



**Applied (China) Limited**

*(Incorporated in Bermuda with limited liability)*



**Interim Report 2002**

*(for the six months ended 31st December)*

## INTERIM REPORT

The Board of Directors (the "Directors") of Applied (China) Limited (the "Company") announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2002 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2002

		Six months ended	
		31/12/02	31/12/01
		(Unaudited)	(Unaudited)
	NOTES	HK\$'000	HK\$'000
Turnover	2	37,751	75,272
Cost of sales		<u>(29,765)</u>	<u>(64,244)</u>
Gross profit		7,986	11,028
Interest income		1,071	63
Other revenue		303	–
Distribution expenses		(1,553)	(2,138)
Administration expenses		(13,259)	(13,180)
Impairment loss recognised in respect of investment properties		(48,292)	–
Impairment loss recognised in respect of other investment		(28,000)	–
Impairment loss recognised in respect of other securities		(2,860)	–
Allowance on trade and other receivables		(7,100)	–
Allowance on inventory		<u>(2,000)</u>	<u>–</u>
Loss from operations		(93,704)	(4,227)
Finance costs		<u>(1,753)</u>	<u>(2,635)</u>
Loss before taxation		(95,457)	(6,862)
Taxation	3	<u>–</u>	<u>–</u>
Loss before minority interests		(95,457)	(6,862)
Minority interests		<u>379</u>	<u>(473)</u>
Loss for the period		<u><u>(95,078)</u></u>	<u><u>(7,335)</u></u>
Loss per share	4		
– Basic		<u><u>(8.3 cents)</u></u>	<u><u>(1.3 cents)</u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2002

	NOTES	31/12/02 (Unaudited) HK\$'000	31/12/01 (Unaudited) HK\$'000
<b>Non-current Assets</b>			
Investment properties	5	102,327	253,755
Property, plant and equipment		53,364	59,866
Goodwill		880	–
Other securities		5,559	8,442
Other investments		26,116	54,282
		<u>188,246</u>	<u>376,345</u>
<b>Current Assets</b>			
Inventory		5,300	12,088
Trade and other receivables	6	38,082	39,701
Short-term loans receivable		28,046	6,965
Pledged time deposits		3,207	4,672
Other time deposits		38,012	–
Bank balances and cash		4,707	3,005
		<u>117,354</u>	<u>66,431</u>
<b>Current Liabilities</b>			
Trade and other payables	7	17,338	30,700
Obligations under finance leases – due within one year		1,711	253
Other borrowings – secured		1,930	2,530
Bank borrowings – due within one year		35,420	62,603
		<u>56,399</u>	<u>96,086</u>
<b>Net Current Assets/(Liabilities)</b>		<u>60,955</u>	<u>(29,655)</u>
		<u>249,201</u>	<u>346,690</u>

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

At 31 December 2002

		<b>31/12/02</b>	31/12/01
		<b>(Unaudited)</b>	(Unaudited)
	<i>NOTES</i>	<b>HK\$'000</b>	HK\$'000
<b>Capital and Reserves</b>			
Share capital	8	<b>11,493</b>	5,746
Reserves	9	<b>179,723</b>	290,190
		<u><b>191,216</b></u>	<u>295,936</u>
<b>Minority Interests</b>			
		<u><b>4,940</b></u>	<u>4,546</u>
<b>Non-current Liabilities</b>			
Amount due to a minority shareholder		<b>1,073</b>	1,069
Bank and other borrowings – due after one year		<b>51,972</b>	45,139
		<u><b>53,045</b></u>	<u>46,208</u>
		<u><b>249,201</b></u>	<u>346,690</u>

## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 31 December 2002

	Six months ended	
	31/12/02 (Unaudited) HK\$'000	31/12/01 (Unaudited) HK\$'000
Deficit on revaluation of investment properties	<u>(28,002)</u>	<u>(12,800)</u>
Impairment loss not recognised in the income statement	(28,002)	(12,800)
Loss for the period	<u>(95,078)</u>	<u>(7,335)</u>
	<u><b>(123,080)</b></u>	<u><b>(20,135)</b></u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2002

