



Notes to the Financial Statements

For the year ended 30th June, 2002

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability and its shares and warrants are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Its ultimate holding company is Applied International Holdings Limited ("AIHL"), a company incorporated in Bermuda with its shares and warrants listed on the Stock Exchange.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in note 40.

2. GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 4th April, 2001. Pursuant to a scheme of arrangement sanctioned by the High Court of The Hong Kong Special Administrative Region which became effective on 20th December, 2001, the Company issued its shares to the shareholders of iQuorum Cybernet Limited ("iQuorum"), the former holding company of the Group, in exchange for the entire issued share capital of iQuorum. iQuorum then became a wholly owned subsidiary of the Company and the Company became the holding company of the companies now comprising the Group (the "Group Reorganisation").

Dealing of the Company's shares on the Stock Exchange commenced on 20th December, 2001 whilst the listing status of iQuorum was simultaneously withdrawn. Details of the Group Reorganisation are set out in the scheme document dated 10th July, 2001.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for Group Reconstructions".

The comparative balance sheet of the Company at 30th June, 2001 has not been presented as the Company did not have any assets or liabilities at that date.

3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.



3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (*cont'd*)

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 30th June, 2001 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st July, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st July, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st July, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st July, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30th June, 2002.

The results of subsidiaries or associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.



Notes to the Financial Statements

For the year ended 30th June, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1st July, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st July, 2001 is capitalised and amortised on a straight-line basis over its estimated useful life and is presented separately in the consolidated balance sheet.

On disposal of investments in subsidiaries, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st July, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions after 1st July, 2001 is presented separately in the consolidated balance sheet as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.



4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

Turnover

Turnover represents the net amounts received and receivable for goods sold to outside customers and rental income from properties under operating leases during the year.

Revenue recognition

Sales of goods are recognised when the goods are delivered and title has passed.

Sales of investments in securities are recognised on a trade date basis.

Rental income from properties under operating leases is recognised on a straight line basis over the period of the relevant leases.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms of more than 20 years.



Notes to the Financial Statements

For the year ended 30th June, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Properties under construction

Properties under construction are stated at cost less any identified impairment loss. Cost includes all construction costs and other direct costs, including borrowing costs capitalised, attributable to the properties under construction.

No depreciation is provided on properties under construction until the construction is complete and the properties are put to their intended use.

Property, plant and equipment

Property, plant and equipment, other than properties under construction, are stated at cost less depreciation or amortisation and any identified impairment loss.

The cost of leasehold land is amortised over the period of the relevant leases using the straight line method.

The cost of buildings is depreciated using the straight line method over their estimated useful lives of fifty years or, where shorter, the period of the relevant leases.

Depreciation is provided to write off the cost of property, plant and equipment, other than properties under construction, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	20% or over the period of the relevant lease
Plant and machinery	10% – 25%
Tools, equipment and moulds	10% – 50%
Furniture and fixtures	10% – 25%
Motor vehicles	10% – 33 ¹ / ₃ %

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the period of the relevant leases.



4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost. All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in the net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in the net profit or loss for the period.

Other investments

Other investments are antiques held for long-term purposes and are stated at cost less any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.



Notes to the Financial Statements

For the year ended 30th June, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessee. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the original outstanding principal at the inception of the leases, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rental expenses and income are charged and credited respectively to the income statement on a straight line basis over the period of the relevant leases.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

In preparing consolidated financial statements, the financial statements of subsidiaries and associates which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the currency translation reserve.

Retirement benefits scheme

Contributions payable in respect of the current year by the Group to its defined contribution retirement benefits scheme and mandatory provident fund scheme are charged to the income statement.

Notes to the Financial Statements

For the year ended 30th June, 2002



5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into two operating divisions – manufacture and distribution of electronic products and property and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Business segment information for the year ended 30th June, 2002 is presented below:

	Manufacture and distribution of electronic products	Property and investment holding	Elimination	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	<u>112,114,522</u>	<u>7,162,357</u>	<u>-</u>	<u>119,276,879</u>
Results				
Segment results	795,940	(19,548,169)	(199,788)	(18,988,017)
Unallocated corporate income				571,073
Unallocated corporate expense				<u>(10,115,293)</u>
Loss from operations				(28,532,237)
Finance costs				<u>(3,758,335)</u>
Loss before taxation				(32,290,572)
Taxation charge				<u>158,800</u>
Loss before minority interests				<u>(32,449,372)</u>



Notes to the Financial Statements

For the year ended 30th June, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

(a) Business segments (cont'd)

