Goldlion®

Goldlion Holdings Limited

Stock Code: 0533

Annual Report 2005

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. the Hon. Wong Yu Hong, Philip G.B.S.
Dr. Lau Yue Sun B.B.S.
Mr. Wong Ying Ho, Kennedy B.B.S.

QUALIFIED ACCOUNTANT

Mr. Chan Kee Leung, Gary

COMPANY SECRETARY

Mr. Kam Yiu Kwok

AUDIT COMMITTEE

Dr. the Hon. Wong Yu Hong, Philip G.B.S. *(Chairman)*
Mr. Wong Ying Ho, Kennedy B.B.S. *(Deputy Chairman)*
Dr. Lau Yue Sun B.B.S.
Mr. Ng Ming Wah, Charles

REMUNERATION COMMITTEE

Mr. Wong Ying Ho, Kennedy B.B.S. *(Chairman)*
Dr. the Hon. Wong Yu Hong, Philip G.B.S.
Dr. Lau Yue Sun B.B.S.
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky

NOMINATION COMMITTEE

Dr. Lau Yue Sun B.B.S. *(Chairman)*
Dr. the Hon. Wong Yu Hong, Philip G.B.S.
Mr. Wong Ying Ho, Kennedy B.B.S.
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
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited
Asia Commercial Bank 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

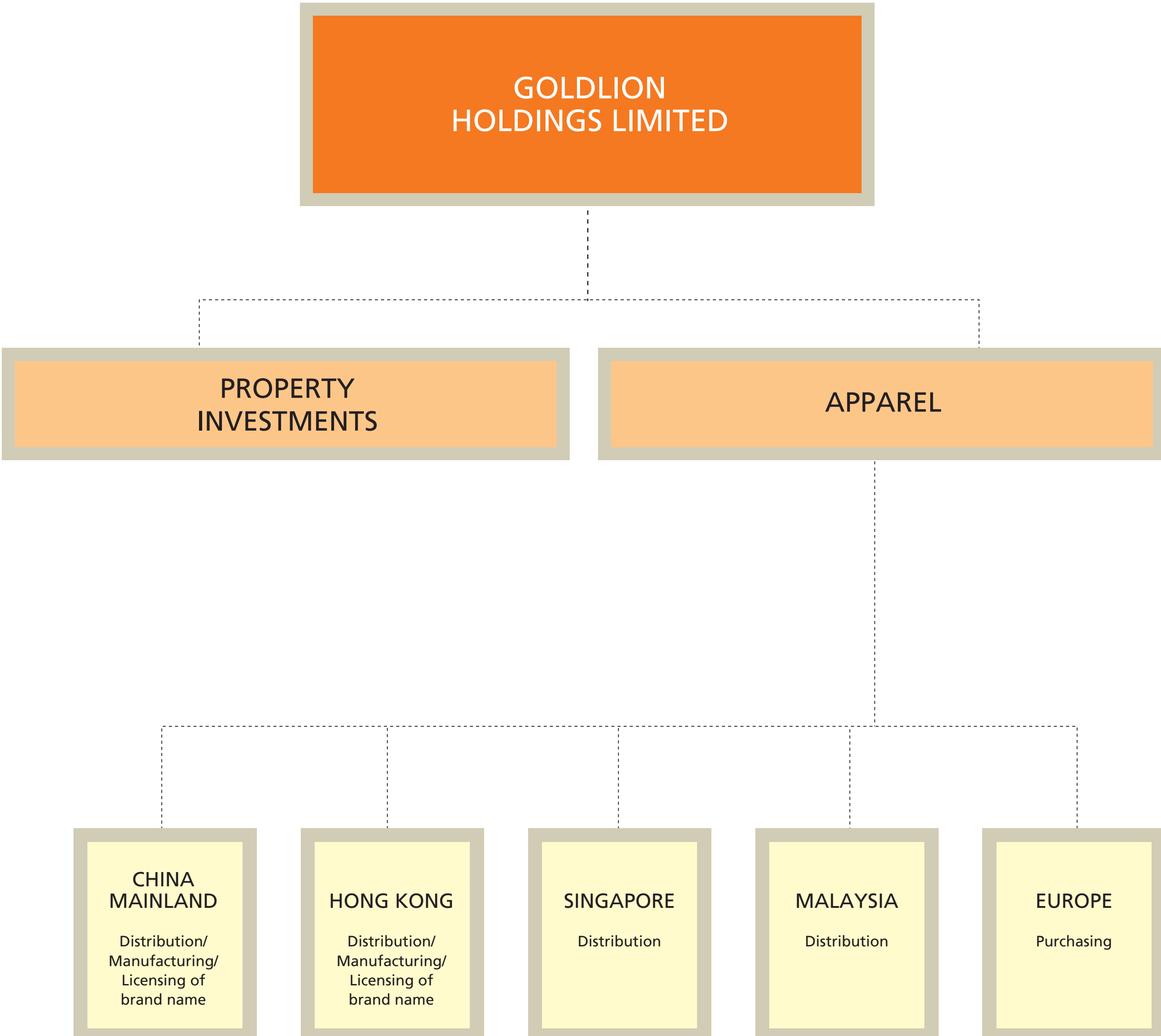
As at 31st December 2005, cash and bank balances held by the Group was approximately HK$445,885,000, which was HK$48,785,000 more than the balance at the end of last year.

During the year, the Group recorded a net cash inflow from operating activities of HK$138,409,000, proceeds from sales of investment properties of HK$54,791,000, interest income of HK$8,964,000 and gains from foreign exchange rate changes of HK$6,672,000. The Group also paid dividends of HK$63,724,000 and purchased investment properties of HK$90,831,000 during the year. As at 31st December 2005, the Group did not have any bank loans or overdrafts.

As at 31st December 2005, the Group's current assets and liabilities were HK$568,907,000 and HK$190,000,000 respectively, with current ratio at 3.0. Total current liabilities were 12% of the average capital and reserves attributable to the Company's equity holders of HK$1,525,021,000.

As at 31st December 2005, the Group did not have any material contingent liabilities or capital commitments and did not charge any of the Group's assets.

GROUP PRINCIPAL OPERATIONAL STRUCTURE



CHAIRMAN'S STATEMENT

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

Group Results

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

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

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

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

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

CHAIRMAN'S STATEMENT

Final Dividend

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

Business Review

Apparel Business

China Mainland Market:

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

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

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

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

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

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

Singapore and Malaysia Markets:

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

CHAIRMAN'S STATEMENT

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

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

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

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

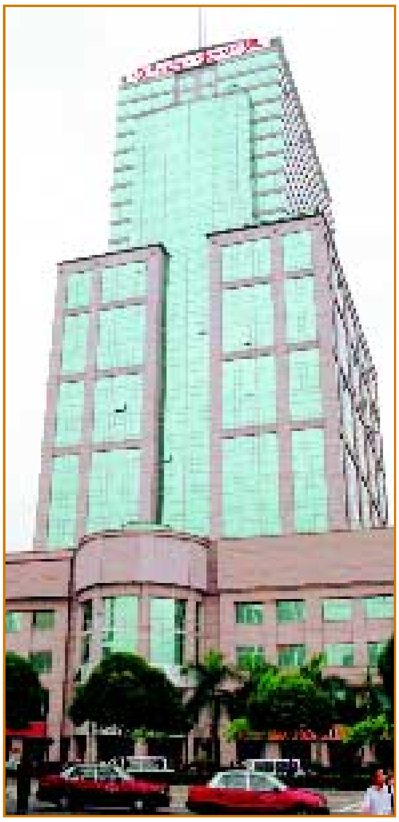
Business in Malaysia remained stable with a total of 24 counters at the end of the year, or down by one when compared with last year. Overall sales, nevertheless, totalled 5% more than that of last year.

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

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

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

CHAIRMAN'S STATEMENT



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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

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

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

Prospects

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

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

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

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

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

CHAIRMAN'S STATEMENT

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

Acknowledgement

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

Dr. Tsang Hin Chi
Chairman

Hong Kong, 4th April 2006

DISTRIBUTION NETWORK IN CHINA MAINLAND

SCHEDULE OF INVESTMENT PROPERTIES

As at 31st December 2005

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 7,018 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 and renewable for a further term of 75 years from 23rd March 1970.

SCHEDULE OF INVESTMENT PROPERTIES

As at 31st December 2005

Property	Description	Lot Number	Type	Lease term
Singapore				
5. Unit 08-03, 3C Ridley Park, Tanglin Park, Singapore.	The property, with a floor area of 148 sq.m., is situated in an up market private condominiums completed around 1990.	Lot 2155/U204	Residential	Freehold
China Mainland				
6. Level 4, Block C1, Shen Hua Ge, 131 Si You Xin Ma Road, Guangzhou, Guangdong Province.	The property comprises the whole of the 4th level of a 25-storey composite building completed in 1992. The property has a gross floor area of 1,679 sq.m..	–	Residential	The land use rights are held for a term of 70 years from 7th November 1990.
7. Levels 1 to 7, Units 03 to 05 on Level 8, Unit 03 on Level 16, Levels 19 to 29 and 53% interest of the parking spaces in the basement levels, 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 attributable to the Group is approximately 31,483 sq.m.. The basement levels have a total gross floor area of 19,218 sq.m. which accommodate the Electrical/Mechancial plant and machinery rooms, 256 carparking spaces and 10 lorry parking spaces.	–	Commercial/ Office	The land use right is held for a term of 50 years from 1994.
8. 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 2005

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
9. 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.
10. 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

Corporate Governance Practices

The Board and the Management of the Company are committed to maintain a high standard of corporate governance. The Board recognizes that to uphold an accountable and transparent corporate culture will ultimately maximize the long-term value to shareholders and stakeholders.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has promulgated the Code on Corporate Governance Practices (the "Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") that has been effective in January 2005. The Company has already put in place corporate governance practices to meet all the provisions of the Code Provision in the Code throughout the year under review with a derivation in the service term of the non-executive Directors. The Company has also complied with, to a certain extent, the Recommended Best Practices in the Code.

