

■ Notes to the Financial Statements

For the year ended 30th June, 2002

1. GENERAL

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

The Company acts as an investment holding company. The Group is principally engaged in the design, manufacture, marketing and distribution of consumer electronic products and property investment and development.

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

In the current year, the Group adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") 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 3. 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.

Segment reporting

In the current year, the Group 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 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.

3. 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 incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of subsidiaries 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.

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 at the date of acquisition of a subsidiary.

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 useful economic life and is presented separately in the balance sheet. On the disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit and 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 as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Negative goodwill (Cont'd)

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.

Other investments

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

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 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.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Assets held under finance leases**

Assets are classified as being held under finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. 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 obligations under finance leases. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the years of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

Revenue recognition

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

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

Rental income, including rental invoiced in advance from property under operating leases, is recognised on a straight line basis over the terms of the relevant lease.

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 shareholders' rights to receive payment have been established.

Taxation

The charge for taxation is based on the results for the year as adjusted 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Treasury shares

Treasury shares are ordinary shares of the Company held by a subsidiary which acquired these shares before it became a subsidiary of the Company. Treasury shares are recorded using the cost method and are separately disclosed and regarded as a deduction of the Group's equity.

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 values based on independent professional valuations at the balance sheet. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, 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 surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On 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 on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment, other than properties held for development, are stated at cost less depreciation or amortisation and accumulated impairment losses.

Properties held for development are carried at cost, less any identified impairment loss. Cost includes land cost, construction and other incidental costs. Depreciation of these properties, on the same basis as other properties, commences when the assets are put into use.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

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

Freehold land	Nil
Leasehold properties	2% to 4% or the term of the lease, if shorter
Leasehold improvements	Over the term of the lease
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	10% to 50%
Motor vehicles	10% to 33 $\frac{1}{3}$ %
Motor boats	10% to 20%

The gain or loss arising from 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 lease.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

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

On consolidation, the financial statements of operations which are denominated in currencies other than Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserves.

Retirement benefits scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits scheme and mandatory provident fund scheme.

4. TURNOVER

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	180,820	197,473
Rental income	11,075	13,327
	<u>191,895</u>	<u>210,800</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions – manufacture and distribution of electronic products, property and investment holding and property development. 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 <i>HK\$'000</i>	Property and investment holding <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>180,820</u>	<u>11,075</u>	<u>–</u>	<u>191,895</u>
Results				
Segment results	2,427	(16,042)	–	(13,615)
Unallocated corporate expenses				<u>(21,056)</u>
Loss from operations				(34,671)
Loss on disposal of subsidiaries				(18)
Finance costs				<u>(5,259)</u>
Loss before taxation				(39,948)
Taxation				<u>(182)</u>
Loss before minority interests				(40,130)
Minority interests				<u>(12,213)</u>
Net loss for the year				<u><u>(27,917)</u></u>

5. **BUSINESS AND GEOGRAPHICAL SEGMENTS** (Cont'd)

Business segments (Cont'd)

	Manufacture and distribution of electronic products HK\$'000	Property and investment holding HK\$'000	Property development HK\$'000	Unallocated HK\$'000	Total HK\$'000
Assets					
Segment assets	73,991	333,761	252,284	–	660,036
Unallocated corporate assets				69,184	69,184
Consolidated total assets					<u>729,220</u>
Liabilities					
Segment liabilities	26,776	21,196	–	–	47,972
Unallocated corporate liabilities				167,204	167,204
Consolidated total liabilities					<u>215,176</u>
Other information					
Capital expenditure	6,708	64,593	2,430	230	73,961
Depreciation and amortisation of property, plant and equipment	7,102	2,212	–	2,220	11,534
Impairment losses in respect of:					
Property, plant and equipment	2,001	2,099	–	–	4,100
Other securities	–	619	–	–	619
Allowance for short term loans receivable	–	3,065	–	–	3,065

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Business segments (Cont'd)

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

	Manufacture and distribution of electronic products <i>HK\$'000</i>	Property and investment holding <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>197,473</u>	<u>13,327</u>	<u>–</u>	<u>210,800</u>
Results				
Segment results	828	(15,551)	–	(14,723)
Unallocated corporate expenses				<u>(18,201)</u>
Loss from operations				(32,924)
Finance costs				(7,732)
Loss on disposal of subsidiaries				(7)
Gain on repurchase of convertible bonds				276
Gain on partial disposal of a subsidiary		3,132		<u>3,132</u>
Loss before taxation				(37,255)
Taxation				<u>(272)</u>
Loss before minority interests				(37,527)
Minority interests				<u>(14,032)</u>
Net loss for the year				<u><u>(23,495)</u></u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Business segments (Cont'd)

