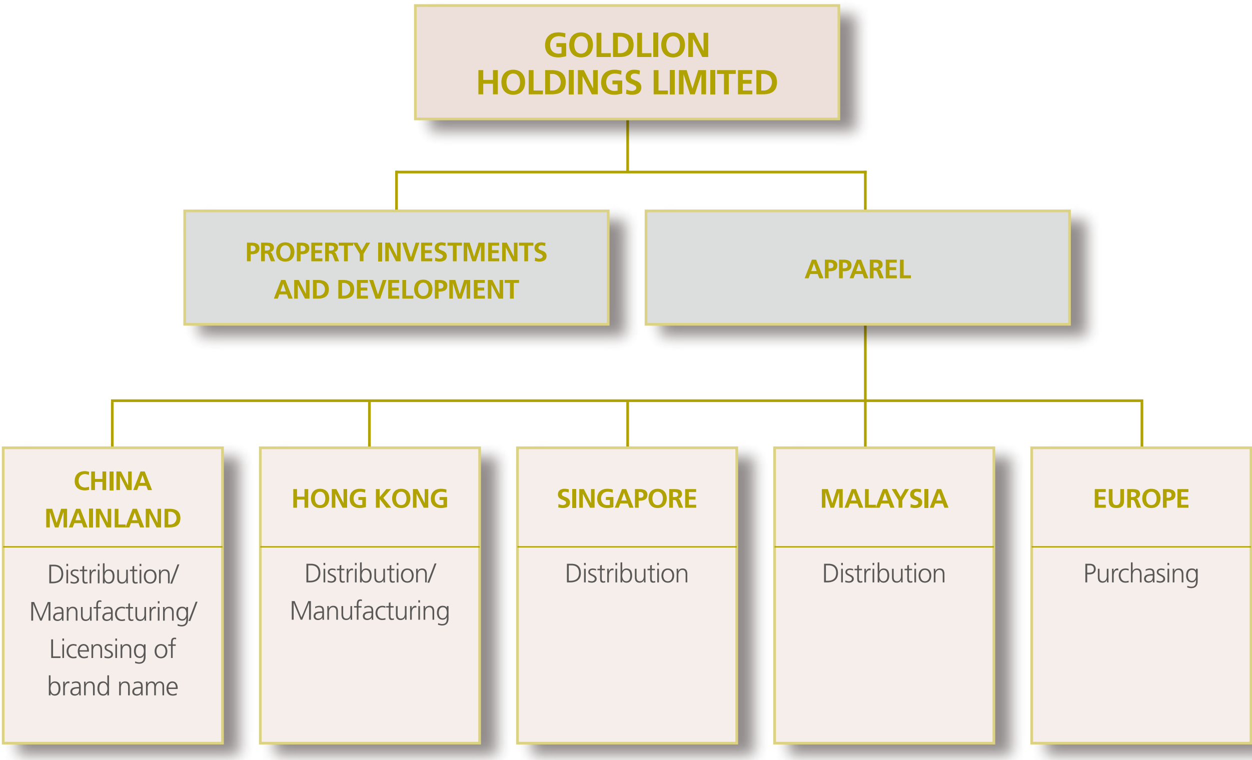
Financial Position

As at 31st December 2007, cash and bank balances held by the Group was approximately HK$461,511,000, which was HK$57,465,000 lower than the balance at the end of last year. During the year, the Group recorded a net cash generated from operating activities of HK$285,205,000 and interest income of HK$11,716,000. However, the Group also paid dividends of HK$104,105,000, acquired Joint Corporation Limited with a cash consideration of HK$177,000,000 and paid for Meizhou property development project of approximately HK$89,692,000 during the year. As at 31st December 2007, the Group did not have any bank loans or overdrafts.

As at 31st December 2007, the Group's current assets and liabilities were HK$774,508,000 and HK$377,578,000 respectively, with current ratio at 2.1. Total current liabilities were only 21% of the average capital and reserves attributable to the Company's equity holders of HK$1,826,600,000.

As at 31st December 2007, the Group did not have any material contingent liabilities and did not charge any of the Group's assets. As at 31st December 2007, the Group had capital commitments of HK$22,549,000 mainly for the remaining construction contract sum of the Meizhou property development project contracted but not provided for.

Group Principal Operational Structure



Distribution Network In China Mainland

Number of GOLDLION sales outlet

1-10	51-60
11-20	61-70
21-30	71-80
31-40	81-90
41-50	over 90

Chairman's Statement

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

Group results

For the financial year ended 31st December 2007, the Group's performance was encouraging with satisfactory increases registered in both turnover and overall profit. Annual turnover, in particular, amounted to HK$1,073,369,000, representing an increase of 34% over the previous year. It was a year of growth for all our major operating locations, especially China Mainland and Singapore. Increases were invariably registered for all of our major sources of income with sales of goods at a rate of 32%.

Profit attributable to equity holders of the Company for the year was HK$324,987,000, or an increase of 96% when compared with last year's HK$166,161,000.

During the year, the Group recorded fair value gains on investment properties of HK$95,006,000 and the related deferred taxation charge at approximately HK$23,429,000 (calculated by applicable tax rates of the year), compared with the corresponding figures of HK$60,283,000 and HK$9,294,000 respectively for the previous year. Besides, a gain of HK$3,281,000 and a loss of HK$2,430,000 on disposal of properties were recorded respectively in the current and last year.

The Group also received a tax refund for re-investment in China Mainland of approximately HK$7,468,000 for the year under review. Pursuant to the new Corporate Income Tax Law of the People's Republic of China ("PRC"), the new enterprise income tax rates for domestic enterprises and foreign invested enterprises are unified at 25% with effect from 1st January 2008. Accordingly, the Group made an adjustment to its deferred income tax assets and liabilities of certain PRC subsidiaries that are expected to be settled after 1st January 2008 using the applicable tax rate of 25%, which resulted in a reduction of net deferred tax liabilities of HK$57,014,000 during the year.

Excluding the fair value gain on investment properties, its related deferred taxation charge, the profit and loss on disposal of properties, and the effects of the tax refund and change of PRC tax rate on the Group's deferred tax position, profit attributable to shareholders for the year stood at HK$185,647,000, representing an increase of 58% over last year's HK$117,602,000.

Chairman's Statement

Final dividend

The Directors have recommended the payment of a final dividend of 8.0 HK cents per share (2006: 6.6 HK cents per share) for the year ended 31st December 2007, totalling HK$78,569,000 (2006: HK$64,820,000). Subject to the shareholders' approval at the forthcoming Annual General Meeting, the final dividend will be paid on or about 5th June 2008 to shareholders whose names appear on the Register of Members as at 23rd May 2008.

Business review

Apparel Business

China Mainland Market

The year-on-year growth in overall turnover for the apparel business in the China Mainland market was a dazzling 36%, or 28% even if excluding the effect of appreciation of the Renminbi ("RMB"). The impetus can be ascribed to a number of factors including the enhancement in the Group's product development and the economic boom on the Mainland.

Following years of efforts in perfecting and improving our product development, we have progressively turned our attention towards building up a collection rather than working on individual items. Our refreshingly new designs turned out by overseas designers recruited in the year, not to mention the quality materials, have proved to be well received by the market.

Coupled with upgraded design, reinforced monitoring and quality control mechanisms in the production process have ensured that our finished products meet the most stringent quality standards when they reach our customers.

At the retail end, the phased face-lift programme for our outlets as conceived by our Japanese designers in the year and the "Key Shop Plan" that has been pursued for years to improve the layout and visual appeal of our major outlets have paid off to secure for the Group a firm foothold in the market.

On top of these, the Group's sales have benefited from Mainland's spiraling spending power fueled by its robust economy and bullish capital market.

Singapore and Malaysia Markets

The Group's performance in the apparel market of Singapore was equally satisfactory. Total sales rose sharply by 20% over the last year, or 13% even at local currency. This was the fourth time in the last five years that a double-digit growth was reported, an indication of our continual expansion in the local market.

The growth was in part due to the favourable local economic condition where unemployment was at its lowest in recent years. High consumer spending power and buoyant retail market have combined to contribute to the surge in the Group's sales.

At the end of the year, the Group directly operated 26 Goldlion outlets in Singapore, or one outlet more than last year. Some of our outlets have further expanded in terms of floor area. Sales for our major comparable outlets all compared favourably with those of the previous year.

Chairman's Statement

To keep up with our pragmatic expansion strategy, two new specialty boutiques were opened in the year to realize our potential at shopping malls. We have also sought to bring our products to the next level by continuing to improve our product design and overall quality.

Information technology systems for our local operation were upgraded in the second half of the year for bringing in automated stock control and financial management functions. With the software installed, the Group can now strengthen its internal management, speed up financial reporting with higher level of accuracy, and improve the efficiency of sourcing and stock management.

The number of Camel Active outlets remained to be six at the end of the year. The line sold well in the year, boosting turnover by about 10%, but the relative small size of the outlets have prevented it from contributing significantly towards overall sales in the market.

Prudence continued to guide our operation in Malaysia. To meet business needs, outlets were increased to 33 at the end of the year, or seven more than that of last year. At local currency, sales climbed by approximately 14%.

Hong Kong Market

During the year under review, the Hong Kong retail market suffered generally from high rentals and escalating operating costs. Mindful of the unfavourable conditions, the Group did not venture to launch ambitious expansion plan in the year but rather concentrated our efforts to improving our brand image and maintaining our profile in the market. At the end of the year, the number of outlets directly under the Group dropped to four with sales slipping accordingly by approximately 10%.

Licensing Income

Licensing income in the year totaled HK$38,582,000, increasing by approximately 17% over that of the previous year. The increase was mainly due to the progressive increases in licensing income as provided in existing agreements and the appreciation of the RMB. 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.

Property Investment and Development

Property investment continued to provide the Group with satisfactory yield during the year. Due to the strong RMB and the stable Mainland and Hong Kong property markets, fair value gain on investment properties stood at HK$95,006,000 for the year as compared with HK$60,283,000 for last year.

Rental income for the year amounted to HK$88,756,000, or a sharp increase of 43% over that of last year.

A major source of our rental income for the year was the Goldlion Digital Network Centre in Tianhe, Guangzhou. The acquisition of Joint Corporation Limited at an aggregate consideration of HK$177,000,000 and 45,000,000 ordinary shares of the Company was completed by the end of April 2007. This has placed under the Group office spaces totaling 48,891 square meters in floor area and the whole car parking spaces by the end of the year. With the increase in leasable area, rental income rose accordingly by 57%. Even when the increase in area is excluded, the growth for the building as a whole still reached 10%. Besides, the Group has provided quality building management services to tenants of the building through its property management subsidiary since end of 2006. The said property management subsidiary recorded a building management income of HK$16,231,000 and was able to achieve breakeven during the year.

Over in Shenyang, the stable leasing position of Goldlion Commercial Building saw rental income rising by approximately 14% when compared to last year. The building currently enjoys almost full occupancy.

In Hong Kong, spurred by optimism in the local rental market, not only occupancy but also rentals have generally ascended, registering an overall increase of about 21% for the market as a whole.

Construction for our property development project in Meizhou, Guangdong, proceeded on schedule during the year. The project will yield saleable area totaling 70,850 square meters, comprising approximately 52,942 square meters of residential units, 8,195 square meters of car parking spaces and 9,713 square meters of commercial spaces. The pre-sale of all the residential units started in October 2007 and at the end of last year with approximately 27,438 square meters successfully sold for a total of HK$90,874,000. The sold flats had already been delivered for possession starting from the end of March 2008 and the Group would recognize the results of the sales simultaneously.

Prospects

The Group takes pride to report that performance had been remarkable for not only our sales but also our profits during the year under review. Nevertheless, it is the long-term sustainable development that matters more greatly to the Group.

Despite uncertainties in the fringe market owing to the subprime mortgage problem, the Group remains optimistic about its major markets in the foreseeable future. In the China Mainland market, in particular, steady growth, although believed to be less drastic than the previous two years, is anticipated for the year in view of soaring consumer spending and the stimulating effects of the Beijing Olympics. To further extend our clientele, goals have been set to improve our product design and coordination among our individual products as we continue to strive for fashion sensitivity with an elitist design team.