Key Corporate Governance Principles and Practices

A. Board of Directors

A.1 The Board

The Board assumes responsibility for leadership and control 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 controls covering not only financial controls but also operational and compliance controls would safeguard the best interests of the shareholders.

The Board meets regularly and as and when required. In the year under review, four meetings had been held at approximately quarterly intervals. Details of Directors' attendance records in 2005 are set out below:

	Attendance (%)	
Executive Directors		
Dr. Tsang Hin Chi	(2/4)	50%
Mr. Tsang Chi Ming, Ricky	(4/4)	100%
Mdm. Wong Lei Kuan	(2/4)	50%
Non-Executive Director		
Mr. Ng Ming Wah, Charles	(4/4)	100%
Independent Non-Executive Directors		
Dr. Wong Yu Hong, Philip	(3/4)	75%
Dr. Lau Yue Sun	(4/4)	100%
Mr. Wong Ying Ho, Kennedy	(3/4)	75%

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 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.

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.

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.

CORPORATE GOVERNANCE REPORT

Key Corporate Governance Principles and Practices *(continued)*

A. Board of Directors *(continued)*

A.2 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 serves as the Chairman of the Board. Mr. Tsang Chi Ming, Ricky, a son of Dr. Tsang Hin Chi and an executive Director of the Company since May 2001, has been appointed as the Company's Chief Executive Officer on 6th April 2005.

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.

A.3 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. The presence of independent non-executive Directors ensures that the Board functions effectively and independently.

Biographical details of the Directors are set out in the "Report of the Directors" on pages 24 to 25.

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.

A.4 Appointments, re-election and removal of directors

In order to comply with Code Provision A.4.2, the Company's Articles of Association have been amended at the Extraordinary General Meeting held on 20th May 2005. According to the amended Articles of Association, Directors 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.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. 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.

Besides, there are formal procedures for the appointment of Directors including the establishment of Nomination Committee with specific terms of reference.

The Board has established a Nomination Committee on 6th April 2005, comprising 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 terms of reference of the Committee are available on the Company's website.

CORPORATE GOVERNANCE REPORT

Key Corporate Governance Principles and Practices *(continued)*

A. Board of Directors *(continued)*

A.4 Appointments, re-election and removal of directors (continued)

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 Yu Hong, Philip	(1/1)	100%
Mr. Wong Ying Ho, Kennedy	(1/1)	100%
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

A.5 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.

Where any member of the Board, whether individual or as a group, needs independent professional advice, the Company will appointed 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.

A.6 Supply of and access to information

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. There are established procedures for Directors to seek independent professional advice where appropriate. All costs associated with obtaining such advice will be borne by the Group.

CORPORATE GOVERNANCE REPORT

Key Corporate Governance Principles and Practices *(continued)*

B. Remuneration of Directors and Senior Management

B.1 The level and make-up of remuneration and disclosure

The Board has established a Remuneration Committee on 6th April 2005, comprising 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.

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 Directors.

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 terms of reference of the Committee are available on the Company's website.

Details of the remunerations of Directors and Senior Management for the year are set out in the "Notes to the Accounts" on pages 66 to 67.

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

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

CORPORATE GOVERNANCE REPORT

Key Corporate Governance Principles and Practices *(continued)*

C. Accountability and audit

C.1 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. 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.

The Company announced its annual and interim results within the time limits as laid down in the Listing Rules. The unaudited interim results for the six months ended 30 June 2005 have been reviewed by the Group's external auditors in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

C.2 Internal controls

The Board has ultimate responsibility for the Group's internal control system and, through the Audit Committee, has reviewed the effectiveness of the system.

While no cost-effective internal control system can provide absolute assurance against misstatement or loss, the Group internal control system is designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably managed, proper accounting records are maintained and financial information used for management purposes and for publication are reasonable and accurate. There should also be a clearly defined delegation of authority from the Board to the Management and procedures are in place for the proper authorization of transactions.

During the year, the Audit Committee, on behalf of the Board, has reviewed the effectiveness of the various systems put in place by Management. No material suspected frauds and irregularities, internal control deficiencies or infringement of relevant regulations and rules have come to the Committee's attention to cause the Committee to believe that the system of internal control is inadequate.

C.3 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 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 standard. The Committee also discusses with the auditors the nature and scope of the audit and reporting obligations before the audit commences.

CORPORATE GOVERNANCE REPORT

Key Corporate Governance Principles and Practices *(continued)*

C. Accountability and audit *(continued)*

C.3 Audit Committee (continued)

The Committee had held a meeting with the external auditors without the presence of the Management to discuss and review the scope and planning of the audit and its effectiveness. The Committee has also conducted regular reviews on the nature and extent of non-audit services supplied by the external auditors. In this respect, apart from the auditors' remuneration as disclosed in the "Notes to Accounts" on page 64, the Group also paid $36,000 to its external auditors for taxation services rendering to certain subsidiaries of the Company during the year.

The Chairman of the Committee will report the work, findings and recommendations to the Board after each meeting.

The terms of reference of the Committee are available on the Company's website.

The Audit Committee held three meetings during the year and the attendance records were as follows:

Members	**Attendance (%)**	
Dr. Wong Yu Hong, Philip *(Chairman)*	(3/3)	100%
Mr. Wong Ying Ho, Kennedy *(Deputy Chairman)*	(2/3)	66.7%
Dr. Lau Yue Sun	(3/3)	100%
Mr. Ng Ming Wah, Charles	(3/3)	100%

D. Delegation by the Board

D.1 Management functions and Board Committees

The Board is responsible for determining the overall strategy and approving the annual business plan of the Group, and ensuring the business operations are properly planned, authorized, undertaken and monitored. Significant corporate matters including policy formulation, material transactions or transactions where there is a conflict of interests are reserved for full Board decision.

The Board has delegated its responsibility on daily operation of the Group to the Group's Management headed by the Chief Executive Officer. The task of the Company's Management and staff is the successful implementation of the strategy and directions as determined by the Board. In doing so, they must apply business principles and ethics that are consistent with those expected by the Board and the Company's stakeholders as a whole.

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.

E. Communication with shareholders

E.1 Effective communication

The Company engages in regular, effective and fair communications with shareholders. The Board strives for timeliness and transparency in its disclosures to shareholders and the public. 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.

E.2 Voting by poll

Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circulars to shareholders. Separate resolutions are proposed at general meetings on each substantially separate issue including the election of individual Directors. The results of the poll are published on the website of the Stock Exchange.

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 2005.

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 2005 are set out in the consolidated profit and loss account on page 35.

The Directors have declared an interim dividend of 2.8 HK cents (2004: 2.0 HK cents) per ordinary share, totalling HK$26,239,000 (2004: HK$18,742,000), which was paid on 10th October 2005.

The Directors recommend the payment of a final dividend of 5.6 HK cents (2004: 4.0 HK cents) per ordinary share totalling HK$52,478,000 (2004: HK $37,485,000), which is to be payable on 1st June 2006 to shareholders whose names appear on the Register of members on 19th May 2006. This recommendation shall become effective subject to the approval of shareholders at the Annual General Meeting to be held on 19th May 2006.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 36 and note 14 to the accounts respectively.

Donations

Charitable and other donations made by the Group during the year amounted to HK$1,520,000 (2004: HK$3,000).

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 2005 are set out on pages 14 to 16.

Share capital

Details of the share capital of the Company are set out in note 13 to the accounts.

Distributable reserves

Distributable reserves of the Company at 31st December 2005, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$125,714,000 (2004: HK$191,942,000).

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 74.

Purchase, sale or redemption of shares

The Company did not redeem any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

REPORT OF THE DIRECTORS

Directors

The Directors during the year were:

Executive Directors
TSANG Hin Chi
TSANG Chi Ming, Ricky
WONG Lei Kuan

Non-executive Director
NG Ming Wah, Charles

Independent Non-executive Directors
WONG Yu Hong, Philip
LAU Yue Sun
WONG Ying Ho, Kennedy

In accordance with Article 101 of the Company's Articles of Association, Mdm. Wong Lei Kwan, Dr. Wong Yu Hong, Philip and Dr. Lau Yue Sun 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 72, is the Chairman and one of the founders of the Group. Dr. Tsang holds an honorary doctorate from Zhong Shan University in the People's Republic of China ("PRC"). He is a standing committee member of the National People's Congress of the PRC, honorary vice chairman of All-China Federation of Industry & Commerce, ex-officio life honorary chairman of The Chinese General Chamber of Commerce, and sits on the committees of several Hong Kong and Mainland trade associations. He is also the director of Tsang Hin Chi Manned Space Foundation, director of Tsang Hin Chi Education Foundation, Ministry of Education of the PRC, deputy managing director of Jinan University, Guangzhou, honorary president of Jiaying University Guangdong, and a Honorary Citizen of Beijing, Harbin, Shenyang, Dalin and Guangzhou.