	Manufacture and distribution of electronic products <i>HK\$'000</i>	Property and investment holding <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets					
Segment assets	74,240	380,890	249,854	–	704,984
Unallocated corporate assets				38,344	<u>38,344</u>
Consolidated total assets					<u><u>743,328</u></u>
Liabilities					
Segment liabilities	27,850	26,496	–	–	54,346
Unallocated corporate liabilities				71,921	<u>71,921</u>
Consolidated total liabilities					<u><u>126,267</u></u>
Other information					
Capital expenditure	6,732	80,380	2,457	–	89,569
Depreciation and amortisation of property, plant and equipment	5,883	4,302	–	2,185	12,370
Impairment losses in respect of:					
Goodwill	–	–	–	270	270
Properties held for development	–	6,334	–	–	6,334
Other securities	–	2,500	–	–	2,500

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Geographical segments

The Group's operations are principally located in Hong Kong and The People's Republic of China other than Hong Kong (the "PRC"). The Group's administrative and manufacturing function is carried out in Hong Kong and the PRC.

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

	Turnover		Loss from operations	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	144,249	146,474	(11,563)	(5,980)
PRC	8,206	9,938	(1,280)	(10,935)
Other Asian countries	2,480	8,125	62	(114)
Europe	9,682	34,048	242	(480)
United States of America	26,333	11,492	(933)	1,268
British Virgin Islands	824	487	(146)	1,521
Others	121	236	3	(3)
	<u>191,895</u>	<u>210,800</u>	<u>(13,615)</u>	<u>(14,723)</u>
Unallocated corporate expenses			<u>(21,056)</u>	<u>(18,201)</u>
Loss from operations			<u>(34,671)</u>	<u>(32,924)</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Geographical segments (Cont'd)

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 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	340,187	346,934	62,194	79,124
PRC	250,271	265,223	9,337	7,988
Other Asian countries	551	923	–	–
Europe	383	5,925	–	–
United States of America	48,000	34,345	–	–
British Virgin Island	89,809	89,949	2,430	2,457
Others	19	29	–	–
	<u>729,220</u>	<u>743,328</u>	<u>73,961</u>	<u>89,569</u>

6. INVESTMENT INCOME

	2002 HK\$'000	2001 HK\$'000
Dividend income from listed securities	21	25
Gain on disposal of other securities	330	8,887
Gain on disposal of trading securities	–	168
	<u>351</u>	<u>9,080</u>

7. LOSS FROM OPERATIONS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Staff costs, including directors' remuneration:		
Basic salaries and allowances	31,926	47,979
Retirement benefits scheme contributions, net of forfeited contributions of HK\$352,000 (2001: HK\$75,000)	477	421
	32,403	48,400
Amortisation of goodwill included in administrative expenses	110	–
Auditors' remuneration:		
Current year	1,363	1,737
Underprovision in prior years	68	171
Depreciation and amortisation:		
Owned assets	7,768	10,177
Assets held under finance leases	3,766	2,193
Loss on disposal of other investments	51	–
Minimum lease payments paid in respect of:		
Properties under operating leases	1,863	4,942
Other assets under operating leases	–	480
and after crediting:		
Amortisation of negative goodwill included in other income	400	–
Rental income from investment properties, net of outgoings of HK\$1,009,000 (2001: HK\$1,664,000)	10,066	11,663
Gain on disposal of property, plant and equipment	939	143
Gain on repurchase of convertible bonds	–	276

8. FINANCE COSTS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on:		
bank and other borrowings wholly repayable		
within five years	2,968	4,208
bank and other borrowings not wholly repayable		
within five years	1,828	627
convertible bonds	–	2,393
Finance charges on obligations under finance leases	463	298
	<u>5,259</u>	<u>7,526</u>
Amortisation of bond issue expenses	–	206
	<u>5,259</u>	<u>7,732</u>

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees:		
Executive	–	–
Non-executive	50	50
Independent non-executive	200	200
Other emoluments:		
Executive		
Salaries and other benefits	9,058	22,448
Retirement benefits scheme contributions	24	14
	<u>9,332</u>	<u>22,712</u>

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (Cont'd)

(a) Directors' remuneration (Cont'd)

The directors' remuneration was within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	4	4
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$4,500,001 to HK\$5,000,000	1	–
HK\$17,000,001 to HK\$17,500,000	–	1
	<u> </u>	<u> </u>

(b) Employees' remuneration

The five highest paid individuals included two (2001: two) directors, details of whose remuneration are set out above. The remuneration of the remaining three (2001: three) individuals is as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and other benefits	2,886	3,464
Retirement benefits scheme contributions	133	139
	<u> </u>	<u> </u>
	3,019	3,603
	<u> </u>	<u> </u>

Their remuneration is within the following bands:

	Number of employees	
	2002	2001
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	–	1
	<u> </u>	<u> </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 or as compensation for loss of office. During the years ended 30th June, 2002 and 2001, no directors waived any emoluments.