As for the Singapore market, the overall rosy operating environment is expected to continue into 2008 although somewhat overcast by the high operating costs and labour shortage. Given the opportunity, the Group will focus on our business expansion while keeping our operating costs well in check.

As far as the property investment business is concerned, demand for quality commercial premises is expected to be keen. Against this background, leasing of our Goldlion Digital Network Centre in Guangzhou is expected to remain stable. Naturally, the Group will continue to improve the quality and rental value of all of its investment properties in order to secure even more satisfactory returns.

Regarding the property development project in Meizhou, construction works have just completed and the sold units were delivered for possession starting from the end of March 2008. Sale of the units is expected to gather momentum once intake begins. Depending on market sentiments, the remaining commercial and car parking spaces will be offered for sale at the opportune time.

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 2008

Schedule of Investment Properties

As at 31st December 2007

Property		Description	Lot Number	Type	Lease term
Hong Kong					
1.	1st, 2nd, 3rd, 4th and 5th floors, Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories.	The property, with a gross floor area of 19,580 sq.m., comprises the entire 1st, 2nd, 3rd, 4th and 5th floors of a modern 8-storey factory/warehouse. The building was completed in 1989.	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
2.	No. 3 Yuk Yat Street, To Kwa Wan, Kowloon.	The property comprises a modified 12-storey building completed in 1973. The property has a total gross floor area of 7,013 sq.m..	Kowloon Inland Lot No. 9676	Industrial/office	The property is held for a term of 75 years from 12th November 1969 renewable for a further term of 75 years.
3.	Unit D on 6th floor, Unit A, B, C and D on 14th floor, together with car parking S18 on the ground floor, Ming Wah Industrial Building, 17-33 Wang Lung Street, Tsuen Wan, New Territories.	The property comprises a unit on the 6th floor, the whole of 14th floor and a car parking space on the ground floor of a 24-storey industrial building completed in 1979. The property has a total gross floor area of 2,127 sq.m..	51/1024th shares of and in Tsuen Wan Town Lot No. 143	Industrial	The property is held for a term of 99 years from 1st July 1898 less the last three days and renewed to 30th June 2047.
4.	Unit B on 3rd floor, Acro Industrial Building, 19 Yuk Yat Street, To Kwa Wan, Kowloon.	The property comprises a workshop unit on the third floor of a 12-storey plus basement industrial building completed in 1978. The property has a gross floor area of 536 sq.m..	58/1184th shares of and in Kowloon Inland Lot No. 9681	Industrial	The property is held for a term of 75 years from 23rd March 1970 and renewable for a further term of 75 years.

Schedule of Investment Properties

As at 31st December 2007

Property	Description	Lot Number	Type	Lease term
China Mainland				
5. Levels 1 to 5, Level 7, Units 01 to 07 and Units 09 to 12 on Level 8, Level 9, Unit 01 and Units 03 to 12 on Level 10, Level 11, Unit 01 and Units 03 to 12 on Level 12, Level 13, Units 02 to 12 on Level 14, Level 15, Unit 01 and Units 03 to 12 on Level 16, Units 07 to 12 on Level 17, Units 03 to 12 on Level 18, Levels 19 to 29, the car parking spaces in the basement levels 1 to 3 and the mezzanine level of the building, Goldlion Digital Network Centre, Ti Yu Dong Road, Tianhe District, Guangzhou, Guangdong Province.	The property is a 29-storey plus 4 basements commercial building built on a site of 6,670 sq.m.. The gross floor area of the commercial and office portions is approximately 48,891 sq.m..	–	Commercial/ Office	The land use right is held for a term of 40 years for commercial or car parking uses and 50 years for office use commencing from 27th January 1997.
6. Shenyang Goldlion Commercial Building, 186-190 Zhong Jie Lu, Shen He Qu, Shenyang, Liaoning Province.	The property is a 7-storey commercial building built on a site of 5,379 sq.m.. The 2 phases were completed in 1991 and 1993 respectively and was completely refurbished in 2002. The property has a gross floor area of 14,801 sq.m..	–	Commercial	The land use right is held for a term of 30 years from 28th December 1994.

Schedule of Investment Properties

As at 31st December 2007

Property		Description	Lot Number	Type	Lease term
China Mainland *(continued)*					
7.	Unit 07 on Level 24, Unit 07 and 08 on Level 26 and Unit 07 and 08 on Level 28, No. 577 Tianhe North Road, Unit 07 and 08 on Level 25, Unit 07 on Level 26, Unit 07 on Level 27 and Unit 07 and 08 on Level 28, No. 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province.	The property comprises 11 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 1,031 sq.m..	–	Residential	The land use right is held for a term of 70 years from 1st April 1999.
8.	Unit 03 on Level 10, No. 852 Dongfeng East Road and Unit 01 on Level 18, No. 856 Dongfeng East Road, Glorious City Garden, Dongshan District, Guangzhou, Guangdong Province.	The property comprises 2 residential units in one of the 32-storey buildings of the estate built in 2001. The property has a gross floor area of 243 sq.m..	–	Residential	The land use right is held for a term of 70 years from 7th April 1990.

Corporate Governance Report

The Board and the Management of the Company are committed to maintain a high standard of corporate governance. The Board believes that to carry the business in an accountable and transparent manner will ultimately maximize the long-term value to shareholders and stakeholders.

Throughout the year under review, the Company complied with the Code Provision of the Code on Corporate Governance Practices (the "CG Code") as set out in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except for a derivation in the rotation of directors as explained below. During the year, the Company also complied with, to a certain extent, the Recommended Best Practices in the CG Code.

Board of Directors

The Board assumes responsibility for leadership, control and development of the Company and is collectively responsible for promoting the success of the Company.

The Board is accountable for the supervision of the Management in the business and affairs of the Company and the Group. Apart from its statutory and fiduciary duties, the Board sets the Group's objective and approves strategic plans, key operational targets, capital expenditure, major investments and financing decisions. The Board regularly reviews businesses and performance of the Group.

The Board is also continuously reviewing the adequacy and effectiveness of the Group's internal control system. The Board recognizes that the maintenance of a sound system of control is an essential element for protecting the best interests of the shareholders.

The Board meets regularly and as and when required. In the year under review, five meetings had been held. Details of Directors' attendance records in 2007 are set out below:

	Attendance (%)	
Executive Directors		
Dr. Tsang Hin Chi	(3/5)	60%
Mr. Tsang Chi Ming, Ricky	(5/5)	100%
Mdm. Wong Lei Kuan	(3/5)	60%
Non-executive Director		
Mr. Ng Ming Wah, Charles	(5/5)	100%
Independent non-executive Directors		
Dr. Lau Yue Sun	(5/5)	100%
Dr. Wong Ying Ho, Kennedy	(4/5)	80%
Mr. Yin, Richard Yingneng	(5/5)	100%

The Company Secretary assists the Chairman in establishing the meeting agenda, and each of the Directors may request inclusion of items in the agenda. Board members are also provided with timely and adequate information prior to the Board meetings, and on an on-going basis, can have separate and independent access to the Group's Senior Management.

Board of Directors *(continued)*

At the Board meetings, there is open atmosphere for Directors to contribute alternative views and major decisions would only be taken after a full discussion at the meetings. For matters on transactions where Directors are considered having conflict of interests, the Directors concerned would not be counted in quorum of meeting and shall abstain from voting of the relevant resolution.

To assist in the execution of its responsibilities, the Board has established a number of Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. All of these Board Committees have clear written terms of reference and are available on the Company's website.

The Directors can have separate and independent access to the Company Secretary. Minutes of the meetings are kept by the Company Secretary and are open for inspection by Directors.

Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company are segregated and are not performed by the same individual. Currently, Dr. Tsang Hin Chi is the Chairman of the Board and Mr. Tsang Chi Ming, Ricky, a son of Dr. Tsang Hin Chi, serves as the Company's Chief Executive Officer.

There are clear definitions of the responsibilities and functions between the Chairman and the Chief Executive Officer. The Chairman focuses on the Group's strategic development and provides leadership to the Board. The Chief Executive Officer is being assisted by Senior Management of the Group in assuming his executive duties and responsibility for the Group's operation and performance.

Board composition

The Board has a balance of skills and experience appropriate for the requirements of the Group's business. Currently, the Board comprises totally seven members including three executive Directors, one non-executive Director and three independent non-executive Directors. Non-executive Directors provide the Board with diversified expertise and experience. The Board believes that the presence of independent non-executive Directors is reasonable and adequate for the provision of sufficient checks and balances that safeguard the interests of shareholders and the Group.

Each of the independent non-executive Directors has confirmed in writing to the Company their independence in particularly in regard to the requirements under Rule 3.13 of the Listing Rules. The Board considers that the independent non-executive Directors are free from any business or other relationship that may inference their exercise of independent judgement.

Biographical details of the Directors are set out on page 26 to 27.

Appointments, re-election and removal of directors

In accordance with the Company's Articles of Association, any Director appointed to fill casual vacancy should be subject to election at the first general meeting after their appointment and every Director should be subject to retirement by rotation at least once every three years. However, all of the non-executive Directors of the Company have not been appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company, which is not in accordance with the requirements of Code Provision A.4.1.

Board of Directors *(continued)*

Appointments, re-election and removal of directors *(continued)*

Besides, the Board has established the Nomination Committee with specific terms of reference to handle the appointment of Directors. The Nomination Committee consists of three independent non-executive Directors, a non-executive Director and an executive Director. List of members of Nomination Committee is set out in the "Corporate Information" on page 2.

With a view to ensure that the Board has members with the right profile of expertise, skill and ability as well as an appropriate balance of independent directors, the Nomination Committee constantly reviews and assesses candidates for directorship before recommending to the Board. The Nomination Committee held one meeting during the year and the attendance was as follows:

Members	**Attendance (%)**	
Dr. Lau Yue Sun *(Chairman)*	(1/1)	100%
Dr. Wong Ying Ho, Kennedy	(1/1)	100%
Mr. Yin, Richard Yingneng	(1/1)	100%
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

Responsibilities of Directors

The Company has clear policy to ensure that all Directors have a proper understanding of the business and operation of the Group and that they are fully aware their roles and responsibilities as Directors under relevant legislations and regulatory requirements.

On appointment, new Directors will be given a comprehensive introduction to the Group's major business activities, induction into their responsibilities and duties, and other regulatory requirements.

From time to time, non-executive Directors are updated with comprehensive briefings on the Group's strategic and business development, financial objective, plans and actions.

All Directors have full and timely access to all relevant information about the Group so that they can discharge their duties and responsibilities as Directors effectively. Where any member of the Board, whether individual or as a group, needs independent professional advice, the Company will appoint a professional advisor to render such service. The costs of such professional services will be borne by the Company. A directors' and officers' liabilities insurance has also been arranged.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. During the year, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

Remuneration Committee

The Board has established the Remuneration Committee with specific terms of reference. The Remuneration Committee consists of three independent non-executive Directors, a non-executive Director and an executive Director. List of members of Remuneration Committee is set out in the "Corporate Information" on page 2.

Remuneration Committee *(continued)*

The key role of the Committee is to formulate the remuneration policy, to review and recommend to the Board the annual remuneration policy, and to fix the remuneration packages of the executive Directors and members of the Senior Management. The primary objective of the remuneration policy is to ensure that the Company is able to attract, retain and motivate a high-calibre team of staff.

In determining remuneration packages, the Company mainly considers employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual staff.

To maintain a proper management control, no Director and members of the Senior Management can determine his own remuneration.

The Remuneration Committee reviews remuneration packages of the executive Directors and Senior Management regularly to ensure that those packages are commensurate with their performance. The Chairman of the Committee will report the work, findings and recommendations to the Board after each meeting.

The Remuneration Committee held two meetings during the year and the attendance records were as follows:

Members	**Attendance (%)**	
Dr. Wong Ying Ho, Kennedy *(Chairman)*	(2/2)	100%
Dr. Lau Yue Sun	(2/2)	100%
Mr. Yin, Richard Yingneng	(2/2)	100%
Mr. Ng Ming Wah, Charles	(2/2)	100%
Mr. Tsang Chi Ming, Ricky	(2/2)	100%

Accountability and Audit

Financial reporting

The Board is responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and the results for the corresponding period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. In preparing the accounts for the year, the Directors have:

– selected suitable accounting policies and applied them consistently;

– adopted all accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants;

– make judgements and estimates that are reasonable; and have prepared the accounts on the going concern basis.