	Manufacture and distribution of electronic products	Property and investment holding	Corporate	Total
	HK\$	HK\$	HK\$	HK\$
Assets				
Segment assets	43,898,765	280,239,730	–	324,138,495
Unallocated corporate assets				<u>111,002,548</u>
Consolidated total assets				<u><u>435,141,043</u></u>
Liabilities				
Segment liabilities	16,261,514	2,473,530	–	18,735,044
Unallocated corporate liabilities				<u>97,339,554</u>
Consolidated total liabilities				<u><u>116,074,598</u></u>
Other information				
Capital expenditure	1,794,598	64,589,644	229,746	66,613,988
Depreciation and amortisation of property, plant and equipment	2,187,323	2,066,915	1,764,451	6,018,689
Amortisation of goodwill	–	–	110,000	110,000
Allowance for bad and doubtful debts	26,663	451,028	–	477,691
Allowance on short-term loans receivable	–	3,065,000	–	3,065,000
Inventories written off	1,200,000	–	–	1,200,000
Impairment loss in respect of:				
Property, plant and equipment	2,001,493	2,098,713	–	4,100,206
Other securities	–	619,450	–	619,450

Notes to the Financial Statements

For the year ended 30th June, 2002



5. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

(a) Business segments (cont'd)

Business segment information for the year ended 30th June, 2001 is presented below:

	Manufacture and distribution of electronic products	Property and investment holding	Elimination	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	<u>127,213,574</u>	<u>8,813,009</u>	<u>–</u>	<u>136,026,583</u>
Results				
Segment results	(1,792,499)	(14,463,280)	(316,011)	(16,571,790)
Unallocated corporate income				384,708
Unallocated corporate expense				<u>(10,560,853)</u>
Loss from operations				(26,747,935)
Finance costs				<u>(4,145,232)</u>
Loss before taxation				(30,893,167)
Taxation credit				<u>(68,060)</u>
Loss before minority interests				<u>(30,825,107)</u>



Notes to the Financial Statements

For the year ended 30th June, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

(a) Business segments (cont'd)

	Manufacture and distribution of electronic products	Property and investment holding	Corporate	Total
	HK\$	HK\$	HK\$	HK\$
Assets				
Segment assets	45,263,709	268,735,100	–	313,998,809
Unallocated corporate assets				<u>84,835,984</u>
Consolidated total assets				<u><u>398,834,793</u></u>
Liabilities				
Segment liabilities	16,462,732	5,206,368	–	21,669,100
Unallocated corporate liabilities				<u>57,022,138</u>
Consolidated total liabilities				<u><u>78,691,238</u></u>
Other information				
Capital expenditure	423,235	80,369,908	–	80,793,143
Depreciation and amortisation of property, plant and equipment	2,219,695	2,129,667	1,753,901	6,103,263
Allowance for bad and doubtful debts	284,886	1,126	–	286,012
Inventories written off	2,801,106	–	–	2,801,106
Impairment loss in respect of:				
Properties under construction	–	6,334,040	–	6,334,040
Other securities	–	2,500,000	–	2,500,000
Goodwill	–	1,913,993	–	1,913,993

Notes to the Financial Statements

For the year ended 30th June, 2002



5. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

(b) Geographical segments

The Group's operations are located in Hong Kong, United States of America, Europe, the People's Republic of China other than Hong Kong (the "PRC") and other Asian countries.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods or services:

	Turnover		Contribution to loss from operations	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Hong Kong	76,198,735	76,672,566	(16,921,825)	(5,471,461)
United States of America	26,029,709	10,290,944	181,336	(323,872)
Europe	9,682,245	34,048,003	241,587	(479,752)
PRC	4,765,820	6,654,382	(2,553,998)	(10,178,898)
Other Asian countries	2,479,565	8,124,524	61,869	(114,478)
Others	120,805	236,164	3,014	(3,329)
	<u>119,276,879</u>	<u>136,026,583</u>	<u>(18,988,017)</u>	<u>(16,571,790)</u>
Less: Unallocated corporate income			571,073	384,708
Unallocated corporate expense			<u>(10,115,293)</u>	<u>(10,560,853)</u>
Loss from operations			<u>(28,532,237)</u>	<u>(26,747,935)</u>

The following is an analysis of the carrying amount of segment assets, and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Hong Kong	347,432,867	310,544,466	62,194,365	79,124,083
United States of America	20,908,160	11,559,952	-	-
Europe	383,226	5,925,059	-	-
PRC	65,847,228	69,853,344	4,419,623	1,669,060
Other Asian countries	551,242	922,956	-	-
Others	18,320	29,016	-	-
	<u>435,141,043</u>	<u>398,834,793</u>	<u>66,613,988</u>	<u>80,793,143</u>



Notes to the Financial Statements

For the year ended 30th June, 2002

6. LOSS FROM OPERATIONS

	<u>2002</u>	<u>2001</u>
	<i>HK\$</i>	<i>HK\$</i>
Loss from operations has been arrived at after charging:		
Staff costs, including directors' remuneration		
– Basic salaries and allowances	18,816,350	35,438,236
– Retirement benefits scheme contributions, net of forfeited contributions of HK\$352,459 (2001: HK\$75,430)	<u>363,801</u>	<u>317,044</u>
Total staff costs	<u>19,180,151</u>	<u>35,755,280</u>
Amortisation of goodwill (included in administrative expenses)	110,000	–
Auditors' remuneration		
– Current year	705,000	752,500
– Under(over)provision in prior year	50,000	(45,500)
Depreciation and amortisation on		
– Assets owned by the Group	5,591,923	5,820,744
– Assets held under finance leases	426,766	282,519
and after crediting:		
Dividend income from listed securities	402	1,551
Gain on disposal of property, plant and equipment	<u>30,000</u>	<u>143,000</u>

7. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	<u>2002</u>	<u>2001</u>
	<i>HK\$</i>	<i>HK\$</i>
Fees:		
Executive	–	–
Independent non-executive	<u>100,000</u>	<u>150,000</u>
	100,000	150,000
Other emoluments of executive directors:		
Salaries and other benefits	4,274,520	17,872,918
Retirement benefits scheme contributions	<u>12,000</u>	<u>7,000</u>
	<u>4,386,520</u>	<u>18,029,918</u>

Notes to the Financial Statements

For the year ended 30th June, 2002



7. DIRECTORS' AND EMPLOYEES' REMUNERATION (cont'd)

(a) Directors' remuneration (cont'd)

The remuneration of the directors is within the following bands:

	2002	2001
	<i>Number of directors</i>	<i>Number of directors</i>
Up to HK\$1,000,000	4	3
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$12,500,001 to HK\$13,000,000	–	1
	<u>5</u>	<u>5</u>

(b) Employees' emoluments

The five highest paid individuals for the year included one director (2001: two directors) whose emoluments are set out in (a) above. The emoluments of the remaining four (2001: three) individuals are as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Salaries and other benefits	2,927,960	3,464,556
Retirement benefits scheme contribution	140,296	138,803
	<u>3,068,256</u>	<u>3,603,359</u>

Their remuneration is within the following bands:

	2002	2001
	<i>Number of employees</i>	<i>Number of employees</i>
Up to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	–	1
	<u>4</u>	<u>3</u>

During the years ended 30th June, 2002 and 2001, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group as compensation for loss of office. In addition, during the years ended 30th June, 2002 and 2001, no directors waived any emoluments.



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8. FINANCE COSTS

	<u>2002</u>	<u>2001</u>
	<i>HK\$</i>	<i>HK\$</i>
Interest on		
– Borrowings wholly repayable within five years	2,791,706	3,726,524
– Borrowings not wholly repayable within five years	936,242	386,496
– Obligations under finance leases	30,387	32,212
	<u>3,758,335</u>	<u>4,145,232</u>

9. TAXATION CHARGE (CREDIT)

	<u>2002</u>	<u>2001</u>
	<i>HK\$</i>	<i>HK\$</i>
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	158,800	–
Overprovision in prior year	–	(68,060)
	<u>158,800</u>	<u>(68,060)</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax was made for the year ended 30th June, 2001 as the Company and its subsidiaries had no assessable profit for that year.

Details of unrecognised deferred taxation are set out in note 29.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK\$33,165,773 (2001: HK\$28,538,457) and on the weighted average of 680,111,105 (2001: 574,630,910) shares that would have been in issue during the year as if the Group Reorganisation had been completed on 1st July, 2000.

For the year ended 30th June, 2002, the weighted average number of shares for the purposes of basic loss per share has been adjusted for the effect of the rights issue as described in note 25.

The computation of diluted loss per share does not assume the exercise of the share options and warrants as their exercise prices were higher than the market price of the Company's shares during both years.

Notes to the Financial Statements

For the year ended 30th June, 2002



11. INVESTMENT PROPERTIES

	THE GROUP
	<u>HK\$</u>
VALUATION	
At 1st July, 2001	204,900,000
Additions	61,822,104
Disposals	(77,800,000)
Deficit on revaluation	(11,322,104)
	<u> </u>
At 30th June, 2002	<u>177,600,000</u>

The investment properties of the Group were revalued at 30th June, 2002 by RHL Appraisal Ltd., an independent firm of professional valuers, on an open market value basis. The deficit arising on revaluation has been charged to the investment property revaluation reserve as set out in note 27.

The value of investment properties held by the Group comprises the following:

	<u>2002</u>	<u>2001</u>
	<u>HK\$</u>	<u>HK\$</u>
Under long leases in Hong Kong	131,300,000	158,600,000
Under medium-term leases in the PRC	46,300,000	46,300,000
	<u> </u>	<u> </u>
	<u>177,600,000</u>	<u>204,900,000</u>



