Goldlion Holdings Limited

Stock Code：0533

Annual Report 2006

Contents

Corporate Information

DIRECTORS

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

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

Executive Director:
Mdm. Wong Lei Kuan

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

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

QUALIFIED ACCOUNTANT

Mr. Chan Kee Leung, Gary

COMPANY SECRETARY

Mr. Kam Yiu Kwok

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

SOLICITORS

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

AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

Bank of China
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited

REGISTRARS

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

REGISTERED OFFICE

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

Financial Highlights

Financial Position

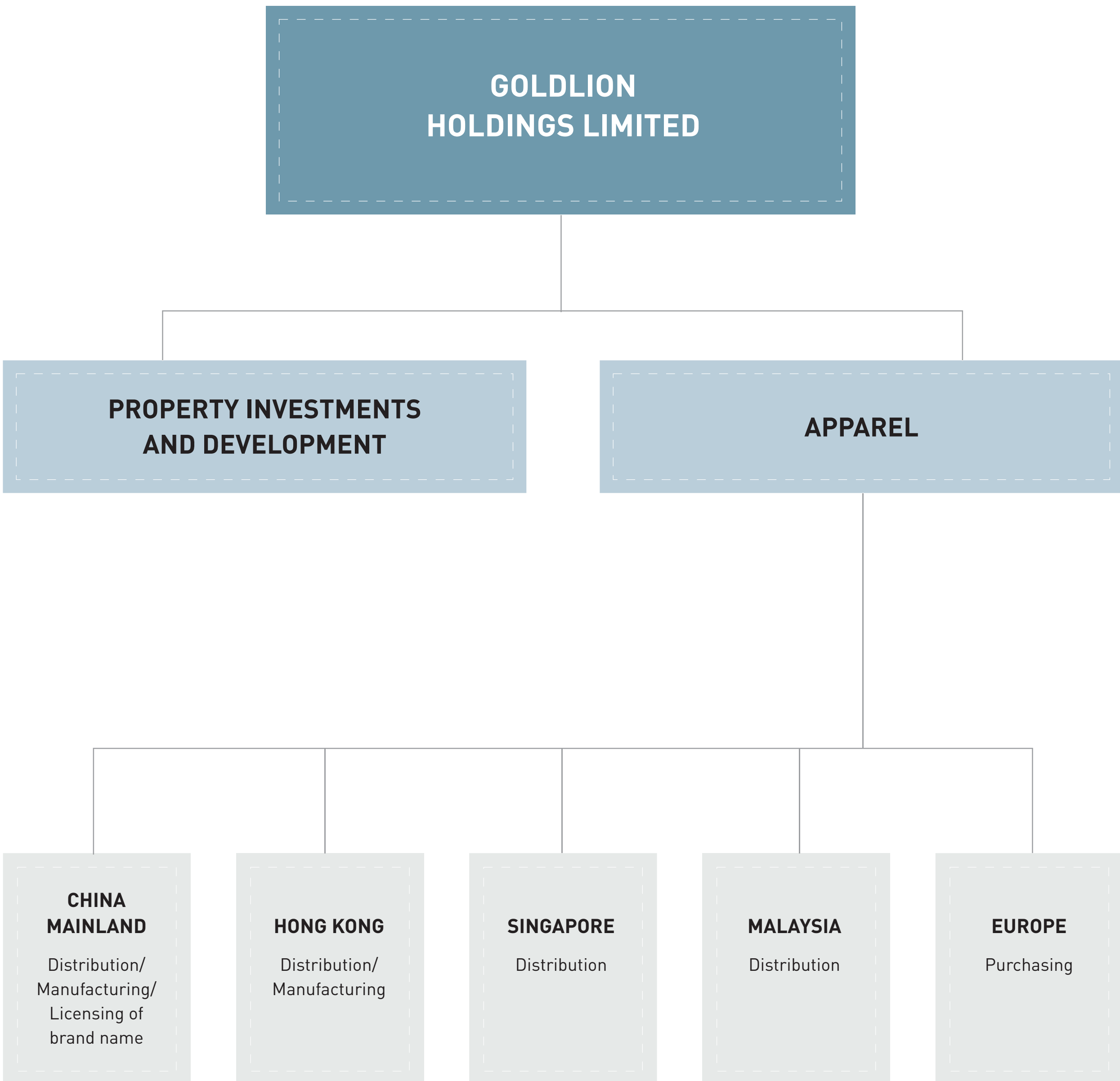
As at 31st December 2006, cash and bank balances held by the Group was approximately HK$518,976,000, which was HK$73,091,000 more than the balance at the end of last year. During the year, the Group recorded a net cash generated from operating activities of HK$163,019,000, interest income of HK$12,426,000 and exchange gains on cash and cash equivalents of HK$10,780,000. However, the Group also paid dividends of HK$83,403,000, purchased property, plant and equipment of HK$11,255,000 and paid for Meizhou property development project of approximately HK$19,950,000 during the year. As at 31st December 2006, the Group did not have any bank loans or overdrafts.

As at 31st December 2006, the Group's current assets and liabilities were HK$678,631,000 and HK$225,755,000 respectively, with current ratio at 3.0. Total current liabilities were only 14% of the average capital and reserves attributable to the Company's equity holders of HK$1,613,922,000.

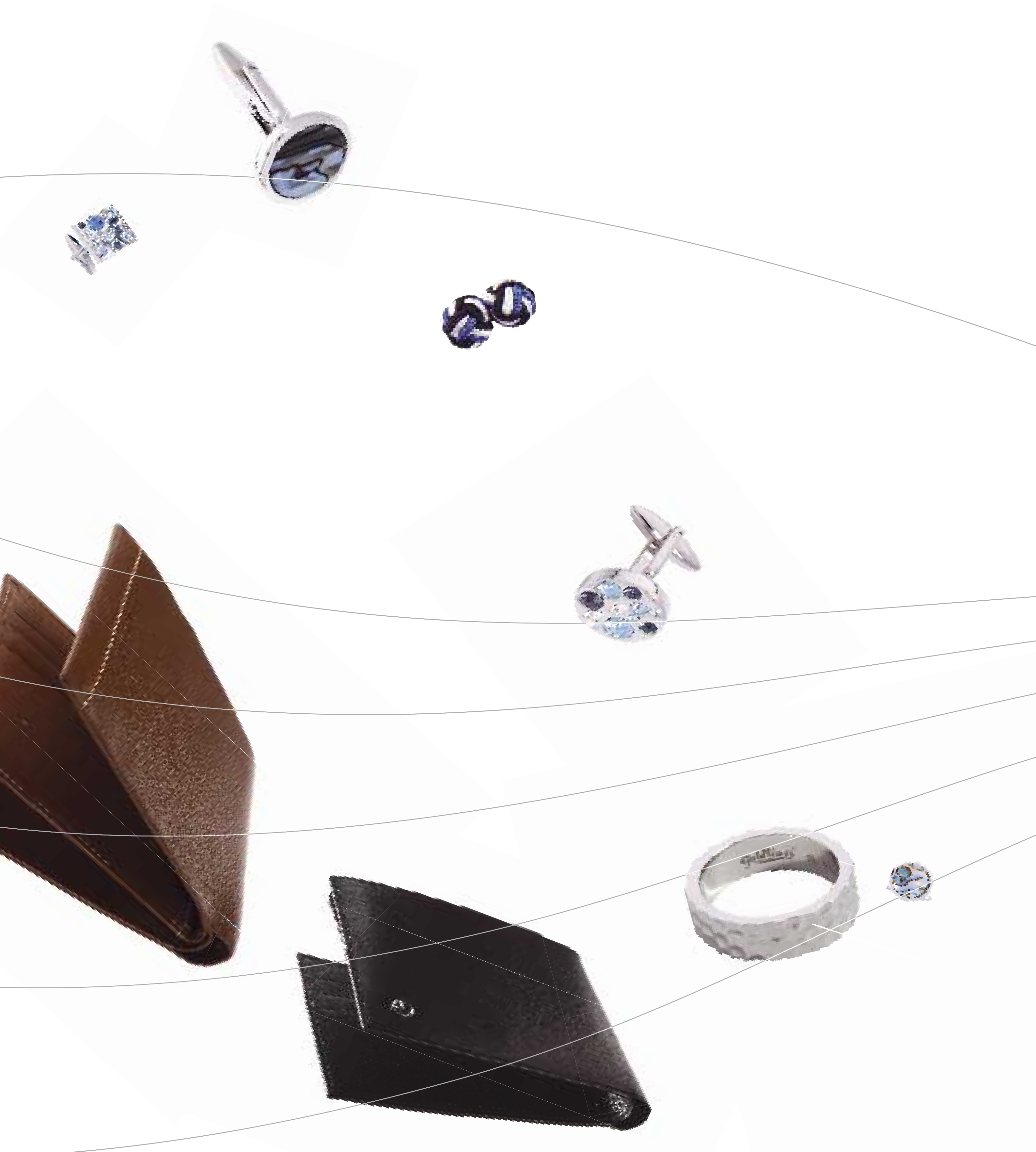
As at 31st December 2006, the Group did not have any material contingent liabilities and did not charge any of the Group's assets. As at 31st December 2006, the Group had commitments of HK$81,255,000 being the remaining construction contract sum of the Meizhou property development project contracted but not provided for.