	Six months ended	
	31/12/02 (Unaudited) HK\$'000	31/12/01 (Unaudited) HK\$'000
Net cash outflow from operating activities	<b>(26,300)</b>	(1,911)
Net cash outflow from returns on investments and servicing of finance	<b>(682)</b>	(2,572)
Net cash outflow from investing activities	<b>(7,347)</b>	(63,145)
Net cash outflow before financing	<b>(34,329)</b>	(67,628)
Net cash inflow from financing	<b>8,732</b>	53,219
Decrease in cash and cash equivalents	<b>(25,597)</b>	(14,409)
Cash and cash equivalents and beginning of the period	<b>56,810</b>	(4,102)
Cash and cash equivalents at end of the period	<b>31,213</b>	(18,511)

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2002

### 1. ACCOUNTING POLICIES

The unaudited condensed financial reports have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA"), and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### 2. TURNOVER AND SEGMENTAL INFORMATION

The Group's turnover and loss from operations for the six months ended 31 December 2002 analysed by business segments information, are as follows:

	Turnover		Loss from operations	
	For the six months ended 31 December		For the six months ended 31 December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By business segments:</b>				
Manufacture and distribution of electronic products	<b>32,493</b>	71,523	<b>(1,192)</b>	2,542
Rental income	<b>3,258</b>	3,749	<b>563</b>	667
Manufacture and marketing of nano and herbal products	<b>2,000</b>	–	<b>(352)</b>	–
	<b><u>37,751</u></b>	<b><u>75,272</u></b>	<b><u>(981)</u></b>	<b><u>3,209</u></b>
Unallocated corporate expenses			<b><u>(92,723)</u></b>	<b><u>(7,436)</u></b>
Loss from operations			<b><u>(93,704)</u></b>	<b><u>(4,227)</u></b>
<b>By geographical segments:</b>				
Hong Kong	<b>22,236</b>	53,730		
United States of America	<b>10,695</b>	10,831		
Europe	<b>408</b>	6,286		
Mainland China	<b>1,492</b>	2,789		
Other Asian countries	<b>2,920</b>	1,636		
	<b><u>37,751</u></b>	<b><u>75,272</u></b>		

### **3. TAXATION**

No provision for Hong Kong profits tax was made for the period ended 31 December 2002 (2001: Nil) as the Company and its subsidiaries had no assessable profit for that period.

No provision for deferred tax has been made in respect of accelerated capital allowances as the Directors consider that a liability is not expected to crystallise in the foreseeable future (2001: Nil).

### **4. LOSS PER SHARE**

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK\$95,077,919 (2001: HK\$7,335,472) and on the weighted average of 1,149,261,820 (2001: 574,630,910) shares that would have been in issue during the period as if the Group Reorganisation had been completed on 1 July 2000.

The weighted average number of shares for the purpose of calculation of loss per share for the six months ended 31 December 2001 has been adjusted for the effect of the Company's shares exchange as a result of the redomicile of the Group.

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 of both periods.



## 5. INVESTMENT PROPERTIES

	<b>2002</b> <b>(Unaudited)</b> <b>HK\$'000</b>
VALUATION	
At 1 July 2002	<b>177,600</b>
Additions	–
Deficit on revaluations	<u>(75,273)</u>
At 31 December 2002	<u><b>102,327</b></u>
NET BOOK VALUES	
At 31 December 2002	<u><b>102,327</b></u>
At 30 June 2002	<u><b>177,600</b></u>

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

	<b>2002</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Under long leases in Hong Kong	<b>91,000</b>
Under medium-term leases in the People's Republic of China (the "PRC")	<u><b>11,327</b></u>
	<u><b>102,327</b></u>

The investment properties held by the Company are under long leases in Hong Kong.