10. TAXATION

	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	196	160
Under(over)provision in prior year	3	(74)
	<hr/>	<hr/>
	199	86
Deferred taxation (<i>note 30</i>)	(17)	186
	<hr/>	<hr/>
	182	272
	<hr/> <hr/>	<hr/> <hr/>

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

Details of deferred taxation are set out in note 30.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$27,917,000 (2001: loss of HK\$23,495,000) and on 941,080,745 (2001: 941,080,745) ordinary shares of the Company in issue during the year.

No diluted loss per share has been presented as the exercise prices of the Company's outstanding share options and warrants were higher than the average market price of the shares of the Company for both years.

12. INVESTMENT PROPERTIES

	The Group
	<i>HK\$'000</i>
VALUATION	
At 1st July, 2001	233,436
Additions	61,822
Disposals	(81,076)
Transfer from property, plant and equipment (<i>note 13</i>)	311
Deficit on revaluation	(11,713)
	<hr/>
At 30th June, 2002	202,780
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12. INVESTMENT PROPERTIES (Cont'd)

The investment properties were revalued at 30th June, 2002 on an open market value basis by RHL Appraisal Ltd., an independent firm of professional property valuers in Hong Kong.

The deficit arising on revaluation of investment properties amounted to HK\$11,713,000. After eliminating minority shareholders' share of deficit of HK\$4,670,000, the remaining balance of HK\$7,043,000 has been charged to the investment property revaluation reserve.

The value of investment properties held by the Group comprises:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Held in Hong Kong:		
Long-term leases	131,300	158,600
Medium-term leases	3,820	3,900
Held outside Hong Kong:		
Medium-term leases	63,800	63,800
Freehold	3,860	7,136
	202,780	233,436
	202,780	233,436

For the year ended 30th June, 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Properties held for development <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Motor boats <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP								
COST								
At 1st July, 2001	256,188	50,050	2,559	88,033	75,722	13,779	18,467	504,798
Additions	2,430	2,620	93	5,189	1,593	214	-	12,139
Transfer to investment properties (<i>note 12</i>)	-	(341)	-	-	-	-	-	(341)
Disposals	-	(1,819)	-	(14,095)	(2,620)	(1,636)	(2,169)	(22,339)
At 30th June, 2002	258,618	50,510	2,652	79,127	74,695	12,357	16,298	494,257
DEPRECIATION AND IMPAIRMENT								
At 1st July, 2001	6,334	2,318	23	74,170	65,965	11,857	18,327	178,994
Provided for the year	-	876	54	5,960	3,524	983	137	11,534
Transfer to investment properties (<i>note 12</i>)	-	(30)	-	-	-	-	-	(30)
Eliminated on disposals	-	(169)	-	(13,324)	(2,620)	(1,636)	(2,169)	(19,918)
Impairment loss	-	-	-	2,099	2,001	-	-	4,100
At 30th June, 2002	6,334	2,995	77	68,905	68,870	11,204	16,295	174,680
NET BOOK VALUES								
At 30th June, 2002	252,284	47,515	2,575	10,222	5,825	1,153	3	319,577
At 30th June, 2001	249,854	47,732	2,536	13,863	9,757	1,922	140	325,804

13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The net book values of land and buildings held by the Group comprises:

	2002	2001
	HK\$'000	HK\$'000
Leasehold properties held in Hong Kong under medium-term leases	1,450	1,843
Leasehold properties held in Hong Kong under long-term leases	29,510	30,143
Held in the PRC under medium-term land use rights	3,264	5,070
Held in the PRC under long-term lease land use rights	2,840	225
Freehold properties held in the United States of America	10,451	10,451
	<hr/> 47,515 <hr/>	<hr/> 47,732 <hr/>

The properties held for development of the Group comprise:

	2002	2001
	HK\$'000	HK\$'000
Freehold property held in the British Virgin Islands	89,395	86,965
Freehold properties held in the United States of America	12,806	12,806
Properties held in the PRC		
– Medium-term leases	2,949	2,949
– Long-term leases	147,134	147,134
	<hr/> 252,284 <hr/>	<hr/> 249,854 <hr/>

The net book values of property, plant and equipment of the Group includes an aggregate amount of HK\$8,644,000 (2001: HK\$7,501,000) 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 ceased their operations in marketing of electronic products, an impairment loss of HK\$4,100,000, representing the difference between the recoverable amounts and the carrying amounts of those property, plant and equipment, has been identified and recognised in the income statement.

For the year ended 30th June, 2002

14. LONG-TERM RECEIVABLE

Long-term receivable of the Group is unsecured, interest free and is repayable in full in year 2009.