Notes to the Financial Statements

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12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Leasehold improve- ments	Properties under con- struction	Plant and machinery	Tools, equipment and moulds	Furniture and fixtures	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP								
COST								
At 1st July, 2001	47,236,098	2,558,838	6,334,040	24,604,975	37,475,449	19,048,563	6,682,695	143,940,658
Additions	2,620,269	92,678	-	865,497	637,888	361,605	213,947	4,791,884
Disposals	(1,737,124)	-	-	-	-	-	(500,024)	(2,237,148)
At 30th June, 2002	48,119,243	2,651,516	6,334,040	25,470,472	38,113,337	19,410,168	6,396,618	146,495,394
DEPRECIATION AND IMPAIRMENT								
At 1st July, 2001	1,907,367	22,573	6,334,040	20,704,481	35,190,119	13,142,698	5,034,937	82,336,215
Provided for the year	780,191	54,080	-	1,611,834	874,252	1,841,652	856,680	6,018,689
Eliminated on disposals	(86,855)	-	-	-	-	-	(500,024)	(586,879)
Impairment loss	-	-	-	2,098,713	2,001,493	-	-	4,100,206
At 30th June, 2002	2,600,703	76,653	6,334,040	24,415,028	38,065,864	14,984,350	5,391,593	91,868,231
NET BOOK VALUES								
At 30th June, 2002	45,518,540	2,574,863	-	1,055,444	47,473	4,425,818	1,005,025	54,627,163
At 30th June, 2001	45,328,731	2,536,265	-	3,900,494	2,285,330	5,905,865	1,647,758	61,604,443

The net book value of leasehold properties held by the Group comprises the following:

	2002	2001
	HK\$	HK\$
Under long leases in Hong Kong	29,510,427	30,143,434
Freehold in the United States of America	10,450,674	10,450,674
Under medium-term leases in the PRC	2,937,170	4,734,623
Under long leases in the PRC	2,620,269	-
	45,518,540	45,328,731

The properties under construction were held under medium-term leases in the PRC. No interest was capitalised under the properties under construction.

Notes to the Financial Statements

For the year ended 30th June, 2002



12. PROPERTY, PLANT AND EQUIPMENT (*cont'd*)

The net book value of plant and machinery and motor vehicles of the Group includes an aggregate amount of HK\$805,592 (2001: HK\$188,658) in respect of assets held under finance leases.

During the year, the directors have reviewed the carrying amount of property, plant and equipment. As certain of its subsidiaries have ceased their operations of marketing of electronic products, an impairment loss of HK\$4,100,206, representing the difference between the estimated recoverable amounts and the carrying amounts of those property, plant and equipment, has been identified and recognised in the income statement.

13. GOODWILL

	THE GROUP
	HK\$
COST	
Addition during the year and balance at 30th June, 2002	1,100,000
AMORTISATION	
Charge for the year and at 30th June, 2002	<u>110,000</u>
NET BOOK VALUE	
At 30th June, 2002	<u><u>990,000</u></u>

Goodwill is amortised on a straight-line basis over a period of 5 years.

14. INTERESTS IN SUBSIDIARIES

	HK\$
Unlisted shares, at cost	265,973,827
Amounts due from subsidiaries	<u>19,633,748</u>
	<u><u>285,607,575</u></u>

The carrying value of the unlisted shares is based on the directors' estimate of the values of the underlying separable net assets of the subsidiaries when the Company became the holding company of the Group.

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months of the balance sheet date and are therefore shown as non-current assets.

Particulars of the Company's principal subsidiaries at 30th June, 2002 are set out in note 40.



Notes to the Financial Statements

For the year ended 30th June, 2002

15. INTERESTS IN ASSOCIATES

	THE GROUP
	2002 & 2001
	<u>HK\$</u>
Share of net assets	<u><u>–</u></u>

Particulars of the Group's associates at 30th June, 2001 are as follows:

<u>Name of associate</u>	<u>Place of incorporation</u>	Proportion of issued share capital held by the Group	<u>Principal activity</u>
		%	
RJP (China) Investment Limited	Hong Kong	35	Investment holding
RJP (China) Travel Agency Limited	Hong Kong	35	Inactive
Total Gain Holdings Limited	Hong Kong	35	Inactive

During the year, all of the Group's associates were disposed of.

16. OTHER SECURITIES

	THE GROUP	
	<u>2002</u>	<u>2001</u>
	<u>HK\$</u>	<u>HK\$</u>
Hong Kong listed securities at fair value	<u><u>9,250,591</u></u>	<u><u>8,441,449</u></u>
Market value of listed securities at 30th June	<u><u>9,250,591</u></u>	<u><u>8,441,449</u></u>

Note: Included in Hong Kong listed securities is an amount of HK\$9,192,176 (2001: HK\$8,360,917) representing a 5.14% (2001: 5.14%) interest in AIHL which was acquired prior to iQuorum became a subsidiary of AIHL in 1999.

Notes to the Financial Statements



For the year ended 30th June, 2002

17. OTHER INVESTMENTS

Other investments represent antiques held for long-term purpose. In the opinion of the directors, such investments are worth at least their carrying value at the balance sheet date.

18. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$	HK\$
Raw materials	5,943,369	7,451,086
Work in progress	776,271	1,286,409
Finished goods	1,146,820	822,309
	<u>7,866,460</u>	<u>9,559,804</u>

At 30th June, 2002, raw materials of HK\$13,773 were carried at net realisable value and other inventories were carried at cost. At 30th June, 2001, all inventories were carried at cost.

19. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (2001: 30 to 60 days) to its trade customers other than major customers with whom specific terms will be agreed.