Accountability and Audit *(continued)*

Audit Committee

The Audit Committee was established in 1998. Currently the Committee comprises three independent non-executive Directors and a non-executive Director, and is chaired by Mr. Yin, Richard Yingneng. Mr. Yin is a fellow member of the Hong Kong Institute of Certified Public Accountants and had worked as a senior member with regulatory bodies in Hong Kong and Australia.

The Audit Committee is primarily assisting the Board in fulfilling its oversight responsibilities for financial reporting, risk management and evaluation of internal controls and auditing processes. It also ensures that the Group complies with all applicable laws and regulations. List of members of Audit Committee is set out in the "Corporate Information" on page 2.

The Committee is also empowered to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices, with full access to records, resources and personnel, to enable it to discharge its functions properly.

In respect of maintaining an appropriate relationship with the Company's auditors, the Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the Company's external auditors, and to approve their remuneration and terms of engagement, and any questions of resignation or dismissal of the auditors. The Committee reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee also discusses with the auditors the nature and scope of the audit and reporting obligations before the audit commences.

The Committee had held a meeting with the external auditors without the presence of the Management to discuss various auditing issues. The Committee has also conducted regular reviews on the nature and extent of non-audit services supplied by the external auditors.

The Chairman of the Committee will report the work, findings and recommendations to the Board after each meeting. The Audit Committee held five meetings during the year and the attendance records were as follows:

Members	**Attendance (%)**	
Mr. Yin, Richard Yingneng *(Chairman)*	(5/5)	100%
Dr. Lau Yue Sun	(5/5)	100%
Dr. Wong Ying Ho, Kennedy	(2/5)	40%
Mr. Ng Ming Wah, Charles	(5/5)	100%

Internal controls

The Board has ultimate responsibility for maintaining a sound and effective internal control system, which is designed to provide reasonable but not absolute assurance against material errors, losses or fraud. The Board, through the Audit Committee, has conducted regular reviews on the effectiveness of the system.

The Group's internal control system comprises an established organizational structure and comprehensive policies and working procedures. Areas of responsibilities of each business and operational unit are reasonably defined to ensure sufficient segregation of duties.

Accountability and Audit *(continued)*

Internal controls *(continued)*

The key procedures that the Board established to provide effective controls are as follows:

– a distinct organization structure exists with defined lines of authority and control responsibilities;

– a comprehensive management accounting system is in place to provide financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose;

– policies and procedures are designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication;

– systems and procedures are also in place to identify, measure, manage and control risks including reputation, strategic, legal, credit, market, liquidity, interest rate and operational risks;

– procedures are designed to ensure compliance with applicable laws, rules and regulations;

– Audit Committee reviews reports submitted by external auditors to the Group's management in connection with the annual audit and interim review.

The Group's Internal Audit Department plays a major role in monitoring the internal governance of the Group. The Department conducts systematic reviews of the Group's internal control system on an on-going basis in order to provide reasonable assurance of the effectiveness of the system. The Department reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and controlling system. The Department summaries audit findings and control weaknesses and reports to the Audit Committee on a regular basis.

The Internal Audit Charter was approved and adopted by the Audit Committee in the year. The Charter establishes the framework and defines the functions, authorities and responsibilities of the Internal Audit function of the Group.

To complement the in-house Internal Audit function, the Audit Committee has appointed a reputable international risk advisory firm to conduct a high-level risk assessment and to review the effectiveness of the Group's system of internal control against the framework of the Committee of Sponsoring Organization of the Treadway Commission (COSO). The risk advisory firm presented their reports to the Audit Committee and would follow up on any action plans agreed by management.

During the year, the Audit Committee, on behalf of the Board, has reviewed the effectiveness of the various systems put in place by the management covering all material controls, including financial, operational and compliance controls as well as risk management functions.

Accountability and Audit *(continued)*

Auditors' remuneration

During the year, total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$2,758,000, of which a sum of HK$2,380,000 was paid to the Group's principal external auditors, PricewaterhouseCoopers. The remuneration for PricewaterhouseCoopers and its affiliated firms, for services rendered is broken down below:

	HK$
Statutory audit and interim review fee	2,380,000
Tax consulting services	38,500
Total	2,418,500

Communication with Shareholders

The Board strives for timeliness and transparency in its disclosures to shareholders and the public. The Company disseminates its information to shareholders in a timely manner through various channels including interim and annual reports, published announcements, press releases and shareholders' circulars. Regular meetings are held with investors, analysts, bankers and the press. The Group has a corporate website where shareholders and members of the public are able to access to up-to-date corporate information and events related to the Group.

The Annual General Meeting of the Company also provides a useful platform for dialogue and interaction with all the shareholders. At the Annual General Meeting, the Chairman as well as chairmen of the Board Committees, or in their absence, members of the Committees are available to answer shareholders' questions.

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 2007.

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 9 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the accounts.

Results and appropriations

The results of the Group for the year ended 31st December 2007 are set out in the consolidated profit and loss account on page 38.

The Directors have declared an interim dividend of 4 HK cents (2006: 3.3 HK cents) per ordinary share, totalling HK$39,285,000 (2006: HK$30,925,000), which was paid on 17th October 2007.

The Directors recommend the payment of a final dividend of 8.0 HK cents (2006: 6.6 HK cents) per ordinary share totalling HK$78,569,000 (2006: HK$64,820,000), which is to be payable on or about 5th June 2008 to shareholders whose names appear on the Register of members on 23rd May 2008. This recommendation shall become effective subject to the approval of shareholders at the Annual General Meeting to be held on 23rd May 2008.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 39 and note 16 to the accounts respectively.

Donations

Charitable and other donations made by the Group during the year amounted to HK$502,000 (2006: HK$331,000).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 7 to the accounts.

Principal properties

Details of the principal properties held for investment purposes at 31st December 2007 are set out on pages 14 to 16.

Share capital

Details of the share capital of the Company are set out in note 15 to the accounts.

Distributable reserves

Distributable reserves of the Company at 31st December 2007, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$131,958,000 (2006: HK$239,895,000).

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Hong Kong, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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 88.

Purchase, sale or redemption of shares

The Company has not redeemed 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:
LAU Yue Sun
WONG Ying Ho, Kennedy
YIN, Richard Yingneng

In accordance with Article 101 of the Company's Articles of Association, Mdm. Wong Lei Kuan, Dr. Lau Yue Sun and Dr. Wong Ying Ho, Kennedy 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 74, is Chairman and co-founder of the Group. Dr. Tsang honored with a doctorate by the Zhong Shan University in the People's Republic of China ("PRC"), and citizenship of Beijing, Harbin, Shenyang, Dalin and Guangzhou. Dr. Tsang is concurrently Honorary Vice Chairman of the All-China Federation of Industry & Commerce, Ex-officio Life Honorary Chairman of the Chinese General Chamber of Commerce, and Committee Member to several Hong Kong and Mainland trade associations. Other public offices he holds include Director of the Tsang Hin Chi Manned Space Foundation, Honorary Director of the Tsang Hin Chi Education Foundation under the Ministry of Education of the PRC, Deputy Managing Director of the Jinan University in Guangzhou, and Honorary President of the Jiaying University in Guangdong. Previously, he has served as Standing Committee Member in the National People's Congress of the PRC from the Eighth through the Tenth session.

Mr. Tsang Chi Ming, Ricky, aged 41, is Deputy Chairman and Chief Executive Officer of the Company overseeing the operations and development of the Group. Mr. Tsang joined the Group in 1989 and was appointed as Executive Director in 2001. He is a member of the National Committee of the C.P.P.C.C. and the C.P.P.C.C. Guangzhou, and Executive Committee Member of the All-China Federation of Industry & Commerce. Mr. Tsang is also Executive Vice Chairman of the Guangdong Chamber of Foreign Investors, Director of the Jinan University in Guangzhou, Chairman of the Ka Ying Chow Commercial Association Limited, Standing Committee Member of the Chinese General Chamber of Commerce and an honorary citizen of Guangzhou and Meizhou. He is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan.

Mdm. Wong Lei Kuan, aged 71, is co-founder of the Group and the wife of Dr. Tsang Hin Chi. She is Honorary Chairman of the Ka Ying Chow Commercial Association Limited and a supervising advisor of the Hong Kong Federation of Women. Mdm. Wong is also Honorary Chairman of Ladies' Sub-Committee and Committee Member of, the Chinese General Chamber of Commerce. She is Executive Committee Member of the All-China Women's Federation, Executive Director of the China Women's Development Fund and Director of the China Council for the Promotion of Peaceful National Reunification. Besides, Mdm. Wong has served as a member of the C.P.P.C.C. Guangdong of the PRC from the Seventh through the Ninth session.

Non-executive Director

Mr. Ng Ming Wah, Charles, aged 58, was appointed to the Board as a non-executive Director in 1992. Mr. Ng graduated from Loughborough University in England in 1972 with a B.Sc. degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies (London Business School) in England in 1974 with a M.Sc. degree in Business Studies. Mr. Ng is a director of Somerly Limited, the principal business of which is 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 each of China Everbright Limited (stock code: 165), Stone Group Holdings Limited (stock code: 409), Dalian Ports (PDA) Company Limited (stock code: 2880) and China Molybdenum Company Limited (stock code: 3993). 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.

Biographical details of directors and senior management *(continued)*

Independent non-executive Directors

Dr. Lau Yue Sun, B.B.S., aged 67, 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 (stock code: 876). 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., a member of the Election Committee of Hong Kong SAR and a 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 Federation of Industry and Commerce. Dr. Lau was appointed to the Board in 1994.

Dr. Wong Ying Ho, Kennedy, B.B.S., J.P., aged 45, 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. Dr. Wong is a member of the National Committee of the C.P.P.C.C.. He also holds directorship in listed companies in Hong Kong including China Overseas Land & Investment Limited (stock code: 688), Great Wall Technology Company Limited (stock code: 74), Qin Jia Yuan Media Services Company Limited (stock code: 2366) and International Financial Network Holdings Limited (stock code: 8123). Dr. Wong was appointed to the Board in 2004.

Mr. Yin, Richard Yingneng, aged 55, is the chairman and an executive director of International Financial Network Holdings Ltd. (stock code: 8123), a company principally engaged in the provision of financial services. Mr. Yin has solid experience in the securities and futures industry. He held senior positions in various regulatory bodies including the Australian Securities Commission, the New South Wales Corporate Affairs Commission and the Securities and Futures Commission of Hong Kong for over 10 years. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in Australia and the Institute of Chartered Accountants in England and Wales. Mr. Yin was appointed to the Board in 2006.

Senior Management

Mr. Chan Kee Leung, Gary, aged 45, 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 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 57, 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 honoured with the "Ten Outstanding Female Entrepreneurs in China" in 2002 and the "Chinese Businesswomen Award for Outstanding Contribution" in 2005. She is now the honorary vice-chairman of the Hubei Entrepreneur Association.

Mr. Quek Chew Teck, aged 46, was the Assistant General Manager of Goldlion Singapore from 1987 to 1994 and re-joined the Group in 1998 as the General Manager of Goldlion Singapore. He was appointed as a Director and Chief Executive Officer of Goldlion Singapore in 2005 and is also a director of Goldlion Malaysia since 2000. He is responsible for the Group's operations in Singapore and Malaysia as well as the export business to neighbouring countries. Mr. Quek holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore. He has more than 17 years experience in corporate management.

Biographical details of directors and senior management *(continued)*

Senior Management *(continued)*

Mr. Dieter Nothofer, aged 63, 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. Liu Hong An, aged 46, holds a Bachelor Degree in Mechanical Engineering from the South China University of Technology. Mr. Liu has over twenty years experience in property investment and management and has worked with large enterprises in China for many years. Mr. Liu has been with the Group since 1997 and is the general manager of the Group's property investment and development operation in Guangzhou and Meizhou.