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	67,716	67,716
Amounts due from subsidiaries	871,087	840,056
	938,803	907,772
<i>Less:</i> Impairment loss recognised	(623,900)	(623,900)
	314,903	283,872
Amounts due to subsidiaries	(81,553)	(64,339)

The amounts due from (to) subsidiaries are unsecured, interest free and have no fixed terms of repayment. The Company and the subsidiaries agreed not to request repayment within twelve months from the balance sheet date and the amounts are therefore shown as non-current.

15. INTERESTS IN SUBSIDIARIES (Cont'd)

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

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company	Principal activities
AEL (Bahamas) Limited	Bahamas/ PRC	Ordinary US\$5,000 Redeemable preference US\$300	100%	Property holding
Applied (China) Limited ("ACL") (Note)	Bermuda	Ordinary HK\$11,492,000	74.99%	Investment holding
Applied Action (BVI) Limited	British Virgin Islands/PRC	Ordinary US\$100	100%	Investment holding
Applied Electronics Limited	Hong Kong	Ordinary HK\$86,000,000	100%	Investment holding
Applied Electronics (Bahamas) Limited	Bahamas	Ordinary US\$5,000 Redeemable preference US\$300	100%	Investment holding
Applied International Limited	Hong Kong	Ordinary HK\$1,000,000	100%	Property, plant and equipment holding
Applied Properties (Huang Jiang) Limited S.A.	Republic of Panama/PRC	Ordinary US\$200	100%	Property holding in the PRC
Applied Properties (Hui Yang) Limited S.A.	Republic of Panama/PRC	Ordinary US\$200	100%	Property holding in the PRC
Applied Properties (Jiang Men) Limited S.A.	Republic of Panama/PRC	Ordinary US\$200	100%	Property holding in the PRC

For the year ended 30th June, 2002

15. **INTERESTS IN SUBSIDIARIES** (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company	Principal activities
Applied Properties Limited	Hong Kong	Ordinary HK\$10,000	100%	Property holding
江門實力發展(地產)有限公司 (Applied Properties (Jiangmen) Limited)	PRC	Registered capital US\$11,720,000	100%	Property development
Batimate Limited	British Virgin Islands	Ordinary US\$2	100%	Investment holding
Beachside Investment Limited	British Virgin Islands	Ordinary US\$1	74.99%	Property investment
Elite Industries Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
惠陽縣淡水新陽城建設有限公司	PRC	Registered capital HK\$50,000,000	60%	Property development
Incar Electronics Limited	Hong Kong	Ordinary HK\$7,545,000	74.99%	Property investment
iQuorum Cybernet Limited ("iQuorum") (Note)	Hong Kong	Ordinary HK\$574,630,911	74.99%	Investment holding
Jardine Arizona Limited	United States of America	Ordinary US\$1,000	100%	Property development
盈聯多科技企業(深圳)有限公司 (Quorum Electronics (Shenzhen) Co., Ltd.)	PRC	Registered capital HK\$10,000,000	100%	Property, plant and equipment holding
Quorum Island (BVI) Limited	British Virgin Islands	Ordinary US\$10,000	100%	Property holding

15. INTERESTS IN SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company	Principal activities
Quorum Venture Canada Inc.	Canada	Ordinary C\$1	100%	Property holding
Renima, Inc.	California	Ordinary US\$100,000	100%	Property holding
RJP Finance Limited	Hong Kong	Ordinary HK\$200,000	74.99%	Provision of financial services
RJP International Limited	Hong Kong	Ordinary HK\$500,000	74.99%	Provision of management services
Sharp Win Industrial Limited	Hong Kong	Ordinary HK\$2,500,000	30%	Manufacturing and trading of electronic products
Starwin Investments Limited	Hong Kong	Ordinary HK\$10,000	74.99%	Property investment
Sound Collection Limited	Hong Kong	Ordinary HK\$2	100%	Property, plant and equipment holding
Tronicwatch Limited	Hong Kong	Ordinary HK\$10,000	74.99%	Property investment
Wideland Electronics Limited	Hong Kong	Ordinary HK\$200,000	51%	Manufacturing and trading of electronic products
天健生物(深圳)有限公司	PRC	Ordinary HK\$10,000,000	66.74%	Manufacturing and trading of Chinese medicinal herbs

For the year ended 30th June, 2002

15. INTERESTS IN SUBSIDIARIES (Cont'd)

Note: Pursuant to a scheme of arrangement sanctioned by High Court of Hong Kong involving a share for share exchange which became effective on 20th December, 2001, iQuorum became a wholly owned subsidiary of the ACL and the ACL became the subsidiary of the Company.

The above principal subsidiaries are owned indirectly by the Company, with the exception of Applied Electronics Limited and Batimate Limited.