Mr. Tsang Chi Ming, Ricky, aged 39, is the Deputy Chairman and Chief Executive Officer of the Company overseeing the development and operations of the Group's business. Mr. Tsang joined the Group in 1989 and was appointed as an executive Director in 2001. He is a committee member of the C.P.P.C.C. Guangzhou, a standing committee member of Beijing Youth Federation, a standing committee member of The Chinese General Chamber of Commerce, Hong Kong, vice chairman of Ka Ying Chow Commercial Association Limited, an executive director of Hong Kong United Youth Association Limited and a director of Young Entrepreneur Association of China. He is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan.

Mdm. Wong Lei Kuan, aged 69, is one of the founders of the Group and the wife of Dr. Tsang Hin Chi. She is a honorary chairman of Ka Ying Chow Commercial Association Limited, supervising advisor of Hong Kong Federation of Women, committee member of The Chinese General Chamber of Commerce and honorary chairman of Ladies' Sub-Committee, member of the C.P.P.C.C. Guangdong and executive committee member of All-China Women's Federation. She is also an executive director of China Women's Development Fund and director of the China Council for the Promotion of Peaceful National Reunification.

REPORT OF THE DIRECTORS

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

Non-executive Director

Mr. Ng Ming Wah, Charles, aged 56, was appointed to the Board as a non-executive Director in 1992. Mr. Ng graduated from Loughborough University in England in 1972 with a bachelor degree in Electrical and Electronic Engineering and from London Business School in England in 1974 with a Master degree in Business Administration. He is the Managing Director of Equitas Capital Limited, the business of which is the provision of strategic corporate financial advisory services. Mr. Ng has over 25 years of experience in corporate finance and investment banking. Mr Ng is also an independent non-executive director of two other Hong Kong listed companies, namely China Everbright Limited and Stone Group Holdings Limited and has acted as the chairman of the audit committees of such companies since August 1999 and September 2004, respectively. Mr Ng also holds independent directorships in 中國光大銀行股份有限公司 (China Everbright Bank Company, Limited), 德邦証券有限責任公司 (Tebon Securities Company Limited), 招金礦業股份有限公司 (Zhaojin Mining Industry Company, Limited) and 大連港股份有限公司 (Dalian Port (PDA) Company Limited), which are, respectively, a licensed commercial bank, a licensed securities firm, a gold mining company and a port services company in China Mainland. In addition, Mr. Ng holds a number of community service positions, including as a member of the Council of Lingnan University of Hong Kong and a member of the Board of Governors of Hong Kong Arts Centre.

Independent non-executive Directors

Dr. the Honourable Wong Yu Hong, Philip, G.B.S., aged 67, holds a doctorate in Law from Southland University and a doctorate in Engineering from California Coast University, both in the United States of America. Dr. Wong is a deputy of the National People's Congress, a member of the Legislative Council and a treasurer of The Chinese General Chamber of Commerce. He holds positions with a number of public bodies and is also a director of listed companies in Hong Kong including Hop Hing (Holdings) Limited, Asia Financial Holdings Limited and Qin Jia Yuan Media Services Company Limited. Dr. Wong was appointed to the Board of Directors in 1992.

Dr. Lau Yue Sun, B.B.S., aged 65, is the Managing Director of New Products Investment Limited and Jip Fair Development Limited, as well as an independent non-executive director of Wing Lee Holdings Limited. Dr Lau has over 30 years of experience in manufacturing, electronics, plastic injection products and import-export business. He is a member of the National Committee of the C.P.P.C.C., member of the Selection Committee for the First Government of the Hong Kong SAR, member of the Election Committee of Hong Kong SAR, appointed member of Kowloon City District Council and standing committee member of The Chinese General Chamber of Commerce. He is also an advisor of Guangdong Education Foundation and a vice president of Guangdong General Chamber of Commerce. Dr. Lau was appointed to the Board of Directors in 1994.

Mr. Wong Ying Ho, Kennedy, B.B.S., aged 43, is a solicitor and a China Appointed Attesting Officer. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. Mr. Wong is a member of the National Committee of the C.P.P.C.C.. He is also a director of listed companies in Hong Kong including Raymond Industrial Limited, China Overseas Land & Investment Limited, Capinfo Company Limited, Qin Jia Yuan Media Services Company Limited and International Financial Network Holdings Limited. Mr. Wong was appointed to the Board of Directors in June 2004.

Senior Management

Mr. Chan Kee Leung, Gary, aged 43, is the Qualified Accountant and Chief Financial Officer of the Group. Mr. Chan has extensive experience in finance, stockbroking and corporate finance. Prior to joining the Group in 2000, Mr. Chan has worked with a listed company as an executive director for over 3 years. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mdm. Hu Bing Xin, aged 55, 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.

REPORT OF THE DIRECTORS

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

Senior Management *(continued)*

Mr. Quek Chew Teck, aged 44, 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 April 2005 and is also a director of Goldlion Malaysia since 2000. He is responsible for the Group's operations in Singapore and Malaysia. Mr. Quek holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore. He has more than 15 years experience in marketing and company management.

Mr. Dieter Nothofer, aged 61, 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 44, holds a bachelor degree in Mechanical Engineering from the South China University of Technology. Mr. Liu has over 20 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 now in charge of the Group's property investment operation in Guangzhou and Meizhou.

Mr. Tu Wu Yi, aged 44, graduated with a Bachelor's Degree of Finance. 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 43, joined the Group in 1999 and was appointed as Secretary of the Company in 2000. Mr. Kam is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Directors' interest in contracts and competing businesses

(a) In July 1994, the Group through a wholly owned subsidiary acquired from Goldlion Property Development Limited ("GPDL") the benefit of 53% of GPDL's capital contribution to, and the right and obligation to contribute 53% of the capital requirement of Guangzhou Goldlion City Properties Company Limited ("GGCP") which is the developer of, and owns the Goldlion Digital Network Centre in Guangzhou.

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

During the year, the Group paid rental of HK$947,000 (2004: HK$938,000) to GGCP for the office located at Goldlion Digital Network Centre in Guangzhou.

(b) The Group paid building management fees of HK$648,000 (2004: HK$608,000) charged under normal commercial terms to Guangzhou Silver Disk Property Management Company Limited ("SDPMCL"). Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interests in SDPMCL.

REPORT OF THE DIRECTORS

Directors' interest in contracts and competing businesses *(continued)*

(c) On 30th December 2004, Guangzhou Goldlion Environmental Technology Co. Limited, a wholly owned subsidiary of the Company, entered into two conditional acquisition agreements (the "Agreements") with General Business Network (Holdings) Limited (GBNL) and Mr. Tsang Chi Hung to acquire Level 19 and Levels 20 to 22 (inclusive) of Goldlion Digital Network Centre in Guangzhou respectively at an aggregate consideration of RMB81,340,000 (approximately HK$76,735,850). The consideration was negotiated on an arm's length basis by reference to open market valuations by an independent property valuer. Completions of the acquisitions are subject to the conditions precedent stated in the Agreements and disclosed in the related Circular of the Company to its shareholders dated 20th January 2005. In the Extraordinary General Meeting of the Company held on 7th February 2005, independent shareholders of the Company approved the transactions. The acquisitions were subsequently completed by May 2005. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in 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.

Save as disclosed above, no contracts and interests in competing businesses of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share options

At an Extraordinary General Meeting of the Company held on 21st May 2002, the shareholders approved the adoption of a new share option scheme (the "New Option Scheme"). The New Option Scheme is designed to enable the Group to reward and motivate executives and key employees in service of the Group and other persons who may make a contribution to the Group (the "Eligible Participants").

Under the New Option Scheme which is valid and effective for a term of ten years from the date of its adoption, the Directors may grant options to the Eligible Participants to subscribe for ordinary shares in the Company at a price to be notified by the Directors and to be no less than the higher of: (i) the closing price of the Company's ordinary shares as stated in the Daily Quotation Sheets on the day of offer; (ii) the average of the closing prices of the Company's ordinary shares as stated in the Daily Quotation Sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's ordinary shares. The number of ordinary shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1 percent of the issued ordinary share capital of the Company at the date of such grant, without prior approval from the Company's shareholders. The maximum number of shares in respect of which options may be granted under the New Option Scheme and any other schemes of the Group shall not exceed 30 percent of the issued ordinary share capital of the Company from time to time. The maximum number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other schemes adopted by the Group must not in aggregate exceed 10 percent of the issued ordinary share capital of the Company as at the date of passing the relevant resolution adopting this New Option Scheme.