Included in trade and other receivables are trade debtors of HK\$23,946,067 (2001: HK\$21,641,204) and their aged analysis is as follows:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Within 90 days	17,941,887	16,822,755
More than 90 days and within 180 days	6,004,180	4,242,864
More than 180 days	–	575,585
	<u>23,946,067</u>	<u>21,641,204</u>



Notes to the Financial Statements

For the year ended 30th June, 2002

20. SHORT-TERM LOANS RECEIVABLE

The short-term loans receivable are unsecured and carry interest based on commercial rates.

21. AMOUNTS DUE FROM (TO) ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

22. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$15,137,956 (2001: HK\$14,444,111) and their aged analysis is as follows:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Within 90 days	10,477,377	11,599,310
More than 90 days and within 180 days	3,338,348	1,544,790
More than 180 days	1,322,231	1,300,011
	<u>15,137,956</u>	<u>14,444,111</u>

Notes to the Financial Statements

For the year ended 30th June, 2002



23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
THE GROUP				
The maturity of obligations under finance leases is as follows:				
Within one year	380,135	114,237	331,356	105,080
More than one year, but not exceeding two years	290,644	32,268	267,067	19,656
More than two years, but not exceeding five years	165,828	–	145,857	–
	<u>836,607</u>	<u>146,505</u>	<u>744,280</u>	<u>124,736</u>
Less: Future finance charges	(92,327)	(21,769)	–	–
Present value of lease obligations	<u>744,280</u>	<u>124,736</u>	744,280	124,736
Less: Amount due within one year shown under current liabilities			(331,356)	(105,080)
Amount due after one year			<u>412,924</u>	<u>19,656</u>

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 2 – 4 years. For the year ended 30th June, 2002, the average effective borrowing rate was 7% (2001: 12%) per annum. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangements has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.



Notes to the Financial Statements

For the year ended 30th June, 2002

24. BANK BORROWINGS

	THE GROUP	
	2002	2001
	HK\$	HK\$
Secured bank borrowings comprise:		
Import loans	10,355,153	11,148,378
Mortgage loans	37,193,493	32,729,753
Short-term bank loans	40,000,000	–
Bank overdrafts	2,657,971	5,932,343
	<u>90,206,617</u>	<u>49,810,474</u>
The borrowings are repayable as follows:		
Within one year or on demand	55,736,129	37,951,695
More than one year, but not exceeding two years	2,810,096	3,068,272
More than two years, but not exceeding five years	8,167,756	8,703,822
More than five years	23,492,636	86,685
	<u>90,206,617</u>	<u>49,810,474</u>
<i>Less:</i> Amounts due within one year or on demand shown under current liabilities	<u>(55,736,129)</u>	<u>(37,951,695)</u>
Amount due after one year	<u>34,470,488</u>	<u>11,858,779</u>

25. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK\$
Shares of HK\$0.01 each		
<i>Authorised:</i>		
On date of incorporation	10,000,000	100,000
Increase in authorised share capital	15,990,000,000	159,900,000
At 30th June, 2002	<u>16,000,000,000</u>	<u>160,000,000</u>
<i>Issued and fully paid:</i>		
On date of incorporation	10,000,000	–
Issued pursuant to the Group Reorganisation	564,630,910	5,746,309
Rights issue of shares	574,630,910	5,746,309
At 30th June, 2002	<u>1,149,261,820</u>	<u>11,492,618</u>



25. SHARE CAPITAL (*cont'd*)

The comparative amount shown in the consolidated balance sheet represents the issued share capital of iQuorum, the former holding company of the Group divided into 2,298,523,641 shares of HK\$0.25 each.

The following changes in the authorised and issued share capital of the Company took place during the period from 4th April, 2001 (date of incorporation) to 30th June, 2002:

- (a) Upon incorporation on 4th April, 2001, the Company had an authorized share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, all of which were allotted and issued nil paid on 4th May, 2001.
- (b) Pursuant to written resolutions of the sole shareholder of the Company passed on 7th June, 2001, the authorized share capital of the Company was increased to HK\$160,000,000 by the creation of 15,990,000,000 additional shares of HK\$0.01 each, ranking *pari passu* with the then existing issued shares of the Company in all respects.
- (c) On 20th December, 2001, pursuant to the Group Reorganisation, the Company (i) allotted and issued 564,630,910 new shares of HK\$0.01 each credited as fully paid and (ii) credited as fully paid at par of the 10,000,000 shares allotted and issued nil paid as set out in (a) above, in consideration for the acquisition of the entire issued share capital of iQuorum.
- (d) Pursuant to an ordinary resolution passed at a special general meeting of the shareholders of the Company held on 4th April, 2002, the Company issued 574,630,910 new shares of HK\$0.01 each in the Company at HK\$0.073 per share to the then existing qualifying shareholders by way of a rights issue in the proportion of one rights share for every one existing share then held. All shares issued rank *pari passu* with the then existing shares in all respects. The net proceeds of the rights issue of approximate HK\$40,000,000 are used for the diversification of the Group's business into the processing and distribution of Chinese medicinal herbs and to provide additional working capital for the Group.