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

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or assets and liabilities of the Group. To give details of all other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. OTHER INVESTMENTS

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

17. OTHER SECURITIES

	The Group		The Company	
	2002	2001	2002	2001
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Hong Kong listed securities, at cost	22,686	22,718	2,756	2,756
Overseas listed securities, at cost	558	557	–	–
Unlisted investments, at cost	3,119	3,119	–	–
	26,363	26,394	2,756	2,756
<i>Less:</i>				
Unrealised loss on revaluation	(14,460)	(12,273)	(1,517)	(1,194)
Impairment loss recognised	(3,119)	(2,500)	–	–
At fair value	8,784	11,621	1,239	1,562
Market value of listed securities	8,784	11,002	1,239	1,562

18. GOODWILL

	The Group <i>HK\$'000</i>
COST	
Arising on acquisition during the year and balance at 30th June, 2002	1,100
AMORTISATION	
Provided for the year and balance at 30th June, 2002	<u>110</u>
NET BOOK VALUE	
At 30th June, 2002	<u><u>990</u></u>

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

19. NEGATIVE GOODWILL

	The Group <i>HK\$'000</i>
GROSS AMOUNT	
Arising on acquisition during the year and balance at 30th June, 2002	46,519
RELEASED TO INCOME	
Released in the year and balance at 30th June, 2002	<u>400</u>
CARRYING AMOUNT	
	<u><u>46,119</u></u>

The negative goodwill arose on the Group's acquisitions of additional interests in ACL in September 2001 and April 2002 and is released to income on a straight line basis of 20 years, the remaining weighted average useful life of the depreciable assets acquired.

For the year ended 30th June, 2002

20. INVENTORIES

	The Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	6,802	8,601
Work in progress	776	1,286
Finished goods	1,147	1,620
	<u>8,725</u>	<u>11,507</u>

Included above are raw materials of HK\$13,000 (2001: nil) carried at net realisable value.

21. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period from 30 to 90 days to its trade customers other than major customers.

Included in trade and other receivables are trade debtors of HK\$30,799,000 (2001: HK\$29,038,000) and their aging analysis is as follows:

	The Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	24,246	23,822
More than 90 days and within 180 days	6,553	4,633
More than 180 days	—	583
	<u>30,799</u>	<u>29,038</u>

22. SHORT-TERM LOANS RECEIVABLE

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

23. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$19,249,000 (2001: HK\$18,391,000) and their aging analysis is as follows:

	The Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	13,966	14,988
More than 90 days and within 180 days	3,961	2,103
More than 180 days	1,322	1,300
	<u>19,249</u>	<u>18,391</u>

24. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The bank and other borrowings comprise:				
Bank loans	80,007	35,792	–	–
Import loans	13,536	13,623	–	–
Bank overdrafts	4,198	7,211	–	–
Other loans	55,315	2,525	18,024	–
	<u>153,056</u>	<u>59,151</u>	<u>18,024</u>	<u>–</u>
Secured	95,877	54,594	–	–
Unsecured	57,179	4,557	18,024	–
	<u>153,056</u>	<u>59,151</u>	<u>18,024</u>	<u>–</u>

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24. BANK AND OTHER BORROWINGS (Cont'd)

The above bank and other borrowings are repayable as follows:

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within 1 year	116,400	44,619	18,024	–
Between 1 to 2 years	3,297	3,489	–	–
Between 2 to 5 years	9,411	10,162	–	–
Over 5 years	23,948	881	–	–
	153,056	59,151	18,024	–
<i>Less:</i> Amount due within one year shown under current liabilities	(116,400)	(44,619)	(18,024)	–
Amount due after one year	36,656	14,532	–	–

25. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum		Present value of	
	lease payments		minimum lease	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The maturity of obligations under finance leases is as follows:				
Within 1 year	4,130	3,023	3,743	2,635
Between 1 to 2 years	1,921	1,939	1,800	1,816
Between 2 to 5 years	556	–	529	–
	6,607	4,962	6,072	4,451
<i>Less:</i> Finance charges relating to future periods	(535)	(511)	–	–
Present value of lease obligations	<u>6,072</u>	<u>4,451</u>	6,072	4,451
<i>Less:</i> Amount due within one year shown under current liabilities			<u>(3,743)</u>	<u>(2,635)</u>
Amount due after one year			<u>2,329</u>	<u>1,816</u>

The average lease term is two years. For the year ended 30th June, 2002, the average effective borrowing rate was 11.36% (2001: 14.25%). Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangement have been entered into for contingent rental payment. The lease obligations are denominated in Hong Kong dollar.