Offer for the grant of options under the New Option Scheme must be accepted within 28 days from the offer date, upon payment of a nominal price. Options may be exercised in accordance with the terms of the New Option Scheme at any time to be determined by the Board and, in the absence of such determination, such period of time shall not be exceed a period of three years commencing on the expiry of six months after the acceptance date. No options had been granted or remained outstanding under the New Option Scheme or any other share option scheme of the Company during the year.

REPORT OF THE DIRECTORS

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 2005, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under section 352 of 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 2005

		Number of shares held				
Directors		**Personal interests**	**Family interests** *(Note 1)*	**Other interests** *(Note 2)*	**Total**	**Percentage to total issued share capital**
Tsang Hin Chi	Long positions	–	1,210,000	568,034,750	569,244,750	60.74%
	Short positions	–	–	–	–	–
Tsang Chi Ming, Ricky	Long positions	1,404,000	–	568,034,750	569,438,750	60.77%
	Short positions	–	–	–	–	–
Wong Lei Kuan	Long positions	1,210,000	–	568,034,750	569,244,750	60.74%
	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.

(b) Save as disclosed above, as at 31st December 2005, none of the Directors and Chief Executives 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 2005 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.

REPORT OF THE DIRECTORS

Substantial shareholders' interests and short positions in the shares, underlying shares of the Company

As at 31st December 2005, the register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 31st December 2005, 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	Notes
HSBC International Trustee Limited	Ordinary shares of $0.10 each	Long positions	568,034,750	60.62%	(1)
		Short positions	–	–	
Silver Disk Limited	Ordinary shares of $0.10 each	Long positions	160,616,000	17.14%	(1)
		Short positions	–	–	
Tsang Hin Chi Charities (Management) Limited	Ordinary shares of $0.10 each	Long positions	53,880,750	5.75%	
		Short positions	–	–	
Value Partners Limited	Ordinary shares of $0.10 each	Long positions	66,920,000	7.14%	
		Short positions	–	–	
Cheah Cheng Hye	Ordinary shares of $0.10 each	Long positions	66,920,000	7.14%	(2)
		Short positions	–	–	

Note:

1. HSBC International Trustee Limited holds 339,530,000 shares and 228,504,750 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) are beneficially owned by the Tsang Family Trust. 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.

2. The interests of Mr. Cheah Cheng Hye arose from the interests in the relevant shares held by Value Partners Limited, a fund management company, in which Mr. Cheah holds an approximately 32.77% shareholding interest.

REPORT OF THE DIRECTORS

Connected transactions

Certain related party transactions as disclosed in note 28 to the accounts also constituted connected transactions under the Listing Rules, 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$947,000 to GGCP during the year in the ordinary course of its business. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interests in GGCP.

(b) The Group paid building management fees of HK$648,000 charged under normal commercial terms to SDPMCL in the ordinary course of its business. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interests in SDPMCL.

(c) The Group paid professional fee of HK$700,000 to Equitas Capital Limited during the year in the ordinary course of its business. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the Managing Director of, and a principal shareholder in, Equitas Capital Limited.

(d) On 18th July 2002, the Group, as lessor, entered into a lease with Guangzhou World Trade Center Club Company Limited ("GWTCCL") as lessee and China World Trade Corporation ("CWTC"), the holding company of GWTCCL, as guarantor in respect of a business center and facilities therein located at Goldlion Digital Network Centre. During the year, the Group received HK$2,242,000 from GWTCCL as rental payment under the lease. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(e) On 30th December 2004, Guangzhou Goldlion Environmental Technology Co. Limited, a wholly owned subsidiary of the Company, entered into two conditional acquisition agreements (the "Agreements") with General Business Network (Holdings) Limited (GBNL) and Mr. Tsang Chi Hung to acquire Level 19 and Levels 20 to 22 (inclusive) of Goldlion Digital Network Centre in Guangzhou respectively at an aggregate consideration of RMB81,340,000 (approximately HK$76,735,850). The consideration was negotiated on an arm's length basis by reference to open market valuations by an independent property valuer. Completions of the acquisitions are subject to the conditions precedent stated in the Agreements and disclosed in the related Circular of the Company to its shareholders dated 20th January 2005. In the Extraordinary General Meeting of the Company held on 7th February 2005, independent shareholders of the Company approved the transactions. The acquisitions were subsequently completed by May 2005. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in 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.

Financial assistance and guarantees to affiliated companies

There was no advance (including guarantee given by the Company and its subsidiaries) which are non-trading nature to the affiliated companies as at 31st December 2005 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.

REPORT OF THE DIRECTORS

Major customers and suppliers

During the year, the Group purchased less than 30% from its five largest suppliers, and sold less than 30% of its goods to its five largest customers.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest (as defined in the Listing Rules) in these major suppliers and customers.

Corporate governance

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 pages 17 to 22.

Auditors

The accounts for the year ended 31st December 2005 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, 4th April 2006

AUDITORS' REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

We have audited the accounts on pages 33 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts 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.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 4th April 2006

CONSOLIDATED BALANCE SHEET

As at 31st December 2005

	Note	2005 HK$'000	2004 (Restated) HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	*6*	**119,694**	127,964
Property, plant and equipment	*7*	**109,570**	108,125
Investment properties	*8*	**1,034,835**	937,558
Deferred income tax assets	*16*	**30,844**	30,748
		1,294,943	1,204,395
Current assets			
Inventories	*10*	**74,097**	85,394
Trade receivables	*11*	**29,713**	26,130
Prepayments and deposits		**19,212**	31,509
Cash and cash equivalents	*12*	**445,885**	397,100
		568,907	540,133
Total assets		**1,863,850**	1,744,528
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*13*	**93,711**	93,711
Reserves	*14*	**1,471,680**	1,390,940
		1,565,391	1,484,651
Minority interest		**2,514**	2,494
Total equity		**1,567,905**	1,487,145
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*16*	**105,945**	96,644
Current liabilities			
Trade payables	*15*	**23,403**	26,218
Other payables and accruals		**129,026**	108,590
Taxation payables		**37,571**	25,931
		190,000	160,739
Total liabilities		**295,945**	257,383
Total equity and liabilities		**1,863,850**	1,744,528
Net current assets		**378,907**	379,394
Total assets less current liabilities		**1,673,850**	1,583,789

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 2005

	Note	2005 HK$'000	2004 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	9	**1,149,998**	1,216,044
Current assets			
Prepayments		**172**	172
Cash and cash equivalents	12	**71**	71
		243	243
Total assets		**1,150,241**	1,216,287
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**93,711**	93,711
Reserves	14	**1,055,510**	1,121,738
Total equity		**1,149,221**	1,215,449
LIABILITIES			
Current liabilities			
Accruals		**1,020**	838
Total liabilities		**1,020**	838
Total equity and liabilities		**1,150,241**	1,216,287

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 2005

	Note	2005 HK$'000	2004 HK$'000
Turnover	5	**629,583**	571,390
Cost of sales	17	**(270,298)**	(248,266)
Gross profit		**359,285**	323,124
Interest income		**8,964**	3,859
Gain on disposal of properties		**25,164**	2,670
Fair value gains on investment properties	8	**39,255**	–
Selling and marketing costs	17	**(143,850)**	(127,530)
Administrative expenses	17	**(108,474)**	(104,613)
Profit before income tax		**180,344**	97,510
Income tax expense	21	**(43,279)**	(28,226)
Profit for the year		**137,065**	69,284
Attributable to:			
Equity holders of the Company	22	**136,201**	68,675
Minority interest		**864**	609
		137,065	69,284
Dividends	23	**78,717**	56,227
		HK cents	HK cents
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	24	**14.53**	7.33
– diluted	24	**Not applicable**	Not applicable

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2005

	Note	Attributable to equity holders of the Company				
		Share capital	Other reserves	Retained earnings	Minority interest	Total
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January 2005, as previously reported as equity		93,711	1,143,334	247,606	–	1,484,651
Reclassification of minority interest		–	–	–	2,494	2,494
Adjustment for the adoption of HKAS 40	*2.1(ii)*	–	(11,308)	11,308	–	–
Adjustment for the adoption of HKFRS 3		–	(216,739)	216,739	–	–
Transfer from capital reserves to retained earnings		–	9,970	(9,970)	–	–
Appropriation to reserves		–	3,283	(3,283)	–	–
Currency translation differences		–	8,263	–	–	8,263
Net (expense)/income recognized directly in equity		–	(206,531)	214,794	–	8,263
Profit for the year		–	–	136,201	864	137,065
Total recognized (expense)/income for 2005		–	(206,531)	350,995	864	145,328
2004 final dividend paid		–	–	(37,485)	(844)	(38,329)
2005 interim dividend paid		–	–	(26,239)	–	(26,239)
		–	(206,531)	287,271	20	80,760
Balance at 31st December 2005		93,711	936,803	534,877	2,514	1,567,905
Balance at 1st January 2004, as previously reported as equity		93,711	1,145,415	225,786	–	1,464,912
Reclassification of minority interest		–	–	–	1,885	1,885
Fair value losses of investment properties						
– Gross		–	(7,424)	–	–	(7,424)
– Taxation		–	3,589	–	–	3,589
Reserves transferred to profit and loss account upon disposal of investment properties						
– Gross		–	(801)	–	–	(801)
– Taxation		–	112	–	–	112
Currency translation differences		–	2,443	–	–	2,443
Net expense recognized directly in equity		–	(2,081)	–	–	(2,081)
Profit for the year		–	–	68,675	609	69,284
Total recognized (expense)/income for 2004		–	(2,081)	68,675	609	67,203
2003 final dividend paid		–	–	(28,113)	–	(28,113)
2004 interim dividend paid		–	–	(18,742)	–	(18,742)
		–	(2,081)	21,820	609	20,348
Balance at 31st December 2004		93,711	1,143,334	247,606	2,494	1,487,145