Besides, the completion of the acquisition of Joint Corporation Limited is expected to take place by the end of April 2007. Upon completion, the Group would expect to pay HK$177,000,000 (subject to adjustment) and issue 45,000,000 shares of the Company to the vendor as consideration.

Group Principal Operational Structure



Distribution Network In China Mainland



Chairman's Statement

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

Results

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

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

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

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

Final Dividend

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

Business Review

Apparel Business

China Mainland Market:

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

Chairman's Statement

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

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

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

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

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

Singapore and Malaysia Markets:

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

Chairman's Statement

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

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

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

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

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

Hong Kong Market:

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

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

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

Chairman's Statement

Licensing Income:

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

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

Property investments and development

Property investments:

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

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

Chairman's Statement

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

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

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

Property development:

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

Prospects

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

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

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

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

Chairman's Statement

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

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

Acknowledgement

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

Dr. Tsang Hin Chi

Chairman

Hong Kong, 3rd April 2007

Schedule of Investment Properties

As at 31st December 2006

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

Schedule of Investment Properties

As at 31st December 2006

Property	Description	Lot Number	Type	Lease term
China Mainland				
6. 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 lettable floor area of the commercial and office portions attributable to the Group is approximately 31,665 sq.m..	–	Commercial/office	The land use right is held for a term of 50 years from 27th January 1997.
7. 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.
8. 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.

Schedule of Investment Properties

As at 31st December 2006

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
9. Unit 03 on Level 10, No. 852 Dongfeng East Road and Unit 01 on Level 18, No. 856 Dongfeng East Road, Glorious City Garden, Dongshan District, Guangzhou, Guangdong Province.	The property comprises 2 residential units in one of the 32-storey buildings of the estate built in 2001. The property has a gross floor area of 243 sq.m..	–	Residential	The land use right is held for a term of 70 years from 7th April 1990.

Corporate Governance Report

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

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

BOARD OF DIRECTORS

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 control 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 2006 are set out below:

	Attendance (%)	
Executive Directors		
Dr. Tsang Hin Chi	(3/4)	75%
Mr. Tsang Chi Ming, Ricky	(4/4)	100%
Mdm. Wong Lei Kuan	(4/4)	100%
Non-executive Director		
Mr. Ng Ming Wah, Charles	(4/4)	100%
Independent non-executive Directors		
Dr. Lau Yue Sun	(4/4)	100%
Mr. Wong Ying Ho, Kennedy	(4/4)	100%
Mr. Yin, Richard Yingneng (appointed on 9th October 2006)	(1/1)	100%

Note: Dr. Wong Yu Hong, Philip resigned as the Company's independent non-executive Director on 22nd September 2006. He attended 1 out of 3 meetings during his tenure of office in 2006.

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

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.

BOARD OF DIRECTORS *(continued)*

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

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

Chairman and Chief Executive Officer

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

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

Board composition

The Board has a balance of skills and experience appropriate for the requirements of the Group's business. Currently, the Board comprises totally seven members including three executive Directors, one non-executive Director and three independent non-executive Directors. The presence of independent non-executive Directors ensures that the Board functions effectively and independently.

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

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

Appointments, re-election and removal of directors

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

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

BOARD OF DIRECTORS *(continued)*

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

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

Members	**Attendance (%)**	
Dr. Lau Yue Sun *(Chairman)*	(1/1)	100%
Mr. Wong Ying Ho, Kennedy	(1/1)	100%
Mr. Yin, Richard Yingneng (appointed on 9th October 2006)	(1/1)	100%
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

Note: Dr. Wong Yu Hong, Philip resigned as a member of the Committee on 22nd September 2006. No meeting of the Committee had been held during his tenure of office in 2006.

Mr. Yin, Richard Yingneng was appointed as the Company's Director on 9th October 2006. Before the appointment, the Nomination Committee had assessed the qualifications and experiences of Mr. Yin and had made a recommendation to the Board for its consideration of the appointment of Mr. Yin.

Responsibilities of Directors

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

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

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

All Directors have full and timely access to all relevant information about the Group so that they can discharge their duties and responsibilities as Directors effectively. Where any member of the Board, whether individual or as a group, needs independent professional advice, the Company will 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.

REMUNERATION COMMITTEE

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

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.

REMUNERATION COMMITTEE *(continued)*

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

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

Members	**Attendance (%)**	
Mr. Wong Ying Ho, Kennedy *(Chairman)*	(2/2)	100%
Dr. Lau Yue Sun	(2/2)	100%
Mr. Yin, Richard Yingneng (appointed on 9th October 2006)	(1/1)	100%
Mr. Ng Ming Wah, Charles	(2/2)	100%
Mr. Tsang Chi Ming, Ricky	(2/2)	100%

Note: Dr. Wong Yu Hong, Philip resigned as a member of the Committee on 22nd September 2006. He had not attended the only meeting of the Committee that had been held during his tenure of office in 2006.

ACCOUNTABILITY AND AUDIT

Financial reporting

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

– selected suitable accounting policies and applied them consistently;

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

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

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.

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.

ACCOUNTABILITY AND AUDIT *(continued)*

Audit Committee *(continued)*

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

Members	Attendance (%)	
Mr. Yin, Richard Yingneng (Chairman and appointed on 9th October 2006)	(1/1)	100%
Dr. Lau Yue Sun	(5/5)	100%
Mr. Wong Ying Ho, Kennedy	(4/5)	80%
Mr. Ng Ming Wah, Charles	(5/5)	100%

Note: Dr. Wong Yu Hong, Philip resigned as chairman of the Committee on 22nd September 2006. He attended 3 out of 4 meetings of the Committee during his tenure of office in 2006.

Internal controls

The Board has ultimate responsibility for the Group's internal control system, which is designed to provide reasonable but not absolute assurance against material errors, losses or fraud. The Board, through the Audit Committee, has reviewed the effectiveness of the system.

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

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

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

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

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

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

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

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

The Company has established its Internal Audit function to monitor the internal control of the Group. The Internal Audit function conducts systematic reviews of the Group's internal control system on an on-going basis in order to provide reasonable assurance of the effectiveness of the system. The Internal Audit function reports directly to the Audit Committee and has free assess to review all aspects of the Group's activities and controlling system.

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

Corporate Governance Report

ACCOUNTABILITY AND AUDIT *(continued)*

Auditors' remuneration

During the year, total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$1,841,000, of which a sum of HK$1,650,000 was paid to the Group's principal external auditors, PricewaterhouseCoopers. The remuneration for PricewaterhouseCoopers and its affiliated firms, for services rendered is broken down below:

	HK$
Statutory audit	1,650,000
Tax consulting services	68,500
Total	1,718,500

COMMUNICATION WITH SHAREHOLDERS

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

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

Report of the Directors

The Directors submit their report together with the audited accounts of Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2006.

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 2006 are set out in the consolidated profit and loss account on page 37.