26. SHARE CAPITAL

	Number of ordinary shares of HK\$0.20 each	Amount <i>HK\$'000</i>
Authorised:		
Balance at 1st July, 2000, 1st July, 2001 and 30th June, 2002	<u>2,000,000,000</u>	<u>400,000</u>
Issued and fully paid:		
Balance at 1st July, 2000, 1st July, 2001 and 30th June, 2002	<u>941,080,745</u>	<u>188,216</u>

WARRANTS

On 2nd May, 2000, the Company made a bonus issue of warrants on the basis of one warrant for every five shares. These warrants entitle the holders to subscribe in cash for new shares of the Company of HK\$0.20 each at subscription price of HK\$0.48 per share, subject to adjustment, at any time from 4th May, 2000 up to and including 30th April, 2004. At 30th June, 2002, the Company had outstanding warrants of HK\$90,880,000. Exercise in full of such warrants would result in the issue of approximately 189,334,000 shares at a subscription price of HK\$0.48 per share, subject to adjustment.

SHARE OPTION SCHEME

The Company

There were no movements in share options granted under the Company's share option scheme during the year.

The outstanding share options of 15,400,000 at an exercise price of HK\$0.36 per share at 30th June, 2002 can be exercised at any time on or before 2nd July, 2002.

ACL

There were no share option granted or outstanding under the share option scheme of ACL during the year.

27. TREASURY SHARES

	Number of treasury shares	Amount <i>HK\$'000</i>
Balance at 1st July, 2000, 1st July, 2001 and 30th June, 2002	<u>48,329,000</u>	<u>12,546</u>

Treasury shares represent ordinary shares of the Company held by iQuorum before iQuorum became a subsidiary of the Company. There has been no movement of the treasury shares since iQuorum became a subsidiary of the Company.

In the opinion of the directors, these treasury shares are held for long-term and will be disposed of at an appropriate time.

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28. RESERVES

	Shares premium account HK\$'000	Investment revaluation reserve HK\$'000	Investment property revaluation reserves HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Distri- butable reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP										
At 1st July, 2000	3	(6,178)	24,053	10,892	219,770	-	93,961	(2,947)	(91,076)	248,478
Eliminated on partial disposal of a subsidiary	-	-	(3,132)	-	-	-	-	-	-	(3,132)
Eliminated on disposal of investment properties	-	-	4,283	-	-	-	-	-	-	4,283
Eliminated on disposal of other securities	-	(4,022)	-	-	-	-	-	-	-	(4,022)
Impairment loss recognised in respect of other securities	-	535	-	-	-	-	-	-	-	535
Deficit on revaluation of other securities	-	(2,536)	-	-	-	-	-	-	-	(2,536)
Capital reserve arising on acquisition of additional interest in a subsidiary	-	-	-	-	495	-	-	-	-	495
Impairment loss in respect of goodwill	-	-	-	-	149	-	-	-	-	149
Exchange differences arising from translation of overseas operations	-	-	-	-	-	-	-	(28)	-	(28)
Deficit on revaluation of investment properties	-	-	(3,966)	-	-	-	-	-	-	(3,966)
Net loss for the year	-	-	-	-	-	-	-	-	(23,495)	(23,495)
At 30th June, 2001	3	(12,201)	21,238	10,892	220,414	-	93,961	(2,975)	(114,571)	216,761
Eliminated on disposal of investment properties	-	-	(3,817)	-	-	-	-	-	-	(3,817)
Eliminated on disposal of other securities	-	(52)	-	-	-	-	-	-	-	(52)
Impairment loss recognised in respect of other securities	-	364	-	-	-	-	-	-	-	364
Deficit on revaluation of other securities	-	(2,709)	-	-	-	-	-	-	-	(2,709)
Exchange differences arising from translation of overseas operations	-	-	-	-	-	-	-	(118)	-	(118)
Deficit on revaluation of investment properties	-	-	(7,043)	-	-	-	-	-	-	(7,043)
Net loss for the year	-	-	-	-	-	-	-	-	(27,917)	(27,917)
At 30th June, 2002	<u>3</u>	<u>(14,598)</u>	<u>10,378</u>	<u>10,892</u>	<u>220,414</u>	<u>-</u>	<u>93,961</u>	<u>(3,093)</u>	<u>(142,488)</u>	<u>175,469</u>

28. RESERVES (Cont'd)

	Shares premium account <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Investment property revaluation reserves <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Distributable reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY										
At 1st July, 2000	3	(953)	-	10,892	-	204,610	-	-	(25,499)	189,053
Deficit on revaluation of other securities	-	(240)	-	-	-	-	-	-	-	(240)
Net loss for the year	-	-	-	-	-	-	-	-	(155,321)	(155,321)
At 30th June, 2001	3	(1,193)	-	10,892	-	204,610	-	-	(180,820)	33,492
Deficit on revaluation of other securities	-	(323)	-	-	-	-	-	-	-	(323)
Net loss for the year	-	-	-	-	-	-	-	-	(3,855)	(3,855)
At 30th June, 2002	<u>3</u>	<u>(1,516)</u>	<u>-</u>	<u>10,892</u>	<u>-</u>	<u>204,610</u>	<u>-</u>	<u>-</u>	<u>(184,675)</u>	<u>29,314</u>

The capital reserve includes HK\$15,536,000 (2001: HK\$15,536,000) in respect of goodwill and HK\$31,340,000 (2001: HK\$31,340,000) in respect of negative goodwill. During the year ended 30th June, 2001, there were an impairment loss recognised and a goodwill arising on acquisition of additional interest in a subsidiary amounting to HK\$149,000 and HK\$495,000 respectively.