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2005

	Note	2005 HK$'000	2004 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	*25(a)*	**160,843**	114,543
Taxation outside Hong Kong paid		**(22,434)**	(4,653)
Net cash generated from operating activities		**138,409**	109,890
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties		**(90,831)**	(19,660)
Purchase of property, plant and equipment		**(12,594)**	(6,447)
Proceeds from sales of investment properties	*25(a)(i)*	**54,791**	1,932
Proceeds from sales of leasehold land and land use rights and property, plant and equipment	*25(a)(ii)*	**7,942**	12,732
Interest received		**8,964**	3,859
Net cash used in investing activities		**(31,728)**	(7,584)
CASH FLOWS FROM FINANCING ACTIVITIES	*25(b)*		
Dividends paid to equity holders of the Company		**(63,724)**	(46,855)
Dividends paid to minority shareholders in subsidiaries		**(844)**	–
Net cash used in financing activities		**(64,568)**	(46,855)
INCREASE IN CASH AND CASH EQUIVALENTS		**42,113**	55,451
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**397,100**	340,141
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**6,672**	1,508
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*12*	**445,885**	397,100

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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.

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 4th April 2006.

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 accounts 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 which are carried at fair value.

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 Company'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.

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revaluated Non-depreciated Assets
HKFRS 3	Business Combinations

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKAS 1, 2, 7, 8, 10, 16, 21, 24, 27, 32, 33, 36, 38, 39, HKAS-Int15, HKAS-Int 21 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKAS 2, 7, 8, 10, 16, 27, 32, 33, 36, 38, 39, HKAS-Int 15 and HKAS-Int 21 had no material effect on Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity accounts.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

– HKFRS3 has affected the classification of negative goodwill previously credited to capital reserve. In accordance with HKFRS3, an amount of HK$216,739,000 was reclassified from capital reserve to retained earnings.

Details of the effect of the other applicable HKFRS are as below:

(i) The adoption of revised HKAS 17 "Leases" has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

The adoption of revised HKAS 17 resulted in a reclassification of accounts as below:

	31.12.2005 HK$'000	31.12.2004 HK$'000
Decrease in property, plant and equipment	**119,694**	127,964
Increase in leasehold land and land use rights	**119,694**	127,964

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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

2.1 Basis of preparation *(continued)*

(ii) The adoption of revised HKAS 40 "Investment Property" has resulted in a change in the accounting policy of which the changes in fair values are recorded in the profit and loss account. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account.

The adoption of revised HKAS 40 resulted in a reclassification of accounts as below:

	31.12.2005 **HK$'000**	31.12.2004 HK$'000
Decrease in investment properties revaluation reserve	**11,308**	11,308
Increase in retained earnings	**11,308**	11,308

All relevant changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property.

The following new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not early adopted.

HKAS 1(Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 and HKFRS 6 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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

2.1 Basis of preparation *(continued)*

The Directors are of the opinion that HKAS 19 (Amendment), HKFRS 1 and HKFRS 6 (Amendment), HKFRS 6 are not relevant to the Group's operations and the adoption of the remaining new standards, amendments and interpretations will not result in substantial changes to the Group's accounting policies.

2.2 Consolidation

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

Subsidiaries are those entities in which the Company, directly or indirectly controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

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.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator 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.

In accordance with the Group's internal financial reporting, the Group has determined that the primary segment reporting format is by business segments and the secondary segment reporting is by geographical segments.

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, which is the Company's functional and presentation currency.

(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, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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

2.4 Foreign currency translation *(continued)*

(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, warehouses and offices other than investment properties as mentioned in note 2.6. 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.

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 20%
Furniture and fixtures	20%
Computers	30%
Motor vehicles	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 capitalised 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.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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

2.5 Property, plant and equipment *(continued)*

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 2.7).

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

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

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.

After initial recognition, investment property is carried at fair value. 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 this 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 performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount 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 costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognized in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the profit and loss account.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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

2.7 Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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).

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2.9 Trade and other receivables

Trade and other 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 and other 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 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 effective interest rate. The amount of the provision is recognized in the profit and loss account.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.11 Deferred taxation

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.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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

2.12 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.

(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.

2.13 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. Revenue is recognized as follows:

(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.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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

2.13 Revenue recognition *(continued)*

(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.

(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.

2.14 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 expensed in the profit and loss account on a straight-line basis over the period of the lease. Payment obligations in respect of operating leases on properties with rentals which vary with gross revenues of the Group are charged to the profit and loss account as incurred.

2.15 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not 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.

2.16 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.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

3. Financial risk management – Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, 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 minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Directors. The Directors provide principles for overall risk management, as well as policies covering specific areas.

(a) Foreign exchange risk

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. Currency exposures with respect to the Singapore dollar and Renminbi are considered minimal as the exchange fluctuations of these two currencies against the Hong Kong dollar are not significant.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest bearing assets or liabilities.

(c) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards.

(d) Liquidity risk

The Group maintains flexibility in funding by keeping committed credit lines available.

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.

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

4.1 Critical accounting estimates and assumptions *(continued)*

(b) 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.

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.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

5. Segment information

Primary reporting format – business segment

At 31st December 2005, the Group is organised into two main business segments:

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

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

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

	2005				2004			
	Apparel HK$'000	Property investments HK$'000	Eliminations HK$'000	Group HK$'000	Apparel HK$'000	Property investments HK$'000	Eliminations HK$'000	Group HK$'000
Results								
Turnover	569,390	60,193	–	629,583	519,962	51,428	–	571,390
Inter-segment sales	–	658	(658)	–	–	250	(250)	–
	569,390	60,851	(658)	629,583	519,962	51,678	(250)	571,390
Segment results	96,103	109,806		205,909	94,074	33,076		127,150
Unallocated costs				(25,565)				(29,640)
Profit before income tax				180,344				97,510
Income tax expense				(43,279)				(28,226)
Profit for the year				137,065				69,284
Assets								
Segment assets	471,544	1,125,305		1,596,849	523,912	1,017,212		1,541,124
Unallocated assets				267,001				203,404
Total assets				1,863,850				1,744,528
Liabilities								
Segment liabilities	141,245	30,377		171,622	121,458	23,234		144,692
Unallocated liabilities				124,323				112,691
Total liabilities				295,945				257,383
Other information								
Capital expenditure	11,465	91,960		103,425	5,931	20,176		26,107
Depreciation of property, plant and equipment	10,764	1,413		12,177	11,414	1,851		13,265
Amortization of leasehold land and land use rights	3,628	431		4,059	3,590	431		4,021
Impairment for inventories	1,538	–		1,538	20,296	–		20,296
Impairment for trade receivables	165	–		165	308	–		308

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

5. Segment information *(continued)*

Primary reporting format – business segment *(continued)*

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

Secondary reporting format – geographical segment

The Group mainly operates in the following three geographical areas:

China Mainland – Apparel and property investments

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 segments is as follows:

	2005			
	Turnover HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
Geographical segments				
China Mainland	499,136	162,343	1,205,155	90,341
Hong Kong SAR	39,724	35,821	571,810	12,081
Singapore and Malaysia	89,384	10,405	76,702	1,000
Other countries	1,339	(2,660)	10,183	3
	629,583	205,909	1,863,850	103,425
Unallocated costs		(25,565)		
Profit before income tax		180,344		

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

5. Segment information *(continued)*

Secondary reporting format – geographical segment *(continued)*

	2004			
	Turnover HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
Geographical segments				
China Mainland	438,899	110,670	1,163,459	21,590
Hong Kong SAR	45,453	9,082	505,950	2,822
Singapore and Malaysia	84,592	9,587	64,592	1,675
Other countries	2,446	(2,189)	10,527	20
	571,390	127,150	1,744,528	26,107
Unallocated costs		(29,640)		
Profit before income tax		97,510		

Analysis of turnover by category

	2005 HK$'000	2004 HK$'000
Sales of goods	**538,839**	494,210
Gross rental income from investment properties	**54,589**	45,226
Building management fee	**5,604**	6,202
Licensing income	**30,551**	25,752
	629,583	571,390

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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 value are analyzed as follows:

	2005 **HK$'000**	2004 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**105,167**	107,780
Outside Hong Kong, held on:		
Leases of over 50 years	**789**	5,534
Leases of between 10 to 50 years	**13,738**	14,650
	119,694	127,964

	2005 **HK$'000**	2004 HK$'000
Opening	**127,964**	136,635
Exchange difference	**367**	–
Disposal	**(4,578)**	(4,650)
Amortization of prepaid operating lease payment	**(4,059)**	(4,021)
	119,694	127,964