The Directors have declared an interim dividend of 3.3 HK cents (2005: 2.8 HK cents) per ordinary share, totalling HK$30,925,000 (2005: HK$26,239,000), which was paid on 11th October 2006.

The Directors recommend the payment of a final dividend of 6.6 HK cents (2005: 5.6 HK cents) per ordinary share totalling HK$61,849,000 (2005: HK$52,478,000), which is to be payable on or about 7th June 2007 to shareholders whose names appear on the Register of members on 25th May 2007. This recommendation shall become effective subject to the approval of shareholders at the Annual General Meeting to be held on 25th May 2007.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 38 and note 15 to the accounts respectively.

Donations

Charitable and other donations made by the Group during the year amounted to HK$331,000 (2005: HK$1,520,000).

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 2006 are set out on pages 16 to 18.

Share capital

Details of the share capital of the Company are set out in note 14 to the accounts.

Distributable reserves

Distributable reserves of the Company at 31st December 2006, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$239,895,000 (2005: HK$125,714,000).

Pre-emptive rights

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

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 76.

Purchase, sale or redemption of shares

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

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 (resigned on 22nd September 2006)
LAU Yue Sun
WONG Ying Ho, Kennedy
YIN, Richard Yingneng (appointed on 9th October 2006)

In accordance with Article 101 of the Company's Articles of Association, Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Mr. Ng Ming Wah, Charles 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 73, 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 an honorary citizen of Beijing, Harbin, Shenyang, Dalin and Guangzhou.

Mr. Tsang Chi Ming, Ricky, aged 40, 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, standing committee member of Beijing Youth Federation, director of Young Entrepreneur Association of China, executive vice chairman of Guangdong Chamber of Foreign Investors, director of Jinan University Guangzhou, chairman of Ka Ying Chow Commercial Association Limited, standing committee member of The Chinese General Chamber of Commerce and an honorary citizen of Guangzhou and Meizhou. He is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan.

Mdm. Wong Lei Kuan, aged 70, is one of the founders of the Group and the wife of Dr. Tsang Hin Chi. She is an 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 a 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 57, was appointed to the Board as a non-executive Director in 1992. Mr. Ng graduated from Loughborough University in England in 1972 with a B.Sc. degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies (London Business School) in England in 1974 with a M.Sc. degree in Business Studies. 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 an independent non-executive director of each of China Everbright Limited (stock code: 165), Stone Group Holdings Limited (stock code: 409), Dalian Ports (PDA) Company Limited (stock code: 2880) and Zhaojin Mining Industry Company Limited ("Zhaojin", stock code: 1818) (the term of office of Mr. Ng's directorship in Zhaojin is to expire on 16th April 2007 and he has informed Zhaojin that he does not intend to seek re-election for another term). Mr. Ng also holds independent directorships in China Everbright Bank Company, Limited and Luoyang Luanchuan Molybdenum (Group) Company, Limited, which are, respectively, a licensed commercial bank and a molybdenum mining company in China Mainland. In addition, Mr. Ng holds a number of community service positions including as a member of the Council of Lingnan University of Hong Kong and a member of the Board of Governors of Hong Kong Arts Centre.

Independent non-executive Directors

Dr. Lau Yue Sun, B.B.S., aged 66, is the Managing Director of New Products Investment Limited and Jip Fair Development Limited, as well as an independent non-executive director of Wing Lee Holdings Limited (stock code: 876). Dr. Lau has over 30 years of experience in manufacturing, electronics, plastic injection products and import/export business. He is a member of the National Committee of the C.P.P.C.C., 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 Federation of Industry and Commerce. Dr. Lau was appointed to the Board in 1994.

Mr. Wong Ying Ho, Kennedy, B.B.S., J.P., aged 44, 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 also holds directorship in listed companies in Hong Kong including Raymond Industrial Limited (stock code: 229), Capinfo Company Limited (stock code: 8157), China Overseas Land & Investment Limited (stock code: 688), Computime Group Limited (stock code: 320), Great Wall Technology Company Limited (stock code: 74), Qin Jia Yuan Media Services Company Limited (stock code: 2366) and International Financial Network Holdings Limited (stock code: 8123). Mr. Wong was appointed to the Board in 2004.

Mr. Yin, Richard Yingneng, aged 54, is the chairman and an executive director of International Financial Network Holdings Ltd. (stock code: 8123), a company principally engaged in the provision of financial services. Mr. Yin has solid experience in the securities and futures industry. He held senior positions in various regulatory bodies including the Australian Securities and Investments Commission, the New South Wales Corporate Affairs Commission and the Securities and Futures Commission of Hong Kong for over 10 years. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in Australia and the Institute of Chartered Accountants in England and Wales. During the last three years, Mr. Yin was also an executive director of Global Digital Creations Holdings Limited (stock code: 8271) before his resignation in June 2004. Mr. Yin was appointed to the Board in October 2006.

Senior Management

Mr. Chan Kee Leung, Gary, aged 44, 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 56, 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.

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

Senior Management *(continued)*

Mr. Quek Chew Teck, aged 45, was the Assistant General Manager of Goldlion Singapore from 1987 to 1994 and re-joined the Group in 1998 as the General Manager of Goldlion Singapore. He was appointed as a Director and Chief Executive Officer of Goldlion Singapore in 2005 and is also a director of Goldlion Malaysia since 2000. He is responsible for the Group's operations in Singapore and Malaysia as well as the export business to neighbouring countries. Mr. Quek holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore. He has more than 16 years experience in marketing and corporate management.

Mr. Dieter Nothofer, aged 62, 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 45, holds a Bachelor Degree in Mechanical Engineering from the South China University of Technology. Mr. Liu has over twenty years experience in property investment and management and has worked with large enterprises in China for many years. Mr. Liu has been with the Group since 1997 and is now in charge of the Group's property investment and development operation in Guangzhou and Meizhou.

Mr. Tu Wu Yi, aged 45, graduated with a Bachelor 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 44, 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' interests 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 ("GGCPL") which is the developer of, and owns the Goldlion Digital Network Centre in Guangzhou.

Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interests in GPDL and GGCPL. Ownership of and the leasing activities of GGCPL constitute a competing business to the Group. Since the leasing activities of GGCPL are 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$984,000 (2005: HK$947,000) to GGCPL for the office located at Goldlion Digital Network Centre in Guangzhou.

(b) The Group paid building management fees of HK$579,000 (2005: HK$648,000) 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 they have direct beneficial interests in SDPMCL.

Directors' interests 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. At 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.

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 2006, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required maintained by the Company under section 352 of Part XV of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Ordinary shares of HK$0.10 each in the Company at 31st December 2006

		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 2006, none of the Directors and Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Save as disclosed above, at no time during the year ended 31st December 2006 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 2006, the register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 31st December 2006, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Name of holder of securities	Type of securities		Number of shares held	Percentage to total issued share capital
HSBC International Trustee Limited *(Note)*	Ordinary shares of $0.10 each	Long positions	568,034,750	60.62%
		Short positions	–	–
Silver Disk Limited *(Note)*	Ordinary shares of $0.10 each	Long positions	160,616,000	17.14%
		Short positions	–	–
Tsang Hin Chi Charities (Management) Limited	Ordinary shares of $0.10 each	Long positions	53,880,750	5.75%
		Short positions	–	–

Note:

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.

Connected transactions

Certain transactions 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$984,000 to GGCPL during the year in the ordinary course of its business. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interests in GGCPL.

(b) The Group paid building management fees of HK$579,000 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 fees of HK$670,000 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) The Group paid consultancy fees of HK$988,000 to Mr. Zhang Zi Hong during the year in the ordinary course of its business. Mr. Zhang is a director of Goldlion (China) Limited, a subsidiary of the Company.

(e) On 18th July 2002, the Group, as lessor, entered into a lease with Guangzhou World Trade Center Club Company Limited ("GWTCCL") as lessee and China World Trade Corporation ("CWTC"), the holding company of GWTCCL, as guarantor in respect of a business center and facilities therein located at Goldlion Digital Network Centre. The lease was renewed subsequently on 10th November 2006 pursuant to its renewal terms. During the year, the Group received HK$2,361,000 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.