Mr. Tu Wu Yi, aged 46, graduated with Executive Master of Business Administration Degree. Mr. Tu is a qualified accountant in China Mainland and has more than 20 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 45, joined the Group in 1999 as Accounting Manager 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' interests in contracts and competing businesses

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 ("GGCPL") which is the developer of, and owns the Goldlion Digital Network Centre in Guangzhou.

Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky had beneficial interests in GPDL and GGCPL. Ownership of and the leasing activities of GGCPL constituted a competing business to the Group. Since the leasing activities of GGCPL have been conducted on a fair and open market basis, the Directors consider that the Group's interest is adequately safeguarded.

GGCPL was acquired by the Group on 30th April 2007.

During the period 1st January 2007 to 30th April 2007, the Group paid rental of HK$340,000 (2006: HK$984,000) to GGCPL for the office located at Goldlion Digital Network Centre in Guangzhou.

Save as disclosed above, no interests in competing businesses and contracts 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, 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").

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 determined 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. During the year, no options had been granted or remained outstanding under the New Option Scheme or any other share option scheme of the Company.

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 2007, 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 required maintained by the Company under section 352 of Part XV of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Ordinary shares of HK$0.10 each in the Company at 31st December 2007

		Number of shares held				
Directors		**Personal interests**	**Family interest** *(Note 1)*	**Other interests** *(Note 2)*	**Total**	**Percentage to total issued share capital**
Tsang Hin Chi	Long positions	–	1,210,000	613,034,750	614,244,750	62.54%
	Short positions	–	–	–	–	–
Tsang Chi Ming, Ricky	Long positions	1,404,000	–	613,034,750	614,438,750	62.56%
	Short positions	–	–	–	–	–
Wong Lei Kuan	Long positions	1,210,000	–	613,034,750	614,244,750	62.54%
	Short positions	–	–	–	–	–
Ng Ming Wah, Charles	Long positions	410,000	–	–	410,000	0.04%
	Short positions	–	–	–	–	–

Note:

1. 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.

2. 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 (being trustees of the Gold Unit Trust and the Silver Unit Trust, respectively) as disclosed in the paragraph headed "Substantial Shareholders" below.

Directors' and Chief Executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

(continued)

(b) Save as disclosed above, as at 31st December 2007, none of the Directors and Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Save as disclosed above, at no time during the year ended 31st December 2007 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the 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 2007, the register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 31st December 2007, 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		Number of shares held	Percentage to total issued share capital
HSBC International Trustee Limited (Note 1)	Ordinary shares of HK$0.10 each	Long positions	613,034,750	62.42%
		Short positions	–	–
Silver Disk Limited (Note 2)	Ordinary shares of HK$0.10 each	Long positions	160,616,000	16.35%
		Short positions	–	–
Tsang Hin Chi Charities (Management) Limited	Ordinary shares of HK$0.10 each	Long positions	53,880,750	5.49%
		Short positions	–	–

Substantial shareholders' interests and short positions in the shares, underlying shares of the Company *(continued)*

Note:

1. HSBC International Trustee Limited ("HSBC") held 339,530,000 shares and 273,504,750 shares for Gold Trustee Holding Corporation and Silver Trustee Holding Corporation respectively. 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) were beneficially owned by the Tsang Family Trust (the "Old Family Trust"). On 30th January 2008, HSBC, as trustee of the Old Family Trust, executed a Deed of Appointment pursuant to which HSBC, as trustee of the Old Family Trust, among other things, transferred assets conferring ownership and control of 613,034,750 shares to Hin Chi Family Management Limited ("HCFML"), as trustee of the Tsang Hin Chi (2007) Family Settlement (the "New Family Trust"), and on the same day, HCFML, as trustee of the New Family Trust, entered into a Subscription Agreement with Top Grade Holdings Limited ("Top Grade") pursuant to which, among other things, ownership and control of the same 613,034,750 shares were transferred to Top Grade in consideration for the issue of additional fully paid shares in Top Grade to HCFML as such trustee. Top Grade is owned by HCFML as trustee of the New Family Trust.

2. Silver Disk Limited is wholly owned by the Silver Unit Trust and its shareholding comprised part of the number of shares held by HSBC International Trustee Limited for Silver Trustee Holding Corporation.

Connected transactions

Certain related party transactions, as disclosed in note 32 to the accounts also constituted connected transactions under the Listing Rules, are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have entered into and/or are ongoing for which relevant announcements, if necessary, had been made of the Company in accordance with the requirements of the Listing Rules.

(a) The Group paid rental of HK$340,000 to GGCPL 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 GGCPL.

(b) The Group paid professional fees 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.

(c) 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. The lease was renewed subsequently on 10th November 2006 pursuant to its renewal terms. During the year, the Group received HK$2,625,000 from GWTCCL as rental income 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 brother of Mr. Tsang Chi Ming, Ricky.

(d) The Group paid consultancy fees of HK$840,000 to Mr. Zhang Zi Hong during the year in the ordinary course of its business. Mr. Zhang is a director of Goldlion (China) Limited, a subsidiary of the Company.

Connected transactions *(continued)*

(e) During the year, building management fees of HK$866,000 were received under normal commercial terms from GWTCCL for the provision of building management services for a business center at Goldlion Digital Network Centre. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of CWTC, the holding company of GWTCCL. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(f) On 27th January 2006, the Group, as lessor, entered into a lease with General Business Network (Holdings) Limited ("GBNL") as lessee in respect of a unit located at Goldlion Holdings Centre in Hong Kong. During the year, the Group received HK$296,000 from GBNL as rental payment under the lease. 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 this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(g) On 30th April 2007, the Group acquired from Keysonic Development Limited ("Keysonic") the entire share capital in, and a shareholder's loan from Keysonic to, Joint Corporation Limited for an aggregate consideration of HK$177,000,000 in cash and 45,000,000 ordinary shares of the Company's share capital. Keysonic is beneficially owned by the Tsang Family Trust, a discretionary trust established by Dr. Tsang Hin Chi, the discretionary objects of which are members of his family including Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky, both are executive Directors. As a result, Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction.

Financial assistance and guarantees to affiliated companies

There was no advance (including guarantee given by the Company and its subsidiaries) which are of non-trading nature to the affiliated companies as at 31st December 2007 under Chapter 13 of the Listing Rules.

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.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

Report of the Directors

Corporate governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 17 to 23.

Auditor

The accounts for the year ended 31st December 2007 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, 3rd April 2008

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GOLDLION HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Goldlion Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 87, which comprise the consolidated and company balance sheets as at 31st December 2007, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the accounts

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3rd April 2008

Consolidated Balance Sheet

As at 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	**115,486**	113,167
Property, plant and equipment	7	**154,887**	108,291
Investment properties	8	**1,468,250**	1,089,002
Deferred income tax assets	18	**37,296**	22,553
Deposit for acquisition of property, plant and equipment		**3,982**	–
		1,779,901	1,333,013
Current assets			
Property under development held for sale	10	**113,060**	23,368
Inventories	11	**130,151**	78,849
Trade receivables	13	**36,751**	34,953
Prepayments, deposits and other receivables	13	**33,035**	22,485
Cash and cash equivalents	14	**461,511**	518,976
		774,508	678,631
Total assets		**2,554,409**	2,011,644
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	**98,211**	93,711
Reserves	16	**1,813,966**	1,506,893
Proposed final dividend	16	**78,569**	61,849
		1,990,746	1,662,453
Minority interest		**1,311**	1,311
Total equity		**1,992,057**	1,663,764
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	18	**180,632**	122,125
Other payable		**4,142**	–
		184,774	122,125
Current liabilities			
Trade payables	17	**48,679**	28,120
Other payables and accruals		**289,684**	168,053
Taxation payables		**39,215**	29,582
		377,578	225,755
Total liabilities		**562,352**	347,880
Total equity and liabilities		**2,554,409**	2,011,644
Net current assets		**396,930**	452,876
Total assets less current liabilities		**2,176,831**	1,785,889

On behalf of the Board

Dr. Tsang Hin Chi
Chairman

Mr. Tsang Chi Ming, Ricky
Deputy Chairman and Chief Executive Officer

Balance Sheet

As at 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	9	**1,235,107**	1,265,282
Current assets			
Prepayments		**172**	172
Cash and cash equivalents	14	**85**	75
		257	247
Total assets		**1,235,364**	1,265,529
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	**98,211**	93,711
Reserves	16	**1,056,535**	1,107,842
Proposed final dividend	16	**78,569**	61,849
Total equity		**1,233,315**	1,263,402
LIABILITIES			
Current liabilities			
Accruals		**1,222**	1,300
Amount due to a subsidiary	9	**827**	827
Total liabilities		**2,049**	2,127
Total equity and liabilities		**1,235,364**	1,265,529

On behalf of the Board

Dr. Tsang Hin Chi
Chairman

Mr. Tsang Chi Ming, Ricky
Deputy Chairman and Chief Executive Officer

Consolidated Profit and Loss Account

For the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	5	**1,073,369**	798,301
Cost of sales	20	**(429,459)**	(326,910)
Gross profit		**643,910**	471,391
Other gains, net	19	**105,755**	57,853
Selling and marketing costs	20	**(212,629)**	(179,247)
Administrative expenses	20	**(189,650)**	(134,100)
Operating Profit		**347,386**	215,897
Interest income		**11,716**	12,426
Profit before income tax		**359,102**	228,323
Income tax expense	24	**(33,380)**	(61,471)
Profit for the year		**325,722**	166,852
Attributable to:			
Equity holders of the Company	25	**324,987**	166,161
Minority interest		**735**	691
		325,722	166,852
Dividends	26	**117,854**	95,745
		HK cents	HK cents
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	27	**33.59**	17.73
– diluted	27	**33.59**	17.73

Consolidated Statement of Changes in Equity

For the year ended 31st December 2007

	Attributable to equity holders of the Company				
	Share capital HK$'000	**Other reserves** HK$'000	**Retained earnings** HK$'000	**Minority interest** HK$'000	**Total** HK$'000
Balance at 1st January 2006	93,711	936,803	534,877	2,514	1,567,905
Redemption of minority interest	–	–	–	(339)	(339)
Currency translation differences	–	14,304	–	–	14,304
Net income/(expense) recognized directly in equity	–	14,304	–	(339)	13,965
Profit for the year	–	–	166,161	691	166,852
Total recognized income in 2006	–	14,304	166,161	352	180,817
Dividend relating to 2005	–	–	(52,478)	(864)	(53,342)
Dividend relating to 2006	–	–	(30,925)	(691)	(31,616)
	–	14,304	82,758	(1,203)	95,859
Balance at 31st December 2006	93,711	951,107	617,635	1,311	1,663,764
Balance at 1st January 2007	93,711	951,107	617,635	1,311	1,663,764
Currency translation differences	–	29,561	–	–	29,561
Appropriation to reserves	–	8,329	(8,329)	–	–
Issue of share capital (note 15 and 16)	4,500	73,350	–	–	77,850
Net income/(expense) recognized directly in equity	4,500	111,240	(8,329)	–	107,411
Profit for the year	–	–	324,987	735	325,722
Total recognized income in 2007	4,500	111,240	316,658	735	433,133
Dividend relating to 2006	–	–	(64,820)	–	(64,820)
Dividend relating to 2007	–	–	(39,285)	(735)	(40,020)
	4,500	111,240	212,553	–	328,293
Balance at 31st December 2007	98,211	1,062,347	830,188	1,311	1,992,057

Consolidated Cash Flow Statement

For the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	28(a)	**338,689**	208,008
Overseas taxation paid		**(53,484)**	(44,989)
Net cash generated from operating activities		**285,205**	163,019
Cash flows from investing activities			
Purchase of property under development held for sale	10	**(89,692)**	(19,950)
Purchase of investment properties	8	**(364)**	–
Purchase of property, plant and equipment	7	**(27,419)**	(11,255)
Proceeds from sales of investment properties	28(a)(i)	**11,416**	3,570
Proceeds from sales of leasehold land and land use rights and property, plant and equipment	28(a)(ii)	**254**	240
Decrease/(increase) in fixed deposits with maturities over 3 months		**150,772**	(62,097)
Interest received		**11,716**	12,426
Net cash outflow from acquisition of a subsidiary	31	**(166,609)**	–
Redemption of minority interest in a subsidiary		**–**	(781)
Net cash used in investing activities		**(109,926)**	(77,847)
Cash flows from financing activities	28(b)		
Dividends paid to equity holders of the Company		**(104,105)**	(83,403)
Dividends paid to minority shareholders in subsidiaries		**(735)**	(1,555)
Net cash used in financing activities		**(104,840)**	(84,958)
Net increase in cash and cash equivalents		**70,439**	214
Cash and cash equivalents at 1st January		**361,904**	350,910
Effect of foreign exchange rate changes		**22,868**	10,780
Cash and cash equivalents at 31st December	14	**455,211**	361,904

Notes to the Accounts

For the year ended 31st December 2007

1. General information

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 9 to the accounts.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 7th floor, Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong SAR.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated accounts have been approved for issue by the Board of Directors on 3rd April 2008.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated accounts of Goldlion Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention as modified by the revaluation of investment properties, financial assets and liabilities at fair value through profit or loss.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the accounts, are disclosed in note 4 to the accounts.