26. WARRANTS

Pursuant to the Group Reorganisation became effective on 20th December, 2001, the 459,704,728 outstanding warrants issued by iQuorum ("iQuorum Warrants") on 29th April, 2000 were cancelled. In consideration for the cancellation thereof, the Company created and issued to the holders of iQuorum Warrants one warrant of the Company ("2004 Warrants") for every four iQuorum Warrants held which carries the right to subscribe in cash for one share of the Company, credited as fully paid, at a subscription price of HK\$0.93 each.

At 30th June, 2002, the Company had outstanding 114,926,182 2004 Warrants to be exercised at any time on or before 30th April, 2004. No 2004 Warrants were exercised during the year. Exercise in full of such warrants would result in the issue of 114,926,182 additional shares of HK\$0.01 each.



Notes to the Financial Statements

For the year ended 30th June, 2002

27. RESERVES

	Share premium	Special reserve	Investment revaluation reserve	Investment property revaluation reserve	Currency translation reserve	Goodwill reserve	Deficit	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
The Group								
At 1st July, 2000	35,611,965	-	5,777,170	46,858,290	(4,614,388)	(4,090,633)	(293,110,484)	(213,568,080)
Exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	-	(53,013)	-	-	(53,013)
Deficit on revaluation of other securities	-	-	(3,777,748)	-	-	-	-	(3,777,748)
Impairment loss released to income statement	-	-	970,000	-	-	-	-	970,000
Realised on disposal of other securities	-	-	(7,956,990)	-	-	-	-	(7,956,990)
Deficit on revaluation of investment properties	-	-	-	(7,534,014)	-	-	-	(7,534,014)
Goodwill arising on acquisition of subsidiaries	-	-	-	-	-	(15,365)	-	(15,365)
Impairment loss on goodwill	-	-	-	-	-	1,913,993	-	1,913,993
Loss for the year	-	-	-	-	-	-	(28,538,457)	(28,538,457)
At 30th June, 2001	35,611,965	-	(4,987,568)	39,324,276	(4,667,401)	(2,192,005)	(321,648,941)	(258,559,674)
Exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	-	(199,595)	-	-	(199,595)
Special reserve arising from the Group Reorganisation	-	568,884,602	-	-	-	-	-	568,884,602
Transfer to special reserve pursuant to the Group Reorganisation	(35,611,965)	35,611,965	-	-	-	-	-	-
Rights issue of shares	36,201,747	-	-	-	-	-	-	36,201,747
Shares issue expenses	(1,582,687)	-	-	-	-	-	-	(1,582,687)
Surplus on revaluation of other securities	-	-	809,142	-	-	-	-	809,142
Deficit on revaluation of investment properties	-	-	-	(11,322,104)	-	-	-	(11,322,104)
Impairment loss released to income statement	-	-	619,450	-	-	-	-	619,450
Loss for the year	-	-	-	-	-	-	(33,165,773)	(33,165,773)
At 30th June, 2002	<u>34,619,060</u>	<u>604,496,567</u>	<u>(3,558,976)</u>	<u>28,002,172</u>	<u>(4,866,996)</u>	<u>(2,192,005)</u>	<u>(354,814,714)</u>	<u>301,685,108</u>

The deficit of the Group at 30th June, 2001 included a deficit of HK\$700,000 attributable to associates of the Group.

The special reserve of the Group represents the difference between the nominal value of the share capital and share premium of iQuorum acquired pursuant to the Group Reorganisation, as set out in note 2, over the nominal value of the Company's shares issued in exchange thereof.

Notes to the Financial Statements

For the year ended 30th June, 2002



27. RESERVES (cont'd)

	Share premium account	Contributed surplus	Deficit	Total
	HK\$	HK\$	HK\$	HK\$
THE COMPANY				
Contributed surplus arising from the Group Reorganisation	–	260,227,518	–	260,227,518
Right issue of shares	36,201,747	–	–	36,201,747
Share issue expenses	(1,582,687)	–	–	(1,582,687)
Loss for the period	–	–	(3,353,172)	(3,353,172)
At 30th June, 2002	<u>34,619,060</u>	<u>260,227,518</u>	<u>(3,353,172)</u>	<u>291,493,406</u>

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation as set out in note 2, over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

In the opinion of the directors, the Company's reserves available for distribution to shareholders at 30th June, 2002 were as follows:

	HK\$
Contributed surplus	260,227,518
Deficit	(3,353,172)
	<u>256,874,346</u>

28. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount due to the minority shareholder of a subsidiary is unsecured and non-interest bearing. The minority shareholder agreed not to request repayment within twelve months of the balance sheet date and the amount is therefore shown as non-current.



Notes to the Financial Statements

For the year ended 30th June, 2002

29. DEFERRED TAXATION

At the balance sheet date, the net potential deferred tax asset in respect of timing differences which have not been recognised in the balance sheet was analysed as follows:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Tax effect of timing differences attributable to:		
Tax losses	55,640,000	54,687,000
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	(970,000)	(983,000)
	<u>54,670,000</u>	<u>53,704,000</u>

The net potential deferred tax asset has not been recognised in the financial statements as it is not certain that the asset will be crystallised in the foreseeable future.