Report of the Directors

Connected transactions *(continued)*

(f) 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. At 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 in 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.

(g) On 27th January 2006, the Group, as lessor, entered into a lease with GBNL as lessee in respect of a unit located at Goldlion Holdings Centre in Hong Kong. During the year, the Group received HK$272,000 from GBNL as rental payment under the lease. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

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 2006 under Chapter 13 of the Listing Rules.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

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

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

Sufficiency of public float

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

Subsequent events

Subsequent to the balance sheet date on 21st January 2007, Goldlion (Guangdong) Limited, a wholly owned subsidiary of the Company, entered into a conditional acquisition agreement (the "Acquisition Agreement") with Keysonic Development Limited to purchase the entire share capital of, and shareholder's loan to, Joint Corporation Limited ("JCL") for an aggregate consideration of HK$240,000,000 (subject to adjustment). The sole asset of JCL is its interests, held through GGCPL, in various office spaces on Levels 8 to 18 (inclusive) at Goldlion Digital Network Centre in Guangzhou with total gross floor area of approximately 18,917 square meters and 47% interest in car parking spaces on Basement Levels 1 to 3 (inclusive) plus a mezzanine level in that building (the "Property"). The Consideration is arrived at after arm's length negotiations by reference to an independent professional valuation of the Property. Completion of the acquisition is subject to the conditions precedent stated in the Acquisition Agreement and disclosed in the related Circular of the Company to its shareholders dated 12th February 2007. At the Extraordinary General Meeting of the Company held on 1st March 2007, independent shareholders of the Company approved the transaction. It is currently expected that the acquisition will be completed by the end of April 2007.

Report of the Directors

Corporate governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 19 to 24.

Auditor

The accounts for the year ended 31st December 2006 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dr. Tsang Hin Chi
Chairman

Hong Kong, 3rd April 2007

Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

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

We have audited the consolidated accounts of Goldlion Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 75, which comprise the consolidated and Company balance sheets as at 31st December 2006, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the accounts

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3rd April 2007

Consolidated Balance Sheet

As at 31st December 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	**113,167**	119,694
Property, plant and equipment	7	**108,291**	109,570
Investment properties	8	**1,089,002**	1,034,835
Deferred income tax assets	17	**22,553**	30,844
		1,333,013	1,294,943
Current assets			
Property under development held for sale	10	**23,368**	–
Inventories	11	**78,849**	74,097
Trade receivables	12	**34,953**	29,713
Prepayments and deposits		**22,485**	19,212
Cash and bank balances	13	**518,976**	445,885
		678,631	568,907
Total assets		**2,011,644**	1,863,850
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	**93,711**	93,711
Reserves	15	**1,506,893**	1,419,202
Proposed final dividend	15	**61,849**	52,478
		1,662,453	1,565,391
Minority interest		**1,311**	2,514
Total equity		**1,663,764**	1,567,905
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	17	**122,125**	105,945
Current liabilities			
Trade payables	16	**28,120**	23,403
Other payables and accruals		**168,053**	129,026
Taxation payables		**29,582**	37,571
		225,755	190,000
Total liabilities		**347,880**	295,945
Total equity and liabilities		**2,011,644**	1,863,850
Net current assets		**452,876**	378,907
Total assets less current liabilities		**1,785,889**	1,673,850

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 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	9	**1,265,282**	1,150,825
Current assets			
Prepayments		**172**	172
Cash and bank balances	13	**75**	71
		247	243
Total assets		**1,265,529**	1,151,068
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	**93,711**	93,711
Reserves	15	**1,107,842**	1,003,032
Proposed final dividend	15	**61,849**	52,478
Total equity		**1,263,402**	1,149,221
LIABILITIES			
Current liabilities			
Accruals		**1,300**	1,020
Amount due to a subsidiary	9	**827**	827
Total liabilities		**2,127**	1,847
Total equity and liabilities		**1,265,529**	1,151,068

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 2006

	Note	2006 HK$'000	2005 HK$'000
Turnover	5	**798,301**	629,583
Cost of sales	18	**(326,910)**	(270,298)
Gross profit		**471,391**	359,285
Interest income		**12,426**	8,964
(Loss)/gain on disposal of properties		**(2,430)**	25,164
Fair value gains on investment properties	8	**60,283**	39,255
Selling and marketing costs	18	**(179,247)**	(143,850)
Administrative expenses	18	**(134,100)**	(108,474)
Profit before income tax		**228,323**	180,344
Income tax expense	22	**(61,471)**	(43,279)
Profit for the year		**166,852**	137,065
Attributable to:			
Equity holders of the Company	23	**166,161**	136,201
Minority interest		**691**	864
		166,852	137,065
Dividends	24	**92,774**	78,717
		HK cents	HK cents
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	25	**17.73**	14.53
– diluted	25	**17.73**	14.53

Consolidated Statement of Changes in Equity

For the year ended 31st December 2006

	Attributable to equity holders of the Company				
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Minority interest HK$'000	Total HK$'000
Balance at 1st January 2005	93,711	915,287	475,653	2,494	1,487,145
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 income/(expense) recognized directly in equity	–	21,516	(13,253)	–	8,263
Profit for the year	–	–	136,201	864	137,065
Total recognized income in 2005	–	21,516	122,948	864	145,328
Dividend relating to 2004	–	–	(37,485)	(844)	(38,329)
Dividend relating to 2005	–	–	(26,239)	–	(26,239)
	–	21,516	59,224	20	80,760
Balance at 31st December 2005	93,711	936,803	534,877	2,514	1,567,905
Balance at 1st January 2006	93,711	936,803	534,877	2,514	1,567,905
Redemption of minority interest	–	–	–	(339)	(339)
Currency translation differences	–	14,304	–	–	14,304
Net income/(expense) recognized directly in equity	–	14,304	–	(339)	13,965
Profit for the year	–	–	166,161	691	166,852
Total recognized income in 2006	–	14,304	166,161	352	180,817
Dividend relating to 2005	–	–	(52,478)	(864)	(53,342)
Dividend relating to 2006	–	–	(30,925)	(691)	(31,616)
	–	14,304	82,758	(1,203)	95,859
Balance at 31st December 2006	93,711	951,107	617,635	1,311	1,663,764

Consolidated Cash Flow Statement

For the year ended 31st December 2006

	Note	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
Cash generated from operations	*26(a)*	**208,008**	160,843
Overseas taxation paid		**(44,989)**	(22,434)
Net cash generated from operating activities		**163,019**	138,409
Cash flows from investing activities			
Purchase of property under development held for sale		**(19,950)**	–
Purchase of investment properties	*8*	**–**	(90,831)
Purchase of property, plant and equipment	*7*	**(11,255)**	(12,594)
Proceeds from sales of investment properties	*26(a)(i)*	**3,570**	54,791
Proceeds from sales of leasehold land and land use rights and property, plant and equipment	*26(a)(ii)*	**240**	7,942
Redemption of minority interest in a subsidiary		**(781)**	–
Increase in fixed deposits with maturities over 3 months		**(62,097)**	(27,740)
Interest received		**12,426**	8,964
Net cash used in investing activities		**(77,847)**	(59,468)
Cash flows from financing activities	*26(b)*		
Dividends paid to equity holders of the Company		**(83,403)**	(63,724)
Dividends paid to minority shareholders in subsidiaries		**(1,555)**	(844)
Net cash used in financing activities		**(84,958)**	(64,568)
Net Increase in cash and cash equivalents		**214**	14,373
Cash and cash equivalents at the beginning of the year		**350,910**	329,865
Exchange gains on cash and cash equivalents		**10,780**	6,672
Cash and cash equivalents at the end of the year	*13*	**361,904**	350,910

Notes to the Accounts

For the year ended 31st December 2006

1. General information

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

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

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

These consolidated accounts have been approved for issue by the Board of Directors on 3rd April 2007.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

(a) Standards, amendments and interpretations effective in 2006

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2006 but are not relevant or do not have significant impact to the Group:

- HKAS 19 Amendment – Actuarial gains and losses, group plans and disclosures;
- HKAS 21 Amendment – Net investment in a foreign operation;
- 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 6 Exploration for and evaluation of mineral resources;
- HKFRS 1 Amendment – First-time adoption of international financial reporting standards and HKFRS 6 Amendment – Exploration for and evaluation of mineral resources;
- HK(IFRIC)-Int 4 – Determining whether an arrangement contains a lease;
- HK(IFRIC)-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.