(a) Standards, amendment and interpretations effective in 2007

The following standards, amendments and interpretations are mandatory for financial year ended 31st December 2007:

HKAS 1 (Amendment)	Presentation of financial statements: capital disclosures
HKFRS 7	Financial instruments: disclosures
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Interim financial reporting and impairment

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1st January 2008 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised), "Presentation of financial statements" (effective from 1st January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1st January 2009.

HKAS 23 (Revised), "Borrowing costs" (effective from 1st January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1st January 2009 but is currently not applicable to the Group as there are no qualifying assets.

HKAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective from 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognized. Any gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1st January 2010.

HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions" (effective from 1st March 2007). HK(IFRIC)-Int 11 requires that certain types of transactions are accounted for as equity-settled or cash-settled transactions under HKFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group. The Group will apply HK(IFRIC)-Int 11 from 1st January 2008, but it is not expected to have any impact to the Group's consolidated accounts.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(continued)*

HK(IFRIC) – Int 12, "Service concession arrangements" (effective from 1st January 2008). HK(IFRIC) – Int 12 provides guidance on the accounting by operators in public-to-private service concession arrangements. As none of the group entities have service concession arrangements, HK(IFRIC) – Int 12 is not relevant to the Group's operations.

HK(IFRIC) – Int 13, "Customer loyalty programmes" (effective from 1st July 2008). HK(IFRIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) – Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

HK(IFRIC) – Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1st January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) – Int 14 from 1st January 2008, but it is not expected to have any impact on the Group's accounts.

HKFRS 3 (Revised), "Business Combinations" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1st July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1st January 2010.

HKFRS 8, "Operating segments" (effective from 1st January 2009). HKFRS 8 replaces HKAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st January 2009. The expected impact is still being assessed in detail by management.

2. Summary of significant accounting policies *(continued)*

2.2 Subsidiaries

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit and loss account.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less any provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the profit and loss account as part of the gain or loss on sale.

2.5 Property, plant and equipment

Buildings comprise mainly factories, retail outlets and offices other than investment properties as mentioned in note 2.7. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

2. Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	2% to 5%
Plant and machinery	10% to 30%
Furniture and fixtures	20% to 33%
Computers	18% to 33%
Motor vehicles	10% to 20%

Construction-in-progress, representing building on which construction work has not been completed, is stated at cost, which includes construction expenditures incurred and other direct costs capitalized during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction-in-progress until the construction work is completed. On completion, the construction-in-progress is transferred to appropriate categories of property, plant and equipment.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account.

2.6 Leasehold land and land use rights

Leasehold land and land use rights are stated at cost less accumulated amortization and accumulated impairment losses. Cost mainly represents consideration paid for the rights to use the land on which plants and buildings are situated for a period of 50 to 70 years from the dates the respective rights were granted. Amortisation of leasehold land and land use right is calculated on a straight-line basis over the period of the rights.

2.7 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by an independent valuer. Changes in fair values are recorded in the profit and loss account as part of other gains.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

2. Summary of significant accounting policies *(continued)*

2.8 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Property under development held for sale

Property under development held for sale comprises prepayments for leasehold land and land use rights and development expenditure. In the course of property development, the amortization charge of leasehold land and land use rights is included as part of the costs of the property under development.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.11 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the profit and loss account within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the profit and loss account.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet date.

2.13 Share capital

Ordinary shares are classified as equity.

2. Summary of significant accounting policies *(continued)*

2.14 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

(b) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within the next twelve months and are measured at the amounts expected to be paid when they are settled.

2. Summary of significant accounting policies *(continued)*

2.16 Employee benefits *(continued)*

(c) Pension obligations

The Group operates defined contribution retirement schemes which are available for all qualified employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. For the retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and/or are reduced by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in China Mainland and is required to make annual contributions in the range of 2% to 28% of annual payroll costs to these schemes. The municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contribution under these schemes. The contributions are charged to the profit and loss account as incurred.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods – wholesale

Sales of goods are recognized when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Sales of goods – retail

Sales of goods are recognized when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in selling and marketing costs.

(c) Gross rental income from investment properties

Gross rental income from investment properties is recognized on a straight-line basis over the periods of the respective leases.

2. Summary of significant accounting policies *(continued)*

2.17 Revenue recognition *(continued)*

(d) Licensing income and building management fee

Licensing income and building management fee income are recognized on an accrual basis in accordance with the substance of the relevant agreements.

(e) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.18 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders for final dividend and Board of Directors for interim dividend.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest-rate risk and credit risk.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of an asset, liability or highly probable forecast transaction denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group operates in various regions and is exposed to foreign exchange risk primarily arising from net investments in foreign subsidiaries in China Mainland and Singapore.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposures with respect to the Singapore dollar and Renminbi are considered minimal as the exchange of these two currencies against the Hong Kong dollar did not materially fluctuate.

At 31st December 2007, if HK dollar had weakened/strengthened by 6% against Renminbi with all other variables held constant, equity would have been HK$77,866,000 (2006: HK$65,020,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of net assets of the subsidiaries in Mainland China. If HK dollar had weakened/strengthened by 6% against Renminbi with all other variables held constant, post-tax profit for the year would have been HK$17,182,000 (2006: HK$9,806,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of the profit and loss accounts of the subsidiaries in Mainland China.

At 31st December 2007, if HK dollar had weakened/strengthened by 6% against the Singapore dollar with all other variable held constant, equity would have been HK$5,495,000 (2006: HK$4,271,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of net asset of the subsidiary in Singapore. If HK dollar had weakened/strengthened by 6% against the Singapore dollar with all other variables held constant, post-tax profit for the year would have been HK$795,000 (2006: HK$691,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of the profit and loss accounts of the Singapore subsidiary.

(ii) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates, except for the interest income derived from bank deposits. Apart from the bank deposits, the Group has no significant interest bearing assets or liabilities.

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is managed on a group basis and individual basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to wholesale and retail customers, including outstanding receivables. Impairment provisions are made for losses that have been incurred at the balance sheet date. The Group limits its exposure to credit risk by rigorously selecting the counterparties including the deposits-takers and debtors and by diversification. Deposits are placed only with major and sizeable banks approved by the Board from time to time and there was no significant concentration risk to a single counterparty. The Group mitigates its exposure to risks relating to trade receivable by its established procedures in granting credit only to customers with sound credit track records. Sales to retail customers are settled in cash or using major credit cards. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

As at 31st December 2007, the financial assets of the Group that were exposed to credit risk and their maximum exposure were as follows:

	31st December 2007		31st December 2006	
	Carrying amount in balance sheet HK$'000	**Maximum exposure to credit risk HK$'000**	Carrying amount in balance sheet HK$'000	Maximum exposure to credit risk HK$'000
Financial assets:				
Cash and cash equivalents	**461,511**	**461,511**	518,976	518,976
Trade receivables	**36,751**	**36,751**	34,953	34,953

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Company employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. In addition, banking facilities have been put in place for contingency purposes. As at 31st December 2007, the Group's total available banking facilities amounted to HK$84,902,000 (2006: HK$166,056,000).

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Trade payables, other payables and accruals	
	2007	2006
	HK$'000	HK$'000
Less than 1 year	**377,578**	225,755
Between 1 and 2 years	**4,142**	–

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Useful lives and residual values of properties, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its properties, plant and equipment. This estimate is based on the historical experience of the actual useful lives of properties, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(c) Write-downs of inventories to net realizable value

Net realizable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each balance sheet date.

(d) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

4. Critical accounting estimates and judgements *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(d) Estimate of fair value of investment properties *(continued)*

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Certain properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the portions are accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

5. Turnover and segment information

Primary reporting format – business segment

At 31st December 2007, the Group is organized into two main business segments:

Apparel – Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name

Property investments and development – Investments in and development of properties in China Mainland, Hong Kong SAR and Singapore

An analysis of the Group's segment information by business segment is as follows:

	2007				2006			
	Apparel HK$'000	Property investments and development HK$'000	Elimination HK$'000	Group HK$'000	Apparel HK$'000	Property investments and development HK$'000	Elimination HK$'000	Group HK$'000
Results								
Turnover	957,507	115,862	–	1,073,369	728,590	69,711	–	798,301
Inter-segment sales	–	5,671	(5,671)	–	–	737	(737)	–
	957,507	121,533	(5,671)	1,073,369	728,590	70,448	(737)	798,301
Segment results	235,161	152,990		388,151	147,561	104,607		252,168
Unallocated costs				(29,049)				(23,845)
Profit before income tax				359,102				228,323
Income tax expense				(33,380)				(61,471)
Profit for the year				325,722				166,852
Assets								
Segment assets	575,397	1,765,759		2,341,156	604,001	1,271,197		1,875,198
Unallocated assets				213,253				136,446
Total assets				2,554,409				2,011,644
Liabilities								
Segment liabilities	198,292	122,077		320,369	162,440	43,900		206,340
Unallocated liabilities				241,983				141,540
Total liabilities				562,352				347,880

5. Turnover and segment information *(continued)*

Primary reporting format – business segment *(continued)*

	2007				2006			
	Apparel	Property investments and development	Elimination	Group	Apparel	Property investments and development	Elimination	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other information								
Capital expenditure	**24,725**	**3,058**		**27,783**	9,354	1,901		11,255
Depreciation of property, plant and equipment	**12,258**	**2,252**		**14,510**	11,408	1,114		12,522
Amortization of leasehold land and land use rights	**3,298**	**431**		**3,729**	3,252	431		3,683
Impairment for property, plant and equipment	**404**	**–**		**404**	2,729	–		2,729
(Reversal)/provision of impairment for inventories	**(10,980)**	**–**		**(10,980)**	1,277	–		1,277
Impairment for trade receivables	**17**	**–**		**17**	520	–		520

Unallocated costs represent corporate expenses less interest income.

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and mainly exclude corporate cash funds. Unallocated assets comprise corporate property, plant and equipment, deferred tax assets and cash funds.

Segment liabilities comprise operating liabilities and exclude items such as accruals for corporate expenses. Unallocated liabilities comprises items such as corporate other payable and accruals, tax payable and deferred tax liabilities. Capital expenditure comprises additions to investment properties and property, plant and equipment.

5. Turnover and segment information *(continued)*

Secondary reporting format – geographical segment

The Group mainly operates in the following three geographical areas:

China Mainland – Apparel, and property investments and development

Hong Kong SAR – Apparel and property investments

Singapore and Malaysia – Apparel and property investments

In respect of geographical segment reporting, sales are based on the countries in which the group companies operate and total assets and capital expenditure are where the assets are located.