Deferred taxation has not been provided on the revaluation surplus arising on the valuation of investment properties and other securities as the revaluation does not constitute a timing difference for tax purposes.

The potential deferred tax credit arising during the year, which has not been recognised in the income statement, was as follows:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Tax effect of timing differences attributable to:		
Tax loss arising	953,000	3,404,000
Increase in tax loss on acquisition of a subsidiary	–	1,986,000
Shortfall of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	13,000	378,000
	<u>966,000</u>	<u>5,768,000</u>

The Company had no significant unprovided deferred taxation for the period or at the balance sheet date.

Notes to the Financial Statements

For the year ended 30th June, 2002



30. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002	2001
	HK\$	HK\$
Loss before taxation	(32,290,572)	(30,893,167)
Allowance for bad and doubtful debts	477,691	286,012
Allowance on short-term loans receivable	3,065,000	–
Amortisation of goodwill	110,000	–
Bank and other interest expenses	3,727,948	4,113,020
Interest on obligations under finance leases	30,387	32,212
Interest income	(1,533,519)	(3,399,874)
Dividend income	(402)	(1,551)
Depreciation and amortisation of property, plant and equipment	6,018,689	6,103,263
Gain on disposal of other securities	–	(8,887,058)
Gain on disposal of property, plant and equipment	(30,000)	(143,000)
Impairment loss recognised in respect of goodwill	–	1,913,993
Impairment loss recognised in respect of other securities	619,450	2,500,000
Impairment loss recognised in respect of properties under construction	–	6,334,040
Impairment loss recognised in respect of property, plant and equipment	4,100,206	–
Loss on disposal of investment properties	13,301,590	–
Inventories written off	1,200,000	2,801,106
Decrease in inventories	493,344	8,129,599
(Increase) decrease in trade and other receivables	(588,021)	11,736,720
(Increase) decrease in amounts due from fellow subsidiaries	(21,782)	362,427
Decrease in trade and other payables	(2,386,220)	(12,495,005)
Decrease in amounts due to fellow subsidiaries	–	(7,815,430)
Net cash outflow from operating activities	<u>(3,706,211)</u>	<u>(19,322,693)</u>



Notes to the Financial Statements

For the year ended 30th June, 2002

31. ACQUISITION OF A SUBSIDIARY

	<u>2002</u>	<u>2001</u>
	<i>HK\$</i>	<i>HK\$</i>
Net assets acquired:		
Investment property	–	77,800,000
Trade and other payables	–	(832,692)
Mortgage loan	–	(25,682,673)
	<hr/>	<hr/>
	–	51,284,635
Goodwill arising on acquisition of subsidiaries	–	15,365
	<hr/>	<hr/>
	–	51,300,000
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash consideration	–	51,300,000
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:

	<u>2002</u>	<u>2001</u>
	<i>HK\$</i>	<i>HK\$</i>
Cash paid and outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	–	(51,300,000)
	<hr/> <hr/>	<hr/> <hr/>

The subsidiary acquired during the year ended 30th June, 2001 did not make a significant contribution to the net cash flows or the results of the Group for that year.

Notes to the Financial Statements

For the year ended 30th June, 2002



32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital, share premium and special reserve	Mortgage loans	Short-term bank loans	Other borrowings	Amount due to ultimate holding company	Obligations under finance leases	Amount due to a minority shareholder
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at							
1st July, 2000	610,242,876	4,495,152	-	2,958,740	-	401,642	1,890,000
Acquisition of a subsidiary	-	25,682,673	-	-	-	-	-
New loan raised	-	30,000,000	-	-	-	-	-
Advances during the year	-	-	-	-	510,621	-	-
Repayments during the year	-	(27,448,072)	-	(433,490)	-	(276,906)	(817,230)
Balance at							
30th June, 2001	610,242,876	32,729,753	-	2,525,250	510,621	124,736	1,072,770
Right issue of shares	41,948,056	-	-	-	-	-	-
Share issue expenses	(1,582,687)	-	-	-	-	-	-
Inception of finance lease	-	-	-	-	-	844,560	-
New loans raised	-	35,400,000	40,000,000	-	-	-	-
Advances during the year	-	-	-	-	879,248	-	-
Repayments during the year	-	(30,936,260)	-	(2,368,087)	-	(225,016)	-
Balance at							
30th June, 2002	<u>650,608,245</u>	<u>37,193,493</u>	<u>40,000,000</u>	<u>157,163</u>	<u>1,389,869</u>	<u>744,280</u>	<u>1,072,770</u>

33. MAJOR NON-CASH TRANSACTION

During the year ended 30th June, 2002, the Group entered into a finance lease arrangement in respect of the acquisition of property, plant and equipment of HK\$844,560. In addition, the Group acquired certain leasehold properties at a consideration of HK\$2,620,269 of which an amount of HK\$1,650,269 was settled by the trade-in of certain leasehold properties and the remaining balance of HK\$970,000 was paid by cash.