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

2.1 Basis of preparation *(continued)*

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

The following standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st May 2006 or later periods that the Group has not early adopted:

HKFRS 7, Financial instruments: Disclosures, and the complementary amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures, are effective for annual periods beginning on or after 1st January 2007. HKFRS 7 introduces new disclosures relating to financial instruments. The Group will apply HKFRS 7 from 1st January 2007, but it is not expected to have any impact on the classification and valuation of the Group's financial instruments;

HKFRS 8, Operating Segments, is effective for annual periods beginning on or after 1st January 2009. Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported based on the internal reporting. The Group will apply HKFRS 8 from 1st January 2009;

HK(IFRIC)-Int 8, Scope of HKFRS 2, is effective for annual periods beginning on or after 1st May 2006. HK (IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1st January 2007, but it is not expected to have any impact on the Group's consolidated accounts;

HK(IFRIC)-Int 10, Interim financial reporting and impairment, is effective for annual periods beginning on or after 1st November 2006. HK(IFRIC)-Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1st January 2007, but it is not expected to have any impact on the Group's accounts; and

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

(c) *Interpretations to existing standards that are not yet effective and not relevant to the Group's operations*

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st March 2006 or later periods but are not relevant to the Group's operations:

HK(IFRIC)-Int 7, Applying the restatement approach under HKAS 29, Financial Reporting in Hyperinflationary Economies, is effective for annual periods beginning on or after 1st March 2006. HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations;

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

2.1 Basis of preparation *(continued)*

(c) *Interpretations to existing standards that are not yet effective and not relevant to the Group's operations (continued)*

HK(IFRIC)-Int 9, Reassessment of embedded derivatives, is effective for annual periods beginning on or after 1st June 2006. HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations; and

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

2.2 Consolidation

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

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

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

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less any provision for impairment losses (note 2.7). 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 segment and the secondary segment reporting is by geographical segment.

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

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

(c) *Group companies*

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

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

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

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

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

2.5 Property, plant and equipment

Buildings comprise mainly factories, retail outlets and offices other than investment properties as mentioned in note 2.6. 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.

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

2.5 Property, plant and equipment *(continued)*

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

Buildings	2% to 5%
Plant and machinery	10% to 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 capitalized during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction-in-progress until the construction work is completed. On completion, the construction-in-progress is transferred to appropriate categories of property, plant and equipment.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

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 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.

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

2.6 Investment properties *(continued)*

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.

2.7 Impairment of investments in subsidiaries and non-financial assets

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

2.8 Property under development held for sale

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

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

2.10 Trade receivables

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

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.12 Share Capital

Ordinary shares are classified as equity.

2.13 Trade payables

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

2.14 Deferred income tax

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

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

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

2.15 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.

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

2.15 Employee benefits *(continued)*

(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.

2.16 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.

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

2.17 Leases (as the lessee for operating leases)

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

2.18 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.

2.19 Dividend distribution

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

3. Financial risk management – 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 minimize 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 of these two currencies against the Hong Kong dollar did not materially fluctuate.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates, except for the interest income derived from the bank deposits. Apart from the bank deposits, 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.

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

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

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

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

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

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

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

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

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

4.1 Critical accounting estimates and assumptions *(continued)*

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

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

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

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

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

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

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

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

5. Segment information

Primary reporting format – business segment

At 31st December 2006, the Group is organized into two main business segments:

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

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

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

	2006				2005			
	Apparel HK$'000	Property investments and development HK$'000	Elimination HK$'000	Group HK$'000	Apparel HK$'000	Property investments and development HK$'000	Elimination HK$'000	Group HK$'000
Results								
Turnover	728,590	69,711	–	798,301	569,390	60,193	–	629,583
Inter-segment sales	–	737	(737)	–	–	658	(658)	–
	728,590	70,448	(737)	798,301	569,390	60,851	(658)	629,583
Segment results	147,561	104,607		252,168	96,103	109,806		205,909
Unallocated costs				(23,845)				(25,565)
Profit before income tax				228,323				180,344
Income tax expense				(61,471)				(43,279)
Profit for the year				166,852				137,065
Assets								
Segment assets	604,001	1,271,197		1,875,198	471,544	1,125,305		1,596,849
Unallocated assets				136,446				267,001
Total assets				2,011,644				1,863,850
Liabilities								
Segment liabilities	162,440	43,900		206,340	141,245	30,377		171,622
Unallocated liabilities				141,540				124,323
Total liabilities				347,880				295,945
Other information								
Capital expenditure	9,354	1,901		11,255	11,465	91,960		103,425
Depreciation of property, plant and equipment	11,408	1,114		12,522	10,764	1,413		12,177
Amortization of leasehold land and land use rights	3,252	431		3,683	3,628	431		4,059
Impairment for property, plant and equipment	2,729	–		2,729	–	–		–
Impairment for inventories	1,277	–		1,277	1,538	–		1,538
Impairment for trade receivables	520	–		520	165	–		165

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 and development

Hong Kong SAR – Apparel and property investments

Singapore and Malaysia – Apparel and property investments

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

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

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

5. Segment information *(continued)*

Secondary reporting format – geographical segment *(continued)*

	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		
Income tax expense		(43,279)		
Profit for the year		137,065		

Analysis of turnover by category

	2006 HK$'000	2005 HK$'000
Sales of goods	**695,513**	538,839
Gross rental income from investment properties *(note)*	**62,018**	54,589
Building management fee	**7,694**	5,604
Licensing income	**33,076**	30,551
	798,301	629,583

Note: Rental income less outgoings for the year is HK$50,966,000 (2005: HK$44,702,000).

6. Leasehold land and land use rights – Group

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

	2006 **HK$'000**	2005 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**102,554**	105,167
Outside Hong Kong, held on:		
Leases of over 50 years	**744**	789
Leases of between 10 to 50 years	**9,869**	13,738
	113,167	119,694

	2006 **HK$'000**	2005 HK$'000
At 1st January	**119,694**	127,964
Exchange difference	**428**	367
Transfer to property under development held for sale	**(3,272)**	–
Disposal	**–**	(4,578)
Amortization of prepaid operating lease payment	**(3,683)**	(4,059)
At 31st December	**113,167**	119,694

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 2005							
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
Year ended 31st December 2006							
Opening net book amount	93,955	1,818	2,902	3,473	2,063	5,359	109,570
Additions	–	1,524	2,380	3,027	1,507	2,817	11,255
Disposals	–	–	–	(115)	(8)	(109)	(232)
Transfer	3,249	(3,249)	–	–	–	–	–
Transfer to property under development held for sale	–	(146)	–	–	–	–	(146)
Depreciation	(6,120)	–	(1,651)	(1,856)	(911)	(1,984)	(12,522)
Impairment charges	–	–	–	(2,488)	(241)	–	(2,729)
Exchange differences	2,595	53	110	141	42	154	3,095
Closing net book amount	93,679	–	3,741	2,182	2,452	6,237	108,291
At 31st December 2006							
Cost	153,197	–	21,818	54,394	12,209	13,626	255,244
Accumulated depreciation and impairment	(59,518)	–	(18,077)	(52,212)	(9,757)	(7,389)	(146,953)
Net book amount	93,679	–	3,741	2,182	2,452	6,237	108,291

Included in buildings are properties with aggregate net book value of HK$28,531,000 as at 31st December 2006 (2005: HK$26,771,000) located in China Mainland in respect of which management is in the process to obtain the title documents from the relevant government authorities.

Depreciation expense of HK$2,459,000 (2005: HK$1,485,000) has been expensed in cost of sales, HK$1,703,000 (2005: HK$1,335,000) in selling and marketing costs and HK$8,360,000 (2005: HK$9,357,000) in administrative expenses.