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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 2004							
Cost	154,828	–	15,759	82,653	10,335	10,804	274,379
Accumulated depreciation	(45,869)	–	(13,637)	(78,272)	(8,266)	(7,077)	(153,121)
Net book amount	108,959	–	2,122	4,381	2,069	3,727	121,258
Year ended 31st December 2004							
Opening net book amount	108,959	–	2,122	4,381	2,069	3,727	121,258
Additions	–	–	372	1,805	903	3,367	6,447
Disposals	(4,578)	–	–	(1,332)	(1)	(740)	(6,651)
Depreciation	(5,647)	–	(1,003)	(4,082)	(1,115)	(1,418)	(13,265)
Exchange differences	280	–	–	11	4	41	336
Closing net book amount	99,014	–	1,491	783	1,860	4,977	108,125
At 31st December 2004							
Cost	146,445	–	16,131	49,346	10,946	11,187	234,055
Accumulated depreciation	(47,431)	–	(14,640)	(48,563)	(9,086)	(6,210)	(125,930)
Net book amount	99,014	–	1,491	783	1,860	4,977	108,125
Year ended 31st December 2005							
Opening net book amount	99,014	–	1,491	783	1,860	4,977	108,125
Additions	177	1,818	2,419	4,928	1,187	2,065	12,594
Disposals	(3,835)	–	–	(19)	(57)	(93)	(4,004)
Transfer from investment properties *(note 8)*	3,734	–	–	–	–	–	3,734
Depreciation	(6,398)	–	(1,042)	(2,214)	(940)	(1,583)	(12,177)
Exchange differences	1,263	–	34	(5)	13	(7)	1,298
Closing net book amount	93,955	1,818	2,902	3,473	2,063	5,359	109,570
At 31st December 2005							
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

Included in buildings are properties with aggregate net book value of HK$31,075,000 as at 31st December 2005 (2004: HK$42,709,000) located in China Mainland in respect of which title documents have not been obtained from the relevant government authorities.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

7. Property, plant and equipment – Group *(continued)*

Depreciation expense of HK$1,485,000 (2004: HK$1,597,000) has been expensed in cost of sales, HK$1,335,000 (2004: HK$1,350,000) in selling and marketing costs and HK$9,357,000 (2004: HK$10,318,000) in administrative expenses.

8. Investment properties – Group

	2005 HK$'000	2004 HK$'000
At 1st January	**937,558**	927,203
Additions	**90,831**	19,660
Disposals	**(29,000)**	(2,480)
Transfer to property, plant and equipment *(note 7)*	**(3,734)**	–
Fair value gain/(loss)	**39,255**	(7,424)
Exchange differences	**(75)**	599
At 31st December	**1,034,835**	937,558

The investment properties were revalued at 31st December 2005 by Mr. Ng Sai Hee and Knight Frank Pte Limited, independent professional valuers, for properties located in Hong Kong SAR and China Mainland, and for property located in Singapore, respectively. Valuations were based on current prices in an active market for all properties.

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

	2005 HK$'000	2004 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**54,600**	31,650
Leases of between 10 to 50 years	**195,950**	225,410
Outside Hong Kong, held on:		
Freehold	**6,300**	9,998
Leases of over 50 years	**16,445**	16,000
Leases of between 10 to 50 years	**761,540**	654,500
	1,034,835	937,558

Included in investment properties is a property with total net book value of HK$695,540,000 as at 31st December 2005 (2004: HK$586,500,000) which represents the Group's interests in a commercial complex, named as Goldlion Digital Network Centre, situates at Ti Yu Dong Road, Tianhe District, the city of Guangzhou, the PRC. A portion of the Group's interest in Goldlion Digital Network Centre with a total net book value of HK$602,700,000 at 31st December 2005 (2004: HK$579,000,000) (the "Designated Property") were acquired by the Group in 1994 through a series of contractual arrangements with Goldlion Property Development Limited ("GPDL"), a company beneficially owned by the three executive Directors, Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky, and the Tsang Family Trust. As at 31st December 2005, the Group has not obtained the title documents in respect of the Designated Property from the relevant government authorities. In this regard, Dr. Tsang Hin Chi and GPDL had executed an indemnity in favour of the Group as a measure to safeguard the Group's interest in the Designated Property. Accordingly, the Directors are of the opinion that the Group has the satisfactory entitlements and the rights in the Designated Property.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

9. Subsidiaries – Company

	2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**10**	10
Amounts due from subsidiaries, net of provision	**1,150,815**	1,216,861
Amount due to a subsidiary	**(827)**	(827)
	1,149,998	1,216,044

The balances with subsidiaries are unsecured and interest free, and have no fixed terms of repayment.

The underlying value of investment in subsidiaries is in the opinion of the Directors, not less than their carrying values as at 31st December 2005.

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	Issued share capital/paid-up capital	Class of shares held	Group equity interest 2005	Group equity interest 2004
China Silverlion Limited***	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB3,613,724	–	90%	90%
Goldlion (China) Limited***	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB103,640,175	–	99.25%	99.25%
Goldlion Clothes Making Company Limited***	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	US$6,330,110	–	98.82%	98.82%
Goldlion Enterprise (Singapore) Pte Limited**	Singapore Limited liability company	Distribution of garments in Singapore	S$1,000,000	Ordinary	100%	100%

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

9. Subsidiaries – Company *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest 2005	Group equity interest 2004
Goldlion Distribution (M) Sdn. Bhd.**	Malaysia Limited liability company	Distribution of garments in Malaysia	MYR1,200,000	Ordinary	100%	100%
Goldlion (Europe) GmbH	Germany Limited liability company	Purchasing office in Germany	EUR127,823	Ordinary	90%	90%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution and manufacturing of garments in Hong Kong	HK$200 HK$50,000,000 (non-voting deferred shares)	Ordinary	100%	100%
Goldlion Group (BVI) Limited *	British Virgin Islands Limited liability company	Investment holding in Hong Kong	US$10,000	Ordinary	100%	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Property holding in the PRC	HK$2	Ordinary	100%	100%
Guangzhou Goldlion Environmental Technology Co. Limited ***	PRC Limited liability company	Property holding in the PRC	RMB10,609,000	–	100%	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Property holding in Germany	US$50,000	Ordinary	100%	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	HK$2 HK$59,999,998 (redeemable shares)	Ordinary	100%	100%

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

9. Subsidiaries – Company *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest 2005	Group equity interest 2004
Shenyang Goldlion Commercial Mansion Limited ***	PRC Limited liability company	Property holding in the PRC	RMB70,000,000	–	100%	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property holding in Hong Kong	HK$2	Ordinary	100%	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	HK$2	Ordinary	100%	100%
Meizhou Professional Clothing Limited ***	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	HK$1,000,000	Ordinary	100%	–
Meizhou Goldlion Properties Development Limited ***	PRC Limited liability company	Property development in the PRC	HK$30,000,000	Ordinary	100%	–

* *Subsidiary held directly by the Company*
** *Subsidiaries not audited by PricewaterhouseCoopers*
*** *English names of the subsidiaries being direct translation of their Chinese registered names*

10. Inventories – Group

	2005 HK$'000	2004 HK$'000
Raw materials	**3,252**	3,081
Work in progress	**4,978**	11,609
Finished goods	**65,867**	70,704
	74,097	85,394

At 31st December 2005, the carrying amount of stocks that are carried at net realizable value amounted to HK$65,016,000 (2004: HK$66,533,000).

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

10. Inventories – Group *(continued)*

The cost of inventories recognized as expense and included in cost of sales amounted to HK$258,873,000 (2004: HK$218,682,000).

The Group reversed HK$4,862,000 (2004: Nil) of a previous years' inventory write-down. The amount reversed has been included in cost of sales in the profit and loss account.

11. Trade receivables – Group

	2005 HK$'000	2004 HK$'000
Trade receivables	**33,427**	31,236
Less: provision for impairment loss	**(3,714)**	(5,106)
	29,713	26,130

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 2005, the ageing analysis of the trade receivables, net of provision, was as follows:

	2005 HK$'000	2004 HK$'000
1-30 days	**22,080**	19,486
31-90 days	**7,633**	6,644
	29,713	26,130

The carrying amounts of trade receivables approximate to their fair values.

12. Cash and cash equivalents

	Group		**Company**	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Bank balances and cash	**33,623**	53,252	**71**	71
Short-term bank deposits	**412,262**	343,848	**–**	–
	445,885	397,100	**71**	71

The effective interest rates on short-term bank deposits were ranging from 0.56% to 4.15% (2004: 0.31% to 2.15%); these deposits have maturities within 6 months.

Bank balances and cash of the Group include an amount of HK$240,297,000 (2004: HK$272,767,000) denominated in Renminbi. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the China Mainland government.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

13. Share capital

	2005 **HK$'000**	2004 HK$'000
Authorised:		
1,200,000,000 (2004: 1,200,000,000) shares of HK$0.10 each	**120,000**	120,000
Issued and fully paid:		
937,114,035 (2004: 937,114,035) shares of HK$0.10 each	**93,711**	93,711

At an Extraordinary General Meeting of the Company held on 21st May 2002, a new share option scheme was approved and adopted (the "New Option Scheme"). No share options were granted during the year (2004: Nil) under the New Option Scheme.