Notes to the Financial Statements

For the year ended 30th June, 2002

34. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	<u>2002</u>	<u>2001</u>
	<i>HK\$</i>	<i>HK\$</i>
Bank balances and cash	31,811,748	12,966,273
Other time deposits	38,011,475	11,455
Import loans repayable within three months	(10,355,153)	(11,148,378)
Bank overdrafts	(2,657,971)	(5,932,343)
	<u>56,810,099</u>	<u>(4,102,993)</u>

35. PLEDGE OF ASSETS

At 30th June, 2002, the Group pledged its time deposits, investment properties and leasehold properties amounting to approximately HK\$4,702,000 (2001: HK\$5,132,000), HK\$131,300,000 (2001: HK\$77,800,000) and HK\$39,961,000 (2001: HK\$10,451,000), respectively, to secure general banking facilities granted to the Group.

36. CAPITAL COMMITMENTS

	<u>THE GROUP</u>	
	<u>2002</u>	<u>2001</u>
	<i>HK\$</i>	<i>HK\$</i>
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<u>9,118,000</u>	<u>–</u>
Capital expenditure authorised but not contracted for in respect of acquisition of investment properties	<u>–</u>	<u>59,000,000</u>

The Company had no capital commitments at the balance sheet date.

Notes to the Financial Statements

For the year ended 30th June, 2002



37. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payment paid under operating leases during the year in respect of:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Plant and machinery	233,646	403,536
Premises	3,311,263	3,225,913
	<u>3,544,909</u>	<u>3,629,449</u>

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Within one year	2,548,000	2,905,000
In the second to fifth year inclusive	1,305,000	900,000
	<u>3,853,000</u>	<u>3,805,000</u>

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse properties. The average lease term is 1 – 2 years. Rentals are fixed and no arrangements has been entered into for contingent rental payments.

The Group as lessor

	THE GROUP	
	2002	2001
	HK\$	HK\$
Rental income, net of negligible outgoings (2001: HK\$144,058)	<u>7,162,357</u>	<u>8,668,951</u>

The investment properties of the Group are expected to generate rental yield of approximately 6% on an ongoing basis. Investment properties held with a carrying value of HK\$118,600,000, have committed tenants for the next year.



Notes to the Financial Statements

For the year ended 30th June, 2002

37. OPERATING LEASE COMMITMENTS (cont'd)

At the balance sheet date, the Group had minimum lease receipts, which represent rentals receivable by the Group for their investment properties, under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Within one year	6,046,157	5,240,647
In the second to fifth year inclusive	3,505,645	4,943,313
	<u>9,551,802</u>	<u>10,183,960</u>

The Company had no operating lease commitments at the balance sheet date.

38. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement scheme (the "Defined Contribution Scheme") for certain qualifying employees. The assets of the Defined Contribution Scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefits cost of the Defined Contribution Scheme charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contribution, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, there was no significant forfeited contributions which arose upon employees leaving the Defined Contribution Scheme and which was available to reduce the contributions payable in future years.

With effect from 1st December, 2001, the Group has joined a mandatory provident fund scheme (the "MPF Scheme") for all other qualifying employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contributions payable in future years.

The retirement benefits cost of the MPF Scheme charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme.

Notes to the Financial Statements

For the year ended 30th June, 2002



39. CONTINGENT LIABILITIES

	THE GROUP	
	2002	2001
	HK\$	HK\$
Bills discounted with recourse	–	413,000

The Company had no contingent liability at the balance sheet date.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30th June, 2002 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and full paid share capital/ registered capital	Proportion of equity interest held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Beachside Investment Limited	British Virgin Islands	Ordinary US\$1	–	100	Property investment
Incar Electronics Limited	Hong Kong	Ordinary HK\$7,545,000	–	100	Property investment
iQuorum Cybernet Limited	Hong Kong	Ordinary HK\$574,630,911	100	–	Property and investment holding
RJP Finance Limited	Hong Kong	Ordinary HK\$200,000	–	100	Provision of financial services and property investment
RJP International Limited	Hong Kong	Ordinary HK\$500,000	–	100	Provision of management services
Starwin Investments Limited	Hong Kong	Ordinary HK\$10,000	–	100	Property investment
Sharp Win Industrial Limited	Hong Kong	Ordinary HK\$2,500,000	–	80	Manufacture and trading of electronic products



Notes to the Financial Statements

For the year ended 30th June, 2002

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ registration and operation	Issued and full paid share capital/ registered capital	Proportion of equity interest held by the Company		Principal activities
			Directly %	Indirectly %	
Tronicwatch Limited	Hong Kong	Ordinary HK\$10,000	-	100	Property investment
天健生物(深圳)有限公司	PRC	Registered capital HK\$10,000,000	-	89	Manufacturing and trading of Chinese medicinal herbs

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.