8. Investment properties – Group

	2006 **HK$'000**	2005 HK$'000
At 1st January	**1,034,835**	937,558
Additions	**–**	90,831
Disposals	**(6,000)**	(29,000)
Reversal	**(116)**	–
Transfer to property, plant and equipment *(note 7)*	**–**	(3,734)
Fair value gains	**60,283**	39,255
Exchange differences	**–**	(75)
At 31st December	**1,089,002**	1,034,835

The investment properties were revalued at 31st December 2006 by Mr. Ng Sai Hee and Knight Frank Pte Limited, independent professional valuers, for properties located in China Mainland and Hong Kong SAR, 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:

	2006 **HK$'000**	2005 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**61,200**	54,600
Leases of between 10 to 50 years	**213,300**	195,950
Outside Hong Kong, held on:		
Freehold	**7,662**	6,300
Leases of over 50 years	**11,800**	16,445
Leases of between 10 to 50 years	**795,040**	761,540
	1,089,002	1,034,835

Included in investment properties is a property with a total net book value of HK$729,840,000 as at 31st December 2006 (2005: HK$695,540,000) 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$625,800,000 at 31st December 2006 (2005: HK$602,700,000) (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 Tsang Family Trust, a discretionary trust established by Dr. Tsang Hin Chi, the discretionary objects of which are members of his family including Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky, all of them are executive Directors of the Company. The legal title of the Designated Property is registered in the name of Guangzhou Goldlion City Properties Company Limited ("GGCPL"). In this regard, Dr. Tsang Hin Chi and GPDL have 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 as of 31st December 2006. Subsequent to the balance sheet date, as more fully described in Note 30, the Group will wholly control GGCPL effectively through the acquisition of the entire equity interest in Joint Corporation Limited and consequently, upon completion of the transaction described in Note 30, the Group will have the legal title over the Designated Property.

9. Subsidiaries – Company

	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**10**	10
Amounts due from subsidiaries	**1,265,272**	1,150,815
	1,265,282	1,150,825

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

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

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Group equity Interest 2006	Group equity Interest 2005
[3]China Silverlion Limited	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	RMB3,613,724	100%	90%
[3]Goldlion (China) Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB103,640,175	99.25%	99.25%
[3]Goldlion Clothes Making Company Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	US$6,934,000	98.92%	98.82%
[2]Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	10,000 ordinary shares of S$100 each	100%	100%
[2]Goldion Distribution (M) Sdn. Bhd.	Malaysia Limited liability company	Distribution of accessories in Malaysia	1,200,000 ordinary shares of MYR1 each	100%	100%

Notes to the Accounts

For the year ended 31st December 2006

9. Subsidiaries – Company *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Group equity Interest 2006	Group equity Interest 2005
Goldlion (Europe) GmbH	Germany Limited liability company	Purchasing office in Germany	250,000 ordinary shares totally EUR127,823	90%	90%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution and manufacturing of garments in Hong Kong	2 ordinary shares of HK$100 each and 500,000 non-voting deferred shares of HK$100 each	100%	100%
[1]Goldlion Group (BVI) Limited	British Virgin Islands Limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US$1 each	100%	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Property holding in the PRC	2 ordinary shares of HK$1 each	100%	100%
[3]Guangzhou Goldlion Environmental Technology Co. Limited	PRC Limited liability company	Property holding in the PRC	HK$10,000,000	100%	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Property holding in Germany	50,000 ordinary shares of US$1 each	100%	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each	100%	100%

9. Subsidiaries – Company *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Group equity Interest 2006	Group equity Interest 2005
[3]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 investment in Hong Kong	2 ordinary shares of HK$1 each	100%	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%	100%
Wise Planner Limited	Hong Kong Limited liability company	Teahouse, hair salon and restaurant operation in Hong Kong	2 ordinary shares of HK$1 each	100%	100%
[3]Meizhou Goldlion Corporate Clothing Limited	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	HK$5,000,000	100%	100%
[3]Meizhou Goldlion Properties Development Limited	PRC Limited liability company	Property development in the PRC	HK$50,000,000	100%	100%
[3]Guangzhou Silver Dip Property Management Co. Limited	PRC Limited liability company	Property management in the PRC	HK$1,000,000	100%	–

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

10. Property under development held for sale – Group

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

	2006 HK$'000	2005 HK$'000
Leasehold land and land use right	**9,698**	–
Development costs	**13,670**	–
	23,368	–

	2006 HK$'000	2005 HK$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**18,058**	–
Leases of between 10 to 50 years	**5,310**	–
	23,368	–

11. Inventories – Group

	2006 HK$'000	2005 HK$'000
Raw materials	**4,823**	3,252
Work in progress	**9,433**	4,978
Finished goods	**64,593**	65,867
	78,849	74,097

The cost of inventories recognized as expense and included in cost of sales amounted to HK$314,581,000 (2005: HK$258,873,000).

The Group reversed HK$8,134,000 (2005: HK$4,862,000) of a previous years' inventory write-down. The amount reversed has been included in cost of sales in the profit and loss account.

12. Trade receivables – Group

	2006 **HK$'000**	2005 HK$'000
Trade receivables	**36,021**	33,427
Less: provision for impairment loss	**(1,068)**	(3,714)
	34,953	29,713

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 2006, the ageing analysis of the trade receivables, net of provision, was as follows:

	2006 **HK$'000**	2005 HK$'000
1 – 30 days	**26,751**	22,080
31 – 90 days	**8,202**	7,633
	34,953	29,713

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

The carrying amount of the Group's trade receivables are denominated in the following currencies:

	2006 **HK$'000**	2005 HK$'000
Singapore dollars	**25,241**	21,315
Renminbi	**7,866**	4,639
Hong Kong dollars	**1,565**	3,249
Euro	**281**	510
	34,953	29,713

13. Cash and bank balances

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Cash at bank and in hand	**66,263**	33,623	**75**	71
Fixed deposits with maturities less than 3 months	**295,641**	317,287	**–**	–
Fixed deposits with maturities over 3 months	**157,072**	94,975	**–**	–
Cash and bank balances as stated in the balance sheets	**518,976**	445,885	**75**	71
Less: Fixed deposits with maturities over 3 months	**(157,072)**	(94,975)		
Cash and cash equivalents as stated in the consolidated cash flow statement	**361,904**	350,910		

Cash and bank balances in the balance sheets are denominated in the following currencies:

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Renminbi	**368,770**	240,288	**–**	–
Hong Kong dollars	**84,853**	147,171	**75**	71
US dollars	**34,820**	33,065	**–**	–
Singapore dollars	**28,213**	24,037	**–**	–
Euro	**2,320**	1,324	**–**	–
	518,976	445,885	**75**	71

The effective interest rates on fixed deposits were ranging from 1.62% to 5.17% (2005: 0.56% to 4.15%); these deposits have maturities within 6 months.

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

14. Share capital

	2006 HK$'000	2005 HK$'000
Authorized:		
1,200,000,000 (2005: 1,200,000,000) shares of HK$0.10 each	**120,000**	120,000
Issued and fully paid:		
937,114,035 (2005: 937,114,035) shares of HK$0.10 each	**93,711**	93,711

At the Extraordinary General Meeting of the Company held on 21st May 2002, a share option scheme was approved and adopted (the "New Option Scheme"). No share options were granted during the year (2005: Nil) under the New Option Scheme.