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 account.

In the opinion of the directors, the Company's reserve available for distribution to shareholders represents the net amount of contributed surplus and accumulated losses amounting to HK\$19,935,000 at 30th June, 2002 (2001: HK\$23,790,000).

29. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

30. DEFERRED TAXATION

The movements of deferred taxation during the year are as follows:

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At beginning of the year	664	478	–	–
(Credit) charge for the year (note 10)	(17)	186	–	–
At end of the year	<u>647</u>	<u>664</u>	<u>–</u>	<u>–</u>

At the balance sheet date, the major components of the deferred tax (assets) liabilities, recognised and unrecognised, were as follows:

	Recognised		Unrecognised	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:				
Difference of tax allowances and depreciation charged in the financial statements	647	664	1,646	1,679
Taxation losses	–	–	(62,014)	(59,507)
	<u>647</u>	<u>664</u>	<u>(60,368)</u>	<u>(57,828)</u>

	Recognised		Unrecognised	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:				
Taxation losses	–	–	(4,553)	(4,606)

30. DEFERRED TAXATION (Cont'd)

Deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

Deferred tax (credit) charge for the year, which has not been recognised in the income statement, are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
 THE GROUP		
Tax effect of timing differences attributable to:		
 Difference of tax allowances and depreciation charged in the financial statements	 (33)	 (398)
Taxation losses arising	<u>(2,507)</u>	<u>(3,281)</u>
	<u>(2,540)</u>	<u>(3,679)</u>
 THE COMPANY		
Tax effect of timing differences attributable to:		
 Taxation losses utilised (arising)	 <u>53</u>	 <u>(1,486)</u>

31. CONTINGENT LIABILITIES

(a)

	The Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bill discounted with recourse	<u>–</u>	<u>413</u>

(b) At 30th June, 2002, the Company issued guarantees of HK\$37,000,000 (2001: nil) in respect of other loans granted to a subsidiary.

32. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The Group		The Company	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,832	4,758	–	911
In the second to fifth year inclusive	6,018	5,956	–	1,062
Over five years	568	1,652	–	–
	<u>11,418</u>	<u>12,366</u>	<u>–</u>	<u>1,973</u>

Operating lease payments represent rentals payable by the Group or the Company for certain of its offices and warehouse properties. The average lease term is 3 – 5 years. Rentals are fixed and no arrangements has been entered into for contingent rental payments.

33. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments, which represent rentals receivable by the Group for its investment properties, under non-cancellable operating leases which fall due as follows:

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Within one year	7,619	8,702
In the second to fifth year inclusive	<u>3,954</u>	<u>6,315</u>
	<u>11,573</u>	<u>15,017</u>

The properties are expected to generate rental yields of 7.2% on an ongoing basis. Investment properties held with a carrying value of HK\$139,920,000 have committed tenants for the next year.

34. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital expenditure committed as follows:

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<u>10,838</u>	<u>–</u>
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	<u>–</u>	<u>59,000</u>

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

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss before taxation	(39,948)	(37,255)
Interest income	(1,553)	(4,158)
Interest expenses	5,259	7,526
Dividend income	(21)	(25)
Depreciation and amortisation of property, plant and equipment	11,534	12,370
Loss on disposal of subsidiaries	18	7
Gain on partial disposal of a subsidiary	–	(3,132)
Gain on repurchase of convertible bonds	–	(276)
Gain on disposal of other securities	(330)	(8,887)
Amortisation of bond issue expenses	–	206
Amortisation of goodwill	110	–
Amortisation of negative goodwill	(400)	–
Allowance for short-term loans receivable	3,065	–
Impairment loss recognised in respect of other securities	619	2,500
Impairment loss recognised in respect of goodwill	–	270
Impairment loss recognised in respect of properties held for development	–	6,334
Impairment loss recognised in respect of property, plant and equipment	4,100	–
Gain on disposal of property, plant and equipment	(939)	(143)
Loss (gain) on disposal of investment properties	9,823	(516)
Loss on disposal of other investments	51	–
Decrease in inventories	2,782	9,990
Decrease in trade and other receivables	1,654	10,642
Decrease in trading securities	–	1,375
Decrease in trade and other payables	(6,631)	(31,706)
	<u>(10,807)</u>	<u>(34,878)</u>
Net cash outflow from operating activities	<u>(10,807)</u>	<u>(34,878)</u>

36. DISPOSAL OF SUBSIDIARIES

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Net assets disposed of		
Bank balances and cash	18	46
Loss on disposal of subsidiaries	<u>(18)</u>	<u>(7)</u>
	<u>—</u>	<u>39</u>
Satisfied by		
Cash	<u>—</u>	<u>8,000</u>

Analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Cash consideration received	—	39
Bank balances and cash disposed of	<u>(18)</u>	<u>(46)</u>
	<u>(18)</u>	<u>(7)</u>

The cash flows contributed or utilised by the subsidiaries disposed of during the year were not significant.