14. Reserves

(a) Group

	Share premium *HK$'000*	**Investment properties revaluation reserve** *HK$'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 2004	929,312	15,832	183,001	484	27,801	(11,015)	1,145,415	225,786	1,371,201
Fair value losses on revaluation of investment properties									
– gross	–	(7,424)	–	–	–	–	(7,424)	–	(7,424)
– taxation	–	3,589	–	–	–	–	3,589	–	3,589
Currency translation differences	–	–	–	–	–	2,443	2,443	–	2,443
Reserves transferred to profit and loss account upon disposal of investment properties									
– gross	–	(801)	–	–	–	–	(801)	–	(801)
– taxation	–	112	–	–	–	–	112	–	112
Profit for the year	–	–	–	–	–	–	–	68,675	68,675
2003 final dividend paid	–	–	–	–	–	–	–	(28,113)	(28,113)
2004 interim dividend paid	–	–	–	–	–	–	–	(18,742)	(18,742)
Balance at 31st December 2004	929,312	11,308	183,001	484	27,801	(8,572)	1,143,334	247,606	1,390,940
Representing:									
Reserves	929,312	11,308	183,001	484	27,801	(8,572)	1,143,334	210,121	1,353,455
2004 final dividend proposed	–	–	–	–	–	–	–	37,485	37,485
	929,312	11,308	183,001	484	27,801	(8,572)	1,143,334	247,606	1,390,940

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

14. Reserves *(continued)*

(a) Group *(continued)*

	Share premium HK$'000	Investment properties revaluation reserve HK$'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 2005, as previously reported	929,312	11,308	183,001	484	27,801	(8,572)	1,143,334	247,606	1,390,940
Adjustment for the adoption of HKAS 40	–	(11,308)	–	–	–	–	(11,308)	11,308	–
Adjustment for the adoption of HKFRS 3	–	–	(216,739)	–	–	–	(216,739)	216,739	–
Transfer from capital reserves to retained earnings	–	–	9,970	–	–	–	9,970	(9,970)	–
Appropriation to statutory reserves in China Mainland	–	–	–	–	3,283	–	3,283	(3,283)	–
Currency translation differences	–	–	–	–	–	8,263	8,263	–	8,263
Profit for the year	–	–	–	–	–	–	–	136,201	136,201
2004 final dividend paid	–	–	–	–	–	–	–	(37,485)	(37,485)
2005 interim dividend paid	–	–	–	–	–	–	–	(26,239)	(26,239)
Balance at 31st December 2005	**929,312**	**–**	**(23,768)**	**484**	**31,084**	**(309)**	**936,803**	**534,877**	**1,471,680**
Representing:									
Reserves	929,312	–	(23,768)	484	31,084	(309)	936,803	482,399	1,419,202
2005 final dividend proposed	–	–	–	–	–	–	–	52,478	52,478
	929,312	–	(23,768)	484	31,084	(309)	936,803	534,877	1,471,680

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.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

14. 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 2004	929,312	484	929,796	237,816	1,167,612
Profit for the year	–	–	–	981	981
2003 final dividend paid	–	–	–	(28,113)	(28,113)
2004 interim dividend paid	–	–	–	(18,742)	(18,742)
At 31st December 2004	929,312	484	929,796	191,942	1,121,738
Representing:					
Reserves	929,312	484	929,796	154,457	1,084,253
2004 final dividend proposed	–	–	–	37,485	37,485
	929,312	484	929,796	191,942	1,121,738
At 1st January 2005	929,312	484	929,796	191,942	1,121,738
Loss for the year	–	–	–	(2,504)	(2,504)
2004 final dividend paid	–	–	–	(37,485)	(37,485)
2005 interim dividend paid	–	–	–	(26,239)	(26,239)
31st December 2005	**929,312**	**484**	**929,796**	**125,714**	**1,055,510**
Representing:					
Reserves	929,312	484	929,796	73,236	1,003,032
2005 final dividend proposed	–	–	–	52,478	52,478
	929,312	484	929,796	125,714	1,055,510

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

15. Trade payables – Group

At 31st December 2005, the ageing analysis of the trade payables was as follows:

	2005 **HK$'000**	2004 HK$'000
1-30 days	**17,219**	19,676
31-90 days	**5,042**	3,135
Over 90 days	**1,142**	3,407
	23,403	26,218

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

16. Deferred income tax – Group

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

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

	2005 **HK$'000**	2004 HK$'000
At 1st January	**65,896**	69,109
Deferred taxation charged to consolidated profit and loss account *(note 21)*	**9,205**	488
Taxation credited to investment properties revaluation reserves	**–**	(3,701)
At 31st December	**75,101**	65,896

Deferred income tax assets are recognized for tax loss carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$391,824,000 (2004: HK$308,603,000), which are subject to agreement by relevant tax authority, to carry forward against future taxable income. HK$322,147,000 of unrecognized tax losses (2004: HK$229,775,000) have no expiry date and the remaining losses will expire at various dates up to and including 2009.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

16. 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 value gains		Others		Total	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
At 1st January	**13,459**	5,803	**87,369**	91,070	**3,919**	774	**104,747**	97,647
Charged/(credited) to consolidated profit and loss account	**7,082**	7,656	**7,747**	–	**(303)**	3,145	**14,526**	10,801
Credited to equity	**–**	–	**–**	(3,701)	**–**	–	**–**	(3,701)
At 31st December	**20,541**	13,459	**95,116**	87,369	**3,616**	3,919	**119,273**	104,747

Deferred income tax assets	Provisions		Tax losses		Others		Total	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
At 1st January	**(23,119)**	(19,354)	**(5,711)**	(4,369)	**(10,021)**	(4,815)	**(38,851)**	(28,538)
Charged/(credited) to consolidated profit and loss account	**(1,676)**	(3,765)	**562**	(1,342)	**(4,207)**	(5,206)	**(5,321)**	(10,313)
At 31st December	**(24,795)**	(23,119)	**(5,149)**	(5,711)	**(14,228)**	(10,021)	**(44,172)**	(38,851)

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:

	2005 HK$'000	2004 HK$'000
Deferred income tax assets	**(30,844)**	(30,748)
Deferred income tax liabilities	**105,945**	96,644
	75,101	65,896

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

17. Expenses by nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analyzed as follows:

	2005 HK$'000	2004 HK$'000
Cost of goods sold	**258,873**	218,682
Impairment for inventories	**1,538**	20,296
Direct operating expenses arising from investment properties	**9,887**	9,288
Operating lease rentals – land and buildings	**19,429**	16,341
Amortization of leasehold land and land use rights *(note 6)*	**4,059**	4,021
Depreciation of property, plant and equipment *(note 7)*	**12,177**	13,265
Staff costs including Directors' emoluments *(note 18)*	**96,213**	87,693
Auditors' remuneration		
– Current year	**1,589**	1,307
– Over provision in prior year	**–**	(250)

18. Staff costs including Directors' emoluments

	2005 HK$'000	2004 HK$'000
Staff costs		
– Wages and salaries	**88,358**	82,316
– Retirement benefit costs *(note 19)*	**7,855**	5,377
	96,213	87,693

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

19. Retirement benefit costs

	2005 HK$'000	2004 HK$'000
Defined contribution schemes for:		
Hong Kong employees *(note (a))*	**756**	747
Singapore employees *(note (b))*	**2,222**	2,235
China Mainland employees *(note (c))*	**4,877**	2,395
	7,855	5,377

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$758,000 (2004: HK$768,000) and forfeited contributions of HK$2,000 (2004: HK$21,000). 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$122,000 (2004: HK$109,000) payable to the MPF scheme at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2004: Nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$2,222,000 (2004: HK$2,235,000). Contributions totalling HK$1,421,000 (2004: HK$806,000) payable to the schemes at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2004: 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 (2004: Nil) to the municipal governments at the year end.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

20. Directors' and senior management's emoluments

(a) The remuneration of every Director for the year ended 31st December 2005 is set out below:

Name of Director	**Fees**	**Salary**	**Discretionary bonuses**	**Other benefits***	**Employer's contribution to pension scheme**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Dr. Tsang Hin Chi	**–**	**3,556**	**3,020**	**375**	**–**	**6,951**
Mr. Tsang Chi Ming, Ricky	**–**	**2,841**	**1,407**	**–**	**16**	**4,264**
Mdm. Wong Lei Kuan	**–**	**1,452**	**745**	**11**	**–**	**2,208**
Mr. Ng Ming Wah, Charles	**120**	**–**	**–**	**–**	**–**	**120**
Dr. Wong Yu Hong, Philip	**120**	**–**	**–**	**–**	**–**	**120**
Dr. Lau Yue Sun	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Wong Ying Ho, Kennedy	**120**	**–**	**–**	**–**	**–**	**120**