15. Reserves

(a) Group

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Other reserves HK$'000	Exchange reserve HK$'000	Total other reserves HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2005	929,312	(33,738)	484	27,801	(8,572)	915,287	475,653	1,390,940
Currency translation differences	–	–	–	–	8,263	8,263	–	8,263
Transfer from capital reserves to retained earnings	–	9,970	–	–	–	9,970	(9,970)	–
Appropriation to other reserves	–	–	–	3,283	–	3,283	(3,283)	–
2004 final dividend paid	–	–	–	–	–	–	(37,485)	(37,485)
2005 interim dividend paid	–	–	–	–	–	–	(26,239)	(26,239)
Profit for the year	–	–	–	–	–	–	136,201	136,201
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
Balance at 1st January 2006	929,312	(23,768)	484	31,084	(309)	936,803	534,877	1,471,680
Currency translation differences	–	–	–	–	14,304	14,304	–	14,304
2005 final dividend paid	–	–	–	–	–	–	(52,478)	(52,478)
2006 interim dividend paid	–	–	–	–	–	–	(30,925)	(30,925)
Profit for the year	–	–	–	–	–	–	166,161	166,161
Balance at 31st December 2006	929,312	(23,768)	484	31,084	13,995	951,107	617,635	1,568,742
Representing:								
Reserves	929,312	(23,768)	484	31,084	13,995	951,107	555,786	1,506,893
2006 final dividend proposed	–	–	–	–	–	–	61,849	61,849
	929,312	(23,768)	484	31,084	13,995	951,107	617,635	1,568,742

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

15. 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 2005	929,312	484	929,796	191,942	1,121,738
2004 final dividend paid	–	–	–	(37,485)	(37,485)
2005 interim dividend paid	–	–	–	(26,239)	(26,239)
Loss for the year	–	–	–	(2,504)	(2,504)
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
At 1st January 2006	929,312	484	929,796	125,714	1,055,510
2005 final dividend paid	–	–	–	(52,478)	(52,478)
2006 interim dividend paid	–	–	–	(30,925)	(30,925)
Profit for the year	–	–	–	197,584	197,584
31st December 2006	929,312	484	929,796	239,895	1,169,691
Representing:					
Reserves	929,312	484	929,796	178,046	1,107,842
2006 final dividend proposed	–	–	–	61,849	61,849
	929,312	484	929,796	239,895	1,169,691

16. Trade payables – Group

At 31st December 2006, the ageing analysis of the trade payables was as follows:

	2006 HK$'000	2005 HK$'000
1 – 30 days	**22,465**	17,219
31 – 90 days	**5,569**	5,042
Over 90 days	**86**	1,142
	28,120	23,403

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

	2006 HK$'000	2005 HK$'000
Singapore dollars	**13,352**	8,948
Renminbi	**13,045**	11,877
Hong Kong dollars	**1,622**	2,341
Euro	**101**	237
	28,120	23,403

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

17. Deferred income tax – Group

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

	2006 HK$'000	2005 HK$'000
At 1st January	**75,101**	65,896
Deferred taxation charged to consolidated profit and loss account *(note 22)*	**24,471**	9,205
At 31st December	**99,572**	75,101

Deferred income tax assets are recognized for tax losses carry forward to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$438,530,000 (2005: HK$391,824,000), of which HK$110,248,000 (2005: HK$94,763,000) is subject to agreement by relevant tax authorities, to carry forward against future taxable income. HK$413,897,000 of unrecognized tax losses (2005: HK$322,147,000) have no expiry date and the remaining losses will expire at various dates up to and including 2011.

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

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

Deferred income tax liabilities	Accelerated taxation depreciation		Fair values gains		Others		Total	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
At 1st January	**20,541**	13,459	**95,116**	87,369	**3,616**	3,919	**119,273**	104,747
Charged/(credited) to consolidated profit and loss account	**2,030**	7,082	**9,294**	7,747	**7,892**	(303)	**19,216**	14,526
At 31st December	**22,571**	20,541	**104,410**	95,116	**11,508**	3,616	**138,489**	119,273

Deferred income tax assets	Provisions		Tax losses		Others		Total	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
At 1st January	**(24,795)**	(23,119)	**(5,149)**	(5,711)	**(14,228)**	(10,021)	**(44,172)**	(38,851)
Charged/(credited) to consolidated profit and loss account	**1,199**	(1,676)	**2,242**	562	**1,814**	(4,207)	**5,255**	(5,321)
At 31st December	**(23,596)**	(24,795)	**(2,907)**	(5,149)	**(12,414)**	(14,228)	**(38,917)**	(44,172)

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:

	2006 HK$'000	2005 HK$'000
Deferred income tax assets	**(22,553)**	(30,844)
Deferred income tax liabilities	**122,125**	105,945
	99,572	75,101

18. Expenses by nature

	2006 HK$'000	2005 HK$'000
Cost of goods sold	**314,581**	258,873
Impairment loss for inventories	**1,277**	1,538
Direct operating expenses arising from investment properties	**11,052**	9,887
Operating lease rentals – land and buildings	**24,350**	19,429
Amortization of leasehold land and land use rights *(note 6)*	**3,683**	4,059
Depreciation of property, plant and equipment *(note 7)*	**12,522**	12,177
Impairment loss on property, plant and equipment *(note 7)*	**2,729**	–
Staff costs including Directors' emoluments *(note 19)*	**122,113**	96,213
Auditors' remuneration	**1,841**	1,589
Advertising and promotion expenses	**78,638**	63,879
Net exchange gain	**(1,005)**	(8)
Other expenses	**68,476**	54,986
	640,257	522,622
Representing:		
Cost of sales	**326,910**	270,298
Selling and marketing costs	**179,247**	143,850
Administrative expenses	**134,100**	108,474
	640,257	522,622

19. Staff costs, including Directors' emoluments

	2006 HK$'000	2005 HK$'000
Staff costs		
– Wages and salaries	**112,621**	88,358
– Retirement benefit costs *(note 20)*	**9,492**	7,855
	122,113	96,213

20. Retirement benefit costs

	2006 HK$'000	2005 HK$'000
Defined contribution schemes for:		
Hong Kong employees *(note (a))*	**796**	756
Singapore employees *(note (b))*	**2,719**	2,222
China Mainland employees *(note (c))*	**5,977**	4,877
	9,492	7,855

Notes to the Accounts

For the year ended 31st December 2006

20. Retirement benefit costs *(continued)*

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$796,000 (2005: HK$758,000) without any forfeited contributions (2005: HK$2,000). 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$130,000 (2005: HK$122,000) payable to the MPF scheme at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2005: Nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$2,719,000 (2005: HK$2,222,000). Contributions totalling HK$1,353,000 (2005: HK$1,421,000) payable to the schemes at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2005: 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 (2005: Nil) to the municipal governments at the year end.

21. Directors' and senior management's emoluments

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

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

The remuneration of every Director for the year ended 31st December 2005:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits[1] HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Dr. Tsang Hin Chi	–	3,556	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

Notes:

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

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

(b) The five individuals whose emoluments were the highest in the Group for the year included three (2005: three) Directors whose emoluments are reflected in the analysis presented in 21(a) above. The emoluments payable to the remaining two (2005: two) individuals during the year are as follows:

	2006 HK$'000	2005 HK$'000
Basic salaries, housing and other allowances	**5,743**	5,943
Bonuses	**4,624**	2,366
Retirement benefit costs	**230**	503
	10,597	8,812

The emoluments fell within the following band:

	Number of individuals	
	2006	2005
Emolument bands		
HK$2,000,001 – HK$2,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–
HK$6,500,001 – HK$7,000,000	**–**	1
HK$7,000,001 – HK$7,500,000	**1**	–

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

22. Income tax expense

	2006 HK$'000	2005 HK$'000
Taxation outside Hong Kong		
Current year	**36,975**	34,719
Under provision in prior years	**25**	89
Tax refund	**–**	(734)
	37,000	34,074
Deferred income tax *(note 17)*	**24,471**	9,205
Total income tax expense	**61,471**	43,279

Hong Kong profit tax has not been provided as there is no 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.

22. Income tax expense *(continued)*

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

	2006 **HK$'000**	2005 HK$'000
Profit before income tax	**228,323**	180,344
Calculated at a tax on rate of 17.5%	**39,957**	31,560
Effect of different taxation rates in other countries	**23,355**	16,730
Income not subject to tax	**(7,271)**	(6,461)
Expenses not deductible for tax purposes	**1,748**	705
Utilization of previously unrecognized tax losses	**(2,481)**	(2,378)
Tax loss for which no deferred income tax asset has recognized	**6,152**	8,264
Recognition of previously unrecognized deferred tax assets	**(721)**	(3,911)
De-recognition of previously recognized deferred tax assets	**615**	–
Tax refund due to re-investment in the PRC	**–**	(734)
Others	**117**	(496)
Total income tax expense	**61,471**	43,279

In March 2007, the new PRC Enterprise Income Tax Law (the "Law") was enacted and will become effective from 2008. The Law provides that all PRC enterprises will generally be subject to a standard Corporate Income Tax rate of 25%. However, the Law also provides that preferential tax rates and other tax incentives are to be applied to certain prescribed industries and activities, which are yet to be promulgated by the State Council. The Group will evaluate the impact of the Law on the operating results and the financial position of the Group when more detailed regulations are known.

23. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt within the accounts of the Company to the extent of HK$197,584,000 (2005: loss of HK$2,504,000).

24. Dividends

	2006 HK$'000	2005 HK$'000
2005 interim dividend, paid, of 2.8 HK cents per ordinary share	**–**	26,239
2005 final dividend, paid, of 5.6 HK cents per ordinary share	**–**	52,478
2006 interim dividend, paid, of 3.3 HK cents per ordinary share	**30,925**	–
2006 final dividend, proposed, of 6.6 HK cents per ordinary share *(Note)*	**61,849**	–
	92,774	78,717

Note: At a meeting held on 3rd April 2007, the Directors declared a final dividend of 6.6 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 2007.

25. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$166,161,000 (2005: HK$136,201,000) and the of 937,114,035 (2005: 937,114,035) shares in issue during the year.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2006 and 2005.

26. Consolidated cash flow statement

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

	2006 HK$'000	2005 HK$'000
Profit for the year	**166,852**	137,065
Adjustments for:		
– Income tax expense *(note 22)*	**61,471**	43,279
– Amortization of leasehold land and land use rights *(note 6)*	**3,683**	4,059
– Depreciation of property, plant and equipment *(note 7)*	**12,522**	12,177
– Interest income	**(12,426)**	(8,964)
– Loss/ (profit) on disposal of investment properties *(note (i))*	**2,430**	(25,791)
– (Profit)/ loss on disposal of leasehold land and land use rights and property, plant and equipment *(note (ii))*	**(8)**	641
– Reversal of investment properties *(note 8)*	**116**	–
– Fair value gains on investment properties *(note 8)*	**(60,283)**	(39,255)
– Impairment loss on property, plant and equipment *(note 7)*	**2,729**	–
– Loss on redemption of minority interest in a subsidiary *(note 26(b))*	**442**	–
Changes in working capital:		
– Inventories	**(4,752)**	11,297
– Trade receivables, prepayments and deposits	**(8,513)**	8,714
– Trade and other payables and accruals	**43,745**	17,621
Net cash generated from operations	**208,008**	160,843

26. Consolidated cash flow statement *(continued)*

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

Notes:

(i) Sale of investment properties

	2006 HK$'000	2005 HK$'000
Net book amount *(note 8)*	**6,000**	29,000
(Loss)/profit on sale of investment properties	**(2,430)**	25,791
Net proceeds received	**3,570**	54,791

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

	2006 HK$'000	2005 HK$'000
Net book amount	**232**	8,583
Profit/(loss) on sale of leasehold land and land use rights and property, plant and equipment	**8**	(641)
Net proceeds received	**240**	7,942

(b) Analysis of changes in financing during the year

	Dividends payable		Minority interest	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
At 1st January	**–**	–	**2,514**	2,494
Consideration paid for redemption of minority interest	**–**	–	**(781)**	–
Loss on redemption of minority interest	**–**	–	**442**	–
Minority interest in share of results	**–**	–	**691**	864
Dividends declared	**83,403**	63,724	**–**	–
Dividends paid	**(83,403)**	(63,724)	**–**	–
Dividends paid to minority shareholders	**–**	–	**(1,555)**	(844)
At 31st December	**–**	–	**1,311**	2,514

27. Contingent liabilities – Company

	2006 HK$'000	2005 HK$'000
Guarantees for credit facilities given to subsidiaries	**166,056**	163,669

At 31st December 2006, there is no utilized amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company (2005: Nil).

28. Commitments – Group

(a) Capital commitments

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

	2006 HK$'000	2005 HK$'000
Property under development held for sale		
Contracted but not provided for	**81,255**	–
Property, plant and equipment		
Contracted but not provided for	**–**	2,317
	81,255	2,317

(b) At 31st December 2006, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	2006 HK$'000	2005 HK$'000
Rental receivables		
– not later than one year	**58,083**	44,924
– later than one year and not later than five years	**75,803**	69,273
– later than five years	**16,214**	22,227
	150,100	136,424
Rental payables		
– not later than one year	**9,650**	11,343
– later than one year and not later than five years	**6,884**	8,072
	16,534	19,415

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

29. Related party transactions – Group

The Company is controlled by the Tsang Family (comprising Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and the other direct descendants of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan) which collectively controlled approximately 66.64% of the Company's issued shares. The remaining 33.36% are widely held.

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

		Note	**2006** **HK$'000**	2005 HK$'000
(a)	Sales of services			
	Rentals received from related companies	*(i) & (v)*	**2,633**	2,242
(b)	Purchases of services			
	Building management fees paid to a related company	*(ii)*	**579**	648
	Professional fees paid to a related company	*(iii)*	**670**	700
	Rental paid to a related company	*(iv)*	**984**	947
	Acquisition of investment properties from a related company and a related party	*(vi)*	**–**	76,736

Notes:

(i) Rental was received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") for lease of a business center and facilities therein located at Goldlion Digital Network Centre. Rental of HK$2,361,000 (2005: HK$2,242,000) was determined under normal commercial terms. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of China World Trade Corporation ("CWTC"), the holding company of GWTCCL. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(ii) Guangzhou Silver Disk Property Management Company Limited provided building management services to subsidiaries of the Group. The fees 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.

(iii) 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.

(iv) 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.

(v) Rental was received from General Business Network (Holdings) Limited ("GBNL") for lease of a unit located at Goldlion Holdings Centre in Hong Kong. Rental of HK$272,000 (2005: Nil) was determined under normal commercial terms. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

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

(b) Purchases of services *(continued)*

Notes: (continued)

(vi) 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 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. 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. At 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.

(c) Key management compensation

	2006 HK$'000	2005 HK$'000
Salaries and other short-term employee benefits	**28,776**	24,680
Retirement benefit costs	**278**	606
Termination benefits	**–**	–
Share-based payments	**–**	–
Other long-term benefits	**–**	–
	29,054	25,286

(d) Year-end balances arising from purchases of services

	2006 HK$'000	2005 HK$'000
Payable to a related party:		
Equitas Capital Limited	**330**	350

30. Events after the balance sheet date

Subsequent to the balance sheet date on 21st January 2007, Goldlion (Guangdong) Limited, a wholly owned subsidiary of the Company, entered into a conditional acquisition agreement (the "Acquisition Agreement") with Keysonic Development Limited to purchase the entire share capital of, and shareholder's loan to, Joint Corporation Limited ("JCL") for an aggregate consideration of HK$240,000,000 (subject to adjustment). The sole asset of JCL is its interests, held through GGCPL, in various office spaces on Levels 8 to 18 (inclusive) at Goldlion Digital Network Centre in Guangzhou with total gross floor area of approximately 18,917 square meters and 47% interest in car parking spaces on Basement Levels 1 to 3 (inclusive) plus a mezzanine level in that building (the "Property"). The Consideration is arrived at after arm's length negotiations by reference to an independent professional valuation of the Property. Completion of the acquisition is subject to the conditions precedent stated in the Acquisition Agreement and disclosed in the related Circular of the Company to its shareholders dated 12th February 2007. At the Extraordinary General Meeting of the Company held on 1st March 2007, independent shareholders of the Company approved the transaction. It is currently expected that the acquisition will be completed by the end of April 2007.

Five-year Financial Summary

	Year ended 31st December				
	2006	2005	2004	2003	2002
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
			Restated	Restated	Restated
Profit/(loss) attributable to:					
– Equity holders	**166,161**	136,201	68,675	45,150	(12,174)
– Minority interest	**691**	864	609	844	848
Assets and liabilities					
Total assets	**2,011,644**	1,863,850	1,744,528	1,688,800	1,676,159
Total liabilities	**(347,880)**	(295,945)	(257,383)	(222,003)	(200,093)
Total equity	**1,663,764**	1,567,905	1,487,145	1,466,797	1,476,066