An analysis of the Group's segment information by geographical segment is as follows:

	2007			
	Turnover HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
Geographical segments				
China Mainland	890,507	352,648	1,795,161	12,422
Hong Kong SAR	46,524	22,448	630,768	1,528
Singapore and Malaysia	134,016	15,965	118,040	13,814
Other countries	2,322	(2,910)	10,440	19
	1,073,369	388,151	2,554,409	27,783
Unallocated costs		(29,049)		
Profit before income tax		359,102		
Income tax expense		(33,380)		
Profit for the year		325,722		

5. Turnover and segment information *(continued)*

Secondary reporting format – geographical segment *(continued)*

	2006			
	Turnover HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
Geographical segments				
China Mainland	643,506	229,116	1,374,402	6,827
Hong Kong SAR	41,608	11,465	527,884	3,154
Singapore and Malaysia	111,720	14,466	98,633	1,272
Other countries	1,467	(2,879)	10,725	2
	798,301	252,168	2,011,644	11,255
Unallocated costs		(23,845)		
Profit before income tax		228,323		
Income tax expense		(61,471)		
Profit for the year		166,852		

Analysis of turnover by category

	2007 HK$'000	2006 HK$'000
Sales of goods	**918,924**	695,513
Gross rental income from investment properties *(Note)*	**88,756**	62,018
Building management fee	**27,107**	7,694
Licensing income	**38,582**	33,076
	1,073,369	798,301

Note:

Rental income less outgoings for the year is HK$70,799,000 (2006: HK$50,966,000).

6. Leasehold land and land use rights – Group

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	2007 **HK$'000**	2006 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**99,941**	102,554
Outside Hong Kong, held on:		
Leases of over 50 years	**719**	744
Leases of between 10 to 50 years	**14,826**	9,869
	115,486	113,167

	2007 **HK$'000**	2006 HK$'000
At 1st January	**113,167**	119,694
Exchange difference	**669**	428
Transfer from investment property	**5,379**	–
Transfer to property under development held for sale	**–**	(3,272)
Amortization of prepaid operating lease payment (note 20)	**(3,729)**	(3,683)
At 31st December	**115,486**	113,167

7. Property, plant and equipment – Group

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2006							
Cost	146,004	1,818	18,864	51,298	10,874	12,449	241,307
Accumulated depreciation	(52,049)	–	(15,962)	(47,825)	(8,811)	(7,090)	(131,737)
Net book amount	93,955	1,818	2,902	3,473	2,063	5,359	109,570
Year ended 31st December 2006							
Opening net book amount	93,955	1,818	2,902	3,473	2,063	5,359	109,570
Additions	–	1,524	2,380	3,027	1,507	2,817	11,255
Disposals	–	–	–	(115)	(8)	(109)	(232)
Transfer	3,249	(3,249)	–	–	–	–	–
Transfer to property under development held for sale	–	(146)	–	–	–	–	(146)
Depreciation	(6,120)	–	(1,651)	(1,856)	(911)	(1,984)	(12,522)
Impairment charges	–	–	–	(2,488)	(241)	–	(2,729)
Exchange differences	2,595	53	110	141	42	154	3,095
Closing net book amount	93,679	–	3,741	2,182	2,452	6,237	108,291
At 31st December 2006							
Cost	153,197	–	21,818	54,394	12,209	13,626	255,244
Accumulated depreciation and impairment	(59,518)	–	(18,077)	(52,212)	(9,757)	(7,389)	(146,953)
Net book amount	93,679	–	3,741	2,182	2,452	6,237	108,291
Year ended 31st December 2007							
Opening net book amount	93,679	–	3,741	2,182	2,452	6,237	108,291
Additions	10,622	–	2,123	5,828	5,159	3,687	27,419
Disposals	–	–	(20)	(51)	(272)	(313)	(656)
Transfer	27,581	–	–	–	–	–	27,581
Acquisition of a subsidiary (note 31)	–	–	–	–	1,340	273	1,613
Depreciation	(6,600)	–	(1,369)	(1,974)	(2,111)	(2,456)	(14,510)
Impairment charges	–	–	–	(404)	–	–	(404)
Exchange differences	4,768	–	294	134	178	179	5,553
Closing net book amount	130,050	–	4,769	5,715	6,746	7,607	154,887
At 31st December 2007							
Cost	199,230	–	25,151	60,707	19,515	18,232	322,835
Accumulated depreciation and impairment	(69,180)	–	(20,382)	(54,992)	(12,769)	(10,625)	(167,948)
Net book amount	130,050	–	4,769	5,715	6,746	7,607	154,887

Depreciation expense of HK$2,163,000 (2006: HK$2,459,000) has been expensed in cost of sales, HK$1,372,000 (2006: HK$1,703,000) in selling and marketing costs and HK$10,975,000 (2006: HK$8,360,000) in administrative expenses.

8. Investment properties – Group

	2007 HK$'000	2006 HK$'000
At 1st January	**1,089,002**	1,034,835
Additions	**364**	–
Disposals	**(8,135)**	(6,000)
Reversal	**–**	(116)
Transfer to leasehold land, land use right and property, plant and equipment	**(32,960)**	–
Acquisition of a subsidiary (note 31)	**324,500**	–
Fair value gains (note 19)	**95,006**	60,283
Exchange differences	**473**	–
At 31st December	**1,468,250**	1,089,002

The investment properties were revalued at 31st December 2007 by Mr. Ng Sai Hee, an independent professional valuer. Valuations were based on current prices in an active market or discounted cash flow projections for all properties.

The Group's interests in investment properties are analyzed as follows:

	2007 HK$'000	2006 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**68,000**	61,200
Leases of between 10 to 50 years	**231,000**	213,300
Outside Hong Kong, held on:		
Freehold	**–**	7,662
Leases of over 50 years	**14,235**	11,800
Leases of between 10 to 50 years	**1,155,015**	795,040
	1,468,250	1,089,002

The period of leases whereby the Group leases out its investment properties under operating leases is 1 month to 120 months.

9. Subsidiaries – Company

	2007 HK$'000	2006 HK$'000
Unlisted investment, at cost	**10**	10
Amounts due from subsidiaries	**1,235,097**	1,265,272
	1,235,107	1,265,282

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Amount due to a subsidiary is unsecured, interest free and repayable on demand.

The following is a list of principal subsidiaries, which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Group equity interest 2007	Group equity interest 2006
[3] China Silverlion Limited	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	RMB3,613,724	**100%**	100%
[3] Goldlion (China) Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB103,640,175	**99.25%**	99.25%
[3] Goldlion Clothes Making Company Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	US$6,934,000	**98.92%**	98.92%
[2] Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	10,000 ordinary shares of S$100 each	**100%**	100%
[2] Goldion Distribution (M) Sdn. Bhd.	Malaysia Limited liability company	Distribution of garments in Malaysia	1,200,000 ordinary shares of MYR1 each	**100%**	100%

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For the year ended 31st December 2007

9. Subsidiaries – Company *(continued)*

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Group equity interest 2007	Group equity interest 2006
	Goldlion (Europe) GmbH	Germany Limited liability company	Purchasing office in Germany	250,000 ordinary shares totally EUR127,823	**90%**	90%
	Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution and manufacturing of garments in Hong Kong	2 ordinary shares of HK$100 each and 500,000 non-voting deferred shares of HK$100 each	**100%**	100%
1	Goldlion Group (BVI) Limited	British Virgin Islands Limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US$1 each	**100%**	100%
	Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%
3	Guangzhou Goldlion Environmental Technology Co. Limited	PRC Limited liability company	Property holding in the PRC	HK$10,000,000	**100%**	100%
	Hallman Properties Limited	British Virgin Islands Limited liability company	Property holding in Germany	50,000 ordinary shares of US$1 each	**100%**	100%
	Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each	**100%**	100%
3	Meizhou Silver Dip Property Management Limited	PRC Limited liability company	Property management in the PRC	RMB595,000	**100%**	–
3	Shenyang Goldlion Commercial Mansion Limited	PRC Limited liability company	Property holding in the PRC	RMB70,000,000	**100%**	100%

9. Subsidiaries – Company *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Group equity interest 2007	Group equity interest 2006
Rich Smart Resources Limited	Hong Kong Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%
Wise Planner Limited	Hong Kong Limited liability company	Teahouse, hair salon and restaurant operation in Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%
[3] Meizhou Goldlion Corporate Clothing Limited	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	HK$5,000,000	**100%**	100%
[3] Meizhou Goldlion Properties Development Limited	PRC Limited liability company	Property development in the PRC	HK$50,000,000	**100%**	100%
[3] Guangzhou Silver Dip Property Management Co. Limited	PRC Limited liability company	Property management in the PRC	HK$1,000,000	**100%**	100%
[3] Guangzhou Goldlion City Properties Company Limited	PRC Limited liability company	Property holding in the PRC	RMB175,667,260	**100%**	–
Joint Corporation Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1 each	**100%**	–

[1] Subsidiary held directly by the Company
[2] Subsidiaries not audited by PricewaterhouseCoopers
[3] English names of the subsidiaries are direct translations of their Chinese registered names

10. Property under development held for sale – Group

The Group's interests in property under development held for sale are analyzed as follows:

	2007 HK$'000	2006 HK$'000
Leasehold land and land use right	**10,219**	9,698
Development costs	**102,841**	13,670
	113,060	23,368

	2007 HK$'000	2006 HK$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**84,483**	18,058
Leases of between 10 to 50 years	**28,577**	5,310
	113,060	23,368

11. Inventories – Group

	2007 HK$'000	2006 HK$'000
Raw materials	**5,566**	4,823
Work in progress	**16,908**	9,433
Finished goods	**107,677**	64,593
	130,151	78,849

The cost of inventories recognized as expense and included in cost of sales amounted to HK$422,483,000 (2006: HK$314,581,000).

The Group reversed HK$19,592,000 (2006: HK$8,134,000) of a previous years' inventory write-down. The amount reversed has been included in cost of sales in the profit and loss account.

12. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group:

	Loans and receivables	
	2007	2006
	HK$'000	HK$'000
Assets as per balance sheet		
Trade receivables (note 13)	**36,751**	34,953
Prepayments, deposits and other receivables (note 13)	**33,035**	22,485
Cash and cash equivalents (note 14)	**461,511**	518,976
Total	**531,297**	576,414

	Other financial liabilities	
	2007	2006
	HK$'000	HK$'000
Liabilities as per balance sheet		
Trade payables (note 17)	**48,679**	28,120
Other payables and accruals	**289,684**	168,053
Total	**338,363**	196,173

Company:

	Loans and receivables	
	2007	2006
	HK$'000	HK$'000
Assets as per balance sheet		
Prepayments and deposits	**172**	172
Cash and cash equivalents (note 14)	**85**	75
Total	**257**	247

	Other financial liabilities	
	2007	2006
	HK$'000	HK$'000
Liabilities as per balance sheet		
Accruals	**1,222**	1,300
Amount due to a subsidiary	**827**	827
Total	**2,049**	2,127

13. Trade receivables, prepayments, deposits and other receivables – Group

	2007	2006
	HK$'000	HK$'000
Trade receivables	**37,809**	36,021
Less: provision for impairment	**(1,058)**	(1,068)
Trade receivables – net	**36,751**	34,953
Prepayments, deposits and other receivables	**33,035**	22,485
	69,786	57,438

The above carrying amounts of trade receivables, prepayments, deposits and other receivable approximates to its fair value.