The remuneration of every Director for the year ended 31st December 2004 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Others benefits*	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Dr. Tsang Hin Chi	–	6,600	2,078	480	–	9,158
Mr. Tsang Chi Ming, Ricky	–	2,081	1,173	–	28	3,282
Mdm. Wong Lei Kuan	–	1,452	519	13	–	1,984
Mr. Ng Ming Wah, Charles	120	–	–	–	–	120
Dr. Wong Yu Hong, Philip	120	–	–	–	–	120
Dr. Lau Yue Sun	120	–	–	–	–	120
Mr. Wong Ying Ho, Kennedy	70	–	–	–	–	70

Note:

* Other benefits include leave pay, share option, insurance premium and club membership.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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

(b) The five individuals whose emoluments were the highest in the Group for the year included three (2004: three) Directors whose emoluments are reflected in the analysis presented in 20(a) above. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	2005 HK$'000	2004 HK$'000
Basic salaries, housing and other allowances	**5,943**	3,518
Bonuses	**2,366**	628
Retirement benefit costs	**503**	302
	8,812	4,448

The emoluments fell within the following band:

	Number of individuals 2005	2004
Emolument bands		
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**1**	1
HK$6,500,001 – HK$7,000,000	**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.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

21. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated 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 amount of income tax charged to the consolidated profit and loss account represents:

	2005 HK$'000	2004 HK$'000
Hong Kong profits tax		
Under provision in prior years	–	1
Taxation outside Hong Kong		
Current year	34,719	27,737
Under provision in prior years	89	–
Tax refund	(734)	–
	34,074	27,737
Deferred income tax *(note 16)*	9,205	488
Total income tax expense	43,279	28,226

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

	2005 HK$'000	2004 HK$'000
Profit before income tax	180,344	97,510
Calculated at a taxation rate of 17.5%	31,560	17,064
Effect of different taxation rates in other countries	16,730	10,324
Income not subject to tax	(6,461)	(1,597)
Expenses not deductible for tax purposes	705	792
Utilisation of previously unrecognized tax losses	(2,378)	(2,125)
Tax loss for which no deferred income tax asset has recognized	8,264	7,666
Recognition of previously unrecognized deferred tax assets	(3,911)	(3,874)
Tax refund due to re-investment in the PRC	(734)	–
Others	(496)	(24)
Total income tax expense	43,279	28,226

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

22. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt within the accounts of the Company to the extent of HK$2,504,000 (2004: profit of HK$981,000).

23. Dividends

	2005 **HK$'000**	2004 HK$'000
2005 interim dividend, paid, of 2.8 HK cents per ordinary share	**26,239**	–
2004 interim dividend, paid, of 2.0 HK cents per ordinary share	**–**	18,742
2005 final dividend, proposed of 5.6 HK cents per ordinary share *(Note)*	**52,478**	–
2004 final dividend, paid, of 4.0 HK cents per ordinary share	**–**	37,485
	78,717	56,227

Note:

At a meeting held on 4th April 2006, the Directors declared a final dividend of 5.6 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 2006.

24. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$136,201,000 (2004: HK$68,675,000) and the weighted average number of 937,114,035 (2004: 937,114,035) shares in issue during the year.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2005 and 2004.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

25. Consolidated cash flow statement

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

	2005 HK$'000	2004 HK$'000
Profit for the year	**137,065**	69,284
Adjustments for:		
– Income tax expense *(note 21)*	**43,279**	28,226
– Amortization of leasehold land and land use rights *(note 6)*	**4,059**	4,021
– Depreciation of property, plant and equipment *(note 7)*	**12,177**	13,265
– Interest income	**(8,964)**	(3,859)
– Profit on disposal of investment properties *(note (i))*	**(25,791)**	(253)
– Loss/(profit) on disposal of leasehold land and land use rights and property, plant and equipment *(note (ii))*	**641**	(1,431)
– Fair value gains on investment properties	**(39,255)**	–
Changes in working capital (excluding the effect of exchange differences on consolidation):		
– Inventories	**11,297**	12,179
– Trade receivables, prepayments and deposits	**8,714**	(15,742)
– Trade and other payables and accruals	**17,621**	8,853
Cash generated from operations	**160,843**	114,543

Notes:

(i) Sale of investment properties

	2005 HK$'000	2004 HK$'000
Net book amount *(note 8)*	**29,000**	2,480
Profit on sale of investment properties	**25,791**	253
Reversal of revaluation reserve	**–**	(801)
Proceeds received	**54,791**	1,932

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

	2005 HK$'000	2004 HK$'000
Net book amount *(note 6 and note 7)*	**8,583**	11,301
(Loss)/profit on sale of leasehold land and land use rights and property, plant and equipment	**(641)**	1,431
Proceeds received	**7,942**	12,732

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

25. Consolidated cash flow statement *(continued)*

(b) Analysis of changes in financing during the year

	Dividends payable		Minority interest	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**–**	–	**2,494**	1,885
Minority interest in share of results	**–**	–	**864**	609
Dividends declared	**63,724**	46,855	**–**	–
Dividends paid	**(63,724)**	(46,855)	**–**	
Dividends paid to minority shareholders	**–**	–	**(844)**	–
At 31st December	**–**	–	**2,514**	2,494

26. Contingent liabilities – Company

	2005	2004
	HK$'000	HK$'000
Guarantees for credit facilities given to subsidiaries	**163,669**	154,328

At 31st December 2005, there is no utilized amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company (2004: HK$2,232,000).

27. Commitments – Group

(a) Capital commitments

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

	2005	2004
	HK$'000	HK$'000
Property, plant and equipments		
Contracted but not provided for	**2,317**	–
Authorised but not contracted for	**–**	1,824
Investment properties		
Contracted but not provided for	**–**	2,387
Authorised but not contracted for	**–**	4,560
Acquisition of investment properties, net of deposits paid	**–**	57,552
	2,317	66,323

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

27. Commitments – Group *(continued)*

(b) At 31st December 2005, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	2005 HK$'000	2004 HK$'000
Rental receivables		
– not later than one year	**44,924**	41,034
– later than one year and not later than five years	**69,273**	67,023
– later than five years	**22,227**	11,813
	136,424	119,870
Rental payables		
– not later than one year	**11,343**	2,647
– later than one year and not later than five years	**8,072**	1,768
	19,415	4,415

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

(c) The Company did not have any significant commitments at 31st December 2005 (31st December 2004: Nil).

28. Related party transactions – Group

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

	Notes	2005 HK$'000	2004 HK$'000
Building management fees paid to a related company	*(i)*	**648**	608
Professional fees paid to a related company	*(ii)*	**700**	700
Rental paid to a related company	*(iii)*	**947**	938
Rental received from a related company	*(iv)*	**2,242**	2,666
Acquisition of investment properties from a related company and a related party	*(v)*	**76,736**	–

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

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

Notes:

(i) Guangzhou Silver Disk Property Management Company Limited provided building management services to a subsidiary of the Group. Fees of HK$648,000 were charged under normal commercial terms. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited.

(ii) Equitas Capital Limited acted as financial advisor to the Group during the year for which professional fee was paid by the Company at a fixed amount mutually agreed between the two parties. 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.

(iii) Rental was paid to Guangzhou Goldlion City Properties Company Limited for lease of office area in Goldlion Digital Network Centre. Rental charges were determined under normal commercial terms. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interest in Guangzhou Goldlion City Properties Company Limited.

(iv) 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 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.

(v) On 30th December 2004, Guangzhou Goldlion Environmental Technology Co. Limited, a wholly owned subsidiary of the Company, entered into two conditional acquisition agreements (the "Agreements") with General Business Network (Holdings) Limited ("GBNL") and Mr. Tsang Chi Hung to acquire Level 19 and Level 20 to 22 (inclusive) of Goldlion Digital Network Centre in Guangzhou respectively at an aggregate consideration of RMB81,340,000 (approximately HK$76,735,850). The consideration was negotiated on an arm's length basis by reference to open market valuations by an independent professional property valuer. Both of the Agreements were completed by May 2005. Completions of the acquisitions are subject to the conditions precedent stated in the Agreements and disclosed in the related Circular of the Company to its shareholders dated 20th January 2005. In the Extraordinary General Meeting of the Company held on 7th February 2005, the independent shareholders of the Company approved the transactions. The acquisitions were subsequently completed by May 2005. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in those transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(b) Key management compensation

	2005 HK$'000	2004 HK$'000
Salaries and other short-term employee benefits	**24,680**	20,751
Retirement benefit costs	**606**	381
	25,286	21,132

(c) Year-end balance arising from purchase of services

	2005 HK$'000	2004 HK$'000
Payable to a related party:		
Equitas Capital Limited	**350**	350

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		Restated	Restated	Restated	Restated
Results					
Profit/(loss) attributable to:					
– Equity holders	**136,201**	68,675	45,150	(12,174)	3,675
– Minority interest	**864**	609	844	848	840
Assets and liabilities					
Total assets	**1,863,850**	1,744,528	1,688,800	1,676,159	1,896,556
Total liabilities	**(295,945)**	(257,383)	(222,003)	(200,093)	(236,329)
Total equity	**1,567,905**	1,487,145	1,466,797	1,476,066	1,660,227

Total assets as at 31st December 2004, 2003, 2002 and 2001 have been restated as a result of the prior year adjustment in respect of the adoption of Hong Kong Accounting Standards 17 "Leases" and Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciated Assets" issued by the Hong Kong Institute of Certified Public Accountants.