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37. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Other loans <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Amount due to a minority shareholder <i>HK\$'000</i>	Convertible bonds <i>HK\$'000</i>
Balance at 1st July, 2000	188,219	33,707	2,959	1,341	245,745	1,890	120,827
New borrowings raised	-	30,000	-	-	-	-	-
Inception of finance leases	-	-	-	5,238	-	-	-
Repayments	-	(27,915)	(434)	(2,128)	-	(817)	-
Acquisition of additional interest in a subsidiary	-	-	-	-	(640)	-	-
Loss for the year shared by minority shareholders	-	-	-	-	(14,032)	-	-
Revaluation deficit on investment properties arising during the year shared by minority shareholders	-	-	-	-	(3,376)	-	-
Revaluation deficit on other securities arising during the year shared by minority shareholders	-	-	-	-	(3,164)	-	-
Translation reserve arising during the year shared by minority shareholders	-	-	-	-	(24)	-	-
Impairment loss of goodwill shared by minority shareholders	-	-	-	-	121	-	-
Nominal value of convertible bonds repurchased	-	-	-	-	-	-	(12,675)
Nominal value of convertible bonds redeemed	-	-	-	-	-	-	(108,381)
Convertible bonds issue expenses amortised and eliminated on repurchase	-	-	-	-	-	-	229
Balance at 30th June, 2001	188,219	35,792	2,525	4,451	224,630	1,073	-
New borrowings raised	-	75,916	85,388	-	-	-	-
Inception of finance leases	-	-	-	5,127	-	-	-
Repayments	-	(31,701)	(32,598)	(3,506)	-	-	-
Non-cash contribution by minority shareholders	-	-	-	-	1,100	-	-
Additional capital contributed by minority shareholders	-	-	-	-	2,331	-	-
Loss for the year shared by minority shareholders	-	-	-	-	(12,213)	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	(48,401)	-	-
Revaluation deficit on investment properties arising during the year shared by minority shareholders	-	-	-	-	(4,670)	-	-
Revaluation deficit on other securities arising during the year shared by minority shareholders	-	-	-	-	210	-	-
Translation reserve arising during the year shared by minority shareholders	-	-	-	-	(82)	-	-
Balance at 30th June, 2002	<u>188,219</u>	<u>80,007</u>	<u>55,315</u>	<u>6,072</u>	<u>162,905</u>	<u>1,073</u>	<u>-</u>

37. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR (Cont'd)

The acquisition cost of the repurchased convertible bonds during the year 2001 amounted to HK\$12,376,000.

38. MAJOR NON-CASH TRANSACTION

- (a) During the year, the Group entered into a finance lease arrangement in respect of the acquisition of assets with a total capital value at the inception of the lease of HK\$5,127,000 (2001: HK\$5,238,000).
- (b) The Group disposed of certain of its plant and machineries at an aggregate consideration of HK\$1,680,000 and the settlement will be made by 84 monthly instalments. HK\$20,000 was received during the year and the remaining balance of HK\$1,420,000 was included in long-term receivable.
- (c) The Group acquired certain leasehold properties at a consideration of HK\$2,620,000 of which an amount of HK\$1,650,000 was settled by the trade-in of certain leasehold properties and the remaining balance of HK\$970,000 was paid by cash.

39. PLEDGE OF ASSETS

At 30th June, 2002, the Group pledged its bank deposits, investment properties and property, plant and equipment amounting to HK\$4,702,000 (2001: HK\$5,132,000), HK\$135,120,000 (2001: HK\$81,700,000) and HK\$41,410,000 (2001: HK\$12,294,000), respectively, to secure general banking facilities granted to the Group.

40. RELATED PARTIES TRANSACTION

At 30th June, 2002, the banking facilities of a subsidiary were guaranteed by a director of the Company to the extent of HK\$3,229,000 (2001: HK\$3,919,000). In addition, two directors of the Company, had outstanding joint and several guarantees, issued in favour of a bank in respect of credit facilities granted by the bank to a subsidiary amounting to approximately HK\$25,900,000 (2001: nil).

41. RETIREMENT BENEFIT SCHEME

With effective from 1st December, 2000, 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 MPF 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 MPF Scheme.