The Group's turnover is on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 31st December 2007, the ageing analysis of the trade receivables was as follows:

	2007	2006
	HK$'000	HK$'000
1-30 days	**26,304**	26,751
31-90 days	**9,995**	8,202
Over 90 days	**1,510**	1,068
	37,809	36,021

As of 31st December 2007, trade receivables of HK$5,078,000 (2006: HK$4,485,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007	2006
	HK$'000	HK$'000
Overdue less than and up to 3 months	**4,849**	4,485
Overdue by 3 to 6 months	**229**	–
	5,078	4,485

13. Trade receivables, prepayments, deposits and other receivables – Group *(continued)*

As of 31st December 2007, trade receivables of HK$1,058,000 (2006: HK$1,068,000) were impaired. The amount of the provision was HK$1,058,000 as of 31st December 2007 (2006: HK$1,068,000). The individually impaired receivables mainly relate to wholesalers, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	2007	2006
	HK$'000	HK$'000
Overdue less than and up to 6 months	**–**	776
Overdue over 6 months	**1,058**	292
	1,058	1,068

The carrying amount of the Group's trade receivables, prepayments, deposits and other receivable are denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
Singapore dollars	**31,189**	26,668
Renminbi	**29,472**	22,302
Hong Kong dollars	**8,429**	8,164
Euro	**696**	304
	69,786	57,438

Movements on the provision for impairment of trade receivables are as follows:

	2007	2006
	HK$'000	HK$'000
At 1st January	**1,068**	3,715
Provision for impairment	**16**	520
Receivables written off during the year as uncollectible	**(43)**	(3,220)
Exchange differences	**17**	53
At 31st December	**1,058**	1,068

13. Trade receivables, prepayments, deposits and other receivables – Group *(continued)*

The creation and release of provision for impaired receivables have been included in administrative expenses in the profit and loss account (note 20). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Prepayments, deposits and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

14. Cash and cash equivalents

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**55,930**	66,263	**85**	75
Fixed deposits with maturities less than 3 months	**399,281**	295,641	**–**	–
Cash and cash equivalents as stated in the consolidated cash flow statement	**455,211**	361,904	**85**	75
Fixed deposits with maturities over 3 months	**6,300**	157,072	**–**	–
Cash and cash equivalents as stated in the balance sheets	**461,511**	518,976	**85**	75
Maximum exposure to credit risk	**461,511**	518,976	**85**	75

Cash and cash equivalents in the balance sheets are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**222,169**	368,770	**–**	–
Hong Kong dollars	**174,418**	84,853	**85**	75
US dollars	**26,721**	34,820	**–**	–
Singapore dollars	**36,408**	28,213	**–**	–
Euro	**1,795**	2,320	**–**	–
	461,511	518,976	**85**	75

14. Cash and cash equivalents *(continued)*

The effective interest rates on fixed deposits were ranging from 0.15% to 5.45% (2006 1.62% to 5.17%); these deposits have maturities within 6 months.

The conversion of bank balances and cash of the Group denominated in Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the China Mainland government.

15. Share capital

	Number of share	**2007 HK$'000**	2006 HK$'000
Authorized:			
Ordinary shares of HK$0.10 each	1,200,000,000	**120,000**	120,000
Issued and fully paid:			
Ordinary shares of HK$0.10 each			
As at 1st January	937,114,035	**93,711**	93,711
Issue of share capital	45,000,000	**4,500**	–
As at 31st December	982,114,035	**98,211**	93,711

At the Extraordinary General Meeting of the Company held on 1st March 2007, independent shareholders of the Company approved the acquisition of Joint Corporation Limited at an aggregate consideration of HK$177,000,000 in cash plus 45,000,000 ordinary shares of HK$0.10 each in the Company. Upon completion of the acquisition on 30th April 2007, the Company issued 45,000,000 new shares of HK$0.10 each, which rank pari passu to the existing issued shares, to Keysonic Development Limited (Note 31). The issue of new shares was recognized at HK$1.73 per share, being the fair value of the Company's shares as at 30th April 2007.

At the Extraordinary General Meeting of the Company held on 21st May 2002, a share option scheme was approved and adopted (the "New Option Scheme"). No share options were granted during the year (2006: nil) under the New Option Scheme.

Notes to the Accounts

For the year ended 31st December 2007

16. Reserves

(a) Group

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Other reserves HK$'000	Exchange reserve HK$'000	Total other reserves HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2006	929,312	(23,768)	484	31,084	(309)	936,803	534,877	1,471,680
Currency translation differences	–	–	–	–	14,304	14,304	–	14,304
2005 final dividend paid	–	–	–	–	–	–	(52,478)	(52,478)
2006 interim dividend paid	–	–	–	–	–	–	(30,925)	(30,925)
Profit for the year	–	–	–	–	–	–	166,161	166,161
Balance at 31st December 2006	929,312	(23,768)	484	31,084	13,995	951,107	617,635	1,568,742
Representing:								
Reserves	929,312	(23,768)	484	31,084	13,995	951,107	555,786	1,506,893
2006 final dividend proposed	–	–	–	–	–	–	61,849	61,849
	929,312	(23,768)	484	31,084	13,995	951,107	617,635	1,568,742
Balance at 1st January 2007	929,312	(23,768)	484	31,084	13,995	951,107	617,635	1,568,742
Currency translation differences	–	–	–	–	29,561	29,561	–	29,561
Appropriation to other reserves	–	–	–	8,329	–	8,329	(8,329)	–
Issue of share capital (note 15)	73,350	–	–	–	–	73,350	–	73,350
2006 final dividend paid	–	–	–	–	–	–	(64,820)	(64,820)
2007 interim dividend paid	–	–	–	–	–	–	(39,285)	(39,285)
Profit for the year	–	–	–	–	–	–	324,987	324,987
Balance at 31st December 2007	1,002,662	(23,768)	484	39,413	43,556	1,062,347	830,188	1,892,535
Representing:								
Reserves	1,002,662	(23,768)	484	39,413	43,556	1,062,347	751,619	1,813,966
2007 final dividend proposed	–	–	–	–	–	–	78,569	78,569
	1,002,662	(23,768)	484	39,413	43,556	1,062,347	830,188	1,892,535

Other reserves are attributable to certain subsidiaries established in China Mainland. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in China Mainland. The amount set aside is determined by the Directors of these subsidiaries at their financial year end. The fund can only be used to make up losses incurred, increase registered capital or used for collective welfare of employees.

16. Reserves *(continued)*

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Total other reserves HK$'000	Retained earnings HK$'000	Total reserves HK$'000
At 1st January 2006	929,312	484	929,796	125,714	1,055,510
2005 final dividend paid	–	–	–	(52,478)	(52,478)
2006 interim dividend paid	–	–	–	(30,925)	(30,925)
Profit for the year	–	–	–	197,584	197,584
31st December 2006	929,312	484	929,796	239,895	1,169,691
Representing:					
Reserves	929,312	484	929,796	178,046	1,107,842
2006 final dividend proposed	–	–	–	61,849	61,849
	929,312	484	929,796	239,895	1,169,691
At 1st January 2007	929,312	484	929,796	239,895	1,169,691
Issue of share capital (note 15)	73,350	–	73,350	–	73,350
2006 final dividend paid	–	–	–	(64,820)	(64,820)
2007 interim dividend paid	–	–	–	(39,285)	(39,285)
Loss for the year	–	–	–	(3,832)	(3,832)
31st December 2007	1,002,662	484	1,003,146	131,958	1,135,104
Representing:					
Reserves	1,002,662	484	1,003,146	53,389	1,056,535
2007 final dividend proposed	–	–	–	78,569	78,569
	1,002,662	484	1,003,146	131,958	1,135,104

17. Trade payables – Group

At 31st December 2007, the ageing analysis of the trade payables was as follows:

	2007 **HK$'000**	2006 HK$'000
1-30 days	**40,239**	22,465
31-90 days	**6,368**	5,569
Over 90 days	**2,072**	86
	48,679	28,120

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2007 **HK$'000**	2006 HK$'000
Singapore dollars	**11,713**	13,352
Renminbi	**35,058**	13,045
Hong Kong dollars	**1,660**	1,622
Euro	**248**	101
	48,679	28,120

The carrying amounts of trade payables approximate to their fair value.

18. Deferred income tax – Group

The gross movement on the deferred income tax account of the Group is as follows:

	2007 **HK$'000**	2006 HK$'000
At 1st January	**99,572**	75,101
Acquisition of a subsidiary (note 31)	**88,826**	–
Deferred taxation (credited)/charged to consolidated profit and loss account (note 24)	**(45,062)**	24,471
At 31st December	**143,336**	99,572

Deferred income tax assets are recognized for tax losses carry forward to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$480,876,000 (2006: HK$438,530,000), of which HK$105,752,000 (2006: HK$110,248,000) is subject to agreement by relevant tax authorities, to carry forward against future taxable income. HK$471,583,000 of unrecognized tax losses (2006: HK$413,897,000) has no expiry date and the remaining losses will expire at various dates up to and including 2012.

18. Deferred income tax – Group *(continued)*

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities	Accelerated taxation depreciation		Fair values gains		Others		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
At 1st January	**22,571**	20,541	**104,410**	95,116	**11,508**	3,616	**138,489**	119,273
Acquisition of a subsidiary (note 31)	**33,809**	–	**54,905**	–	**(100)**	–	**88,614**	–
Charged/(credited) to consolidated profit and loss account	**(11,363)**	2,030	**(19,086)**	9,294	**(9,794)**	7,892	**(40,243)**	19,216
At 31st December	**45,017**	22,571	**140,229**	104,410	**1,614**	11,508	**186,860**	138,489

Deferred income tax assets	Provisions		Tax losses		Others		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
At 1st January	**(23,596)**	(24,795)	**(2,907)**	(5,149)	**(12,414)**	(14,228)	**(38,917)**	(44,172)
Acquisition of a subsidiary (note 31)	**–**	–	**–**	–	**212**	–	**212**	–
Charged/(credited) to consolidated profit and loss account	**1,677**	1,199	**(249)**	2,242	**(6,247)**	1,814	**(4,819)**	5,255
At 31st December	**(21,919)**	(23,596)	**(3,156)**	(2,907)	**(18,449)**	(12,414)	**(43,524)**	(38,917)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2007 HK$'000	2006 HK$'000
Deferred income tax assets	**(37,296)**	(22,553)
Deferred income tax liabilities	**180,632**	122,125
	143,336	99,572

19. Other gains, net

	2007 HK$'000	2006 HK$'000
Fair value gains on investment properties	**95,006**	60,283
Gain/(loss) on disposal of properties	**3,281**	(2,430)
Tax refund for reinvestment	**7,468**	–
	105,755	57,853

20. Expenses by nature

	2007 HK$'000	2006 HK$'000
Cost of goods sold	**422,483**	314,581
(Reversal)/provision of impairment for inventories	**(10,980)**	1,277
Direct operating expenses arising from investment properties	**17,956**	11,052
Operating lease rentals – land and buildings	**20,594**	24,350
Amortization of leasehold land and land use rights (note 6)	**3,729**	3,683
Depreciation of property, plant and equipment (note 7)	**14,510**	12,522
Impairment loss on property, plant and equipment (note 7)	**404**	2,729
Staff costs including directors' emoluments (note 21)	**169,545**	122,113
Auditors' remuneration	**2,758**	1,841
Advertising and promotion expenses	**92,685**	78,638
Other expenses	**98,075**	68,476
Net exchange gain	**(21)**	(1,005)
	831,738	640,257
Representing:		
Cost of sales	**429,459**	326,910
Selling and marketing costs	**212,629**	179,247
Administrative expenses	**189,650**	134,100
	831,738	640,257

21. Staff costs, including directors' emoluments

	2007	2006
	HK$'000	HK$'000
Staff costs		
– Wages and salaries	**157,986**	112,621
– Retirement benefit costs (note 22)	**11,559**	9,492
	169,545	122,113

22. Retirement benefit costs

	2007	2006
	HK$'000	HK$'000
Defined contribution schemes for:		
Hong Kong employees *(Note (a))*	**947**	796
Singapore employees *(Note (b))*	**3,419**	2,719
China Mainland employees *(Note (c))*	**7,193**	5,977
	11,559	9,492

Notes:

(a) Under the Mandatory Provident Fund (the "MPF") scheme, both the employer and employee have to contribute 5% of the employee's relevant income or HK$1,000, whichever is lower, as mandatory contribution. The employer and employee may further contribute certain percentage of the employee's relevant income, as voluntary contribution.

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK$947,000 (2006: HK$796,000) without any forfeited contributions. The forfeited contributions represent contributions to the retirement scheme prior to the MPF scheme for those employees who leave prior to vesting fully on the contributions. Contributions totalling HK$128,000 (2006: HK$130,000) payable to the MPF scheme at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2006: nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$3,419,000 (2006: HK$2,719,000). Contributions totalling HK$2,054,000 (2006: HK$1,353,000) payable to the schemes at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2006: nil).

(c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contributions payable (2006: nil) to the municipal governments at the year end.

23. Directors' and senior management's emoluments

(a) The remuneration of every Director for the year ended 31st December 2007:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Others benefits(1) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Dr. Tsang Hin Chi	**–**	**3,901**	**5,231**	**443**	**–**	**9,575**
Mr. Tsang Chi Ming, Ricky	**–**	**2,899**	**2,640**	**12**	**–**	**5,551**
Mdm. Wong Lei Kuan	**–**	**1,452**	**1,320**	**25**	**–**	**2,797**
Mr. Ng Ming Wah, Charles	**180**	**–**	**–**	**–**	**–**	**180**
Dr. Lau Yue Sun	**180**	**–**	**–**	**–**	**–**	**180**
Dr. Wong Ying Ho, Kennedy	**180**	**–**	**–**	**–**	**–**	**180**
Mr. Yin, Richard Yingneng (3)	**180**	**–**	**–**	**–**	**–**	**180**

The remuneration of every Director for the year ended 31st December 2006:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits(1) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Dr. Tsang Hin Chi	–	3,900	3,374	490	–	7,764
Mr. Tsang Chi Ming, Ricky	–	2,870	1,602	–	12	4,484
Mdm. Wong Lei Kuan	–	1,452	841	17	–	2,310
Mr. Ng Ming Wah, Charles	180	–	–	–	–	180
Dr. Wong Yu Hong, Philip (2)	131	–	–	–	–	131
Dr. Lau Yue Sun	180	–	–	–	–	180
Dr. Wong Ying Ho, Kennedy	180	–	–	–	–	180
Mr. Yin, Richard Yingneng (3)	41	–	–	–	–	41

Notes:

(1) Other benefits include leave pay, insurance premium and club membership.
(2) Resigned on 22nd September 2006.
(3) Appointed on 9th October 2006.

23. Directors' and senior management's emoluments *(continued)*

(b) The five individuals whose emoluments were the highest in the Group for the year included two (2006: three) Directors whose emoluments are reflected in the analysis presented in 23(a) above. The emoluments payable to the remaining three (2006: two) individuals during the year are as follows:

	2007	2006
	HK$'000	HK$'000
Basic salaries, housing and other allowances	**5,973**	5,743
Bonuses	**19,626**	4,624
Retirement benefit costs	**306**	230
	25,905	10,597

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Emolument bands		
HK$3,500,001 – HK$4,000,000	**2**	1
HK$7,000,001 – HK$7,500,000	**–**	1
HK$18,000,001 – HK$18,500,000	**1**	–

(c) Other than disclosed above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

24. Income tax expense

	2007	2006
	HK$'000	HK$'000
Taxation outside Hong Kong:		
Current year	**78,424**	36,975
Under provision in prior years	**18**	25
	78,442	37,000
Deferred income tax (note 18)	**(45,062)**	24,471
Total income tax expense	**33,380**	61,471

24. Income tax expense *(continued)*

Hong Kong profits tax has not been provided as there is no estimated assessable profit or there are available tax losses to offset assessable profit for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2007 **HK$'000**	2006 HK$'000
Profit before income tax	**359,102**	228,323
Calculated at a tax on rate of 17.5%	**62,843**	39,957
Effect of different taxation rates in other countries	**37,932**	23,355
Income not subject to tax	**(20,830)**	(7,271)
Expenses not deductible for tax purposes	**7,868**	1,748
Utilization of previously unrecognized tax losses	**(9,698)**	(2,481)
Tax losses not recognized	**12,959**	6,152
Tax effect of decrease in net deferred tax liabilities resulting from decrease in tax rate	**(56,833)**	–
Others	**(861)**	11
Total income tax expense	**33,380**	61,471

Pursuant to the Corporate Income Tax Law of the People's Republic of China approved by the National People's Congress on 16th March 2007, the new enterprise income tax rates for domestic enterprises and foreign invested enterprises are unified at 25% with effect from 1st January 2008. Regarding the deferred income tax assets and liabilities of certain PRC subsidiaries which are expected to be settled after 1st January 2008, the Group made an adjustment to their carrying amounts using the applicable tax rate of 25%, resulting in an increase of deferred income tax assets by approximately HK$1,492,000 and reduction in liabilities by approximately HK$55,522,000 for the year ended 31st December, 2007. The reduction in deferred income tax liabilities was mainly attributable from the reduction of applicable tax rate from 33% to 25% on the fair value gains of the investment properties held in PRC.

25. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt within the accounts of the Company to the extent of a loss of HK$3,832,000 (2006: profit of HK$197,584,000).

26. Dividends

	2007 HK$'000	2006 HK$'000
2006 interim dividend, paid, of 3.3 HK cents per ordinary share	–	30,925
2006 final dividend, paid, of 6.6 HK cents per ordinary share	–	64,820
2007 interim dividend, paid, of 4.0 HK cents per ordinary share	39,285	–
2007 final dividend, proposed, of 8.0 HK cents per ordinary share (note)	78,569	–
	117,854	95,745

Note:

At a meeting held on 3rd April 2008, the Directors declared a final dividend of 8.0 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2008.

27. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$324,987,000 (2006: HK$166,161,000) and the weighted average number of 967,442,802 (2006: 937,114,035) shares in issue during the year.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2007 and 2006.

28. Consolidated cash flow statement

(a) Reconciliation of profit for the year to cash generated from operations:

	2007 **HK$'000**	2006 HK$'000
Profit for the year	**325,722**	166,852
Adjustments for:		
– Income tax expense (note 24)	**33,380**	61,471
– Amortization of leasehold land and land use rights (note 6)	**3,729**	3,683
– Depreciation of property, plant and equipment (note 7)	**14,510**	12,522
– Interest income	**(11,716)**	(12,426)
– Loss/(gain) on disposal of investment properties *(note (i))*	**(3,281)**	2,430
– Loss/(gain) on disposal of leasehold land and land use rights and property, plant and equipment *(note (ii))*	**402**	(8)
– Reversal of investment properties	**–**	116
– Fair value gains on investment properties	**(95,006)**	(60,283)
– Impairment loss on property, plant and equipment (note 7)	**404**	2,729
– Loss on redemption of minority interest in a subsidiary (note 28(b))	**–**	442
– Negative goodwill (note 31)	**(595)**	–
Changes in working capital:		
– Inventories	**(51,302)**	(4,752)
– Trade receivables, prepayments and deposits	**(15,497)**	(8,513)
– Trade and other payables and accruals	**137,939**	43,745
Net cash generated from operations	**338,689**	208,008

Notes:

(i) Sale of investment properties

	2007 **HK$'000**	2006 HK$'000
Net book amount (note 8)	**8,135**	6,000
Gain/(loss) on sale of investment properties	**3,281**	(2,430)
Net proceeds received	**11,416**	3,570

28. Consolidated cash flow statement *(continued)*

(a) Reconciliation of profit for the year to cash generated from operations: *(continued)*

Notes: *(continued)*

(ii) Sale of leasehold land and land use rights and property, plant and equipment

	2007	2006
	HK$'000	HK$'000
Net book amount	**656**	232
(Loss)/gain on sale of leasehold land and land use rights and property, plant and equipment	**(402)**	8
Net proceeds received	**254**	240

(b) Analysis of changes in financing during the year

	Dividends payable		**Minority interest**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**–**	–	**1,311**	2,514
Consideration paid for redemption of minority interest	**–**	–	**–**	(781)
Loss on redemption of minority interest	**–**	–	**–**	442
Minority interest in share of results	**–**	–	**735**	691
Dividends declared	**104,105**	83,403	**–**	–
Dividends paid	**(104,105)**	(83,403)	**–**	–
Dividends paid to minority shareholders	**–**	–	**(735)**	(1,555)
At 31st December	**–**	–	**1,311**	1,311

29. Contingent liabilities – Company

	2007	2006
	HK$'000	HK$'000
Guarantees for credit facilities given to subsidiaries	**98,902**	166,056

At 31st December 2007, there is no utilized amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company (2006: Nil).

30. Commitments

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2007	2006
	HK$'000	HK$'000
Property under development held for sale		
Contracted but not provided for	**15,847**	81,255
Property, plant and equipment		
Contracted but not provided for	**6,702**	–
	22,549	81,255

(b) At 31st December 2007, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	2007	2006
	HK$'000	HK$'000
Rental receivables		
– not later than one year	**79,899**	58,083
– later than one year and not later than five years	**65,884**	75,803
– later than five years	**8,375**	16,214
	154,158	150,100
Rental payables		
– not later than one year	**10,254**	9,650
– later than one year and not later than five years	**6,014**	6,884
	16,268	16,534

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

The Company did not have any commitment at 31st December 2007 (2006: nil).

31. Business combination

On 30th April 2007, the Group acquired from Keysonic Development Limited ("Keysonic") the entire share capital in, and a shareholder's loan from Keysonic to, Joint Corporation Limited ("JCL") for an aggregate consideration of HK$177,000,000 in cash and 45,000,000 ordinary shares of the Company's share capital. Keysonic is beneficially owned by the Tsang Family Trust, a discretionary trust established by Dr. Tsang Hin Chi, the discretionary objects of which are members of his family including Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky, both are executive Directors. As a result, Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction.

The sole asset of JCL is its interests in certain office spaces on Levels 8 to 18 (inclusive) at Goldlion Digital Network Centre in Guangzhou with a total gross floor area of approximately 18,917 square meters and certain car parking spaces on Basement Levels 1 to 3 (inclusive) plus a mezzanine level in that building (the "Property").

The acquired business contributed revenues of HK$18,569,000 and net profit of HK$26,125,000 to the Group for the period from the date of acquisition to the year ended 31st December 2007. If the acquisition had occurred on 1st January 2007, the contribution to the consolidated revenue and consolidated profit for the year ended 31st December 2007 would be approximately HK$27,977,000 and HK$42,482,000 respectively.

Details of net assets acquired and negative goodwill are as follows:

	HK$'000
Purchase consideration	
– Cash paid	177,000
– Fair value of shares issued (note 15)	77,850
Total purchase consideration	254,850
Fair value of net assets acquired	(255,445)
Negative goodwill	(595)

The fair value of the shares issued was based on the published share price on 30th April 2007.

31. Business combination *(continued)*

The assets and liabilities as of 30th April 2007 arising from the acquisition are as follows:

	Acquiree's carrying amount HK$'000	Estimated fair value HK$'000
Cash and cash equivalents	10,391	10,391
Property, plant and equipment	1,613	1,613
Investment properties	110,874	324,500
Receivables	16,160	16,160
Payables	(8,393)	(8,393)
Net deferred tax liabilities	–	(88,826)
Net identifiable assets acquired	130,645	255,445
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		177,000
– cash and cash equivalents in subsidiary acquired		(10,391)
Cash outflow on acquisition		166,609

There were no acquisitions in the year ended 31st December 2006.

32. Related party transactions – Group

(a) The Company is controlled by the Tsang Family (comprising Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and the other direct descendants of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan) which, together with 5.49% of the Company's issued shares held by Tsang Hin Chi Charities (Management) Limited, collectively controlled approximately 68.17% of the Company's issued shares. The remaining 31.83% are widely held.

32. Related party transactions – Group *(continued)*

(b) During the year, the following significant transactions were carried out with related parties:

		Note	2007 HK$'000	2006 HK$'000
(a)	Sales of services			
	Rentals received from a related company	(i)	**2,625**	2,361
(b)	Purchases of services			
	Acquisition of a subsidiary from a related company	(note 31)	**254,850**	–

Note:

(i) Rental was received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") for lease of a business center and facilities therein located at Goldlion Digital Network Centre. Rental of HK$2,625,000 (2006: HK$2,361,000) was determined under normal commercial terms. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of China World Trade Corporation ("CWTC"), the holding company of GWTCCL. 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 brother of Mr. Tsang Chi Ming, Ricky.

(c) Key management compensation

	2007 HK$'000	2006 HK$'000
Salaries and other short-term employee benefits	**47,015**	28,776
Retirement benefit costs	**361**	278
	47,376	29,054

Five-year Financial Summary

	Year ended 31 December				
	2007	2006	2005	2004	2003
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
				Restated	Restated
Profit attributable to:					
– Equity holders	**324,987**	166,161	136,201	68,675	45,150
– Minority interest	**735**	691	864	609	844
Assets and liabilities					
Total assets	**2,554,409**	2,011,644	1,863,850	1,744,528	1,688,800
Total liabilities	**(562,352)**	(347,880)	(295,945)	(257,383)	(222,003)
Total equity	**1,992,057**	1,663,764	1,567,905	1,487,145	1,466,797