## 6. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of accounts receivables at the reporting date:

	<b>31/12/02</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31/12/01 (Unaudited) HK\$'000
Within due date	<b>16,836</b>	17,415
Overdue under 30 days	<b>10,687</b>	8,577
Overdue 31–60 days	<b>5,290</b>	6,707
Overdue over 60 days	<b>5,269</b>	7,002
	<u><b>38,082</b></u>	<u>39,701</u>

## 7. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payables at the reporting date:

	<b>31/12/02</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31/12/01 (Unaudited) HK\$'000
Within due date	<b>10,512</b>	12,077
Overdue under 30 days	<b>2,157</b>	5,518
Overdue 31–60 days	<b>2,900</b>	7,159
Overdue over 60 days	<b>1,769</b>	5,946
	<u><b>17,338</b></u>	<u>30,700</u>

## 8. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Amount HK\$</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2002	<u>16,000,000,000</u>	<u>160,000,000</u>
Issued and fully paid:		
At 31 December 2002	<u>1,149,261,820</u>	<u>11,492,618</u>

During the period a reorganisation involving a change of domicile of the Company by way of a scheme arrangement under Section 166 of the Companies Ordinance that with the interest of the shareholders remained unchanged, one holding share, at HK\$0.01 each had been in exchange for four scheme shares at HK\$0.25, and one holding warrant at HK\$1.00 each had been in exchange for four scheme warrants at HK\$0.25 each.

By way of introduction, the holdings share and holding warrant had been listed in the Hong Kong Stock Exchange on 20 December 2002

## 9. RESERVES

	Investment						Deficit	Total
	Shares premium account	Special reserve	Investment revaluation reserve	property revaluation reserve	Currency translation reserve	Goodwill reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2001	35,612	-	(4,988)	39,324	(4,667)	(2,192)	(321,649)	(258,560)
Deficit on revaluation of investment properties	-	-	-	(12,800)	-	-	-	(12,800)
Premium assuming from issue of shares	-	568,885	-	-	-	-	-	568,885
Net loss for the period	-	-	-	-	-	-	(7,335)	(7,335)
At 31 December 2001	<u>35,612</u>	<u>568,885</u>	<u>(4,988)</u>	<u>26,524</u>	<u>(4,667)</u>	<u>(2,192)</u>	<u>(328,984)</u>	<u>290,190</u>
At 1 July 2002	34,619	604,497	(3,559)	28,002	(4,867)	(2,192)	(354,815)	301,685
Deficit on revaluation of investment properties	-	-	-	(28,002)	-	-	-	(28,002)
Exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	-	1,118	-	-	1,118
Net loss for the period	-	-	-	-	-	-	(95,078)	(95,078)
At 31 December 2002	<u>34,619</u>	<u>604,497</u>	<u>(3,559)</u>	<u>-</u>	<u>(3,749)</u>	<u>(2,192)</u>	<u>(449,893)</u>	<u>179,723</u>

## 10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with current period's presentation.

## 11. WARRANTS

At 31 December 2002, the Company had outstanding 114,926,182 2004 Warrants to be exercised at any time on or before 30 April 2004. No 2004 Warrants were exercised during the period. Exercise in full of such warrants would result in the result in the issue of 114,926,182 additional shares of HK\$0.01 each.

## 12. PLEDGE OF ASSETS

At 31 December 2002, the Group pledged its time deposits, investment properties and leasehold properties amounting to approximately HK\$3,207,000 (2001: HK\$4,672,000), HK\$91,000,000 (2001: Nil) and HK\$39,961,000 (2001: Nil), respectively, to secure general banking facilities granted to the Group.

## 13. POST BALANCE SHEET EVENTS

### Investment Property

The investment property locate at Unit 33B, Trump Palace 200, East 69th Street, Manhattan, New York, United States of America was sold in cash of HK\$10,434,023 on 7 February 2003 making a loss of HK\$1,350,435 from sale.

## IMPAIRMENT LOSS OF ASSETS

During the period under review, Applied (China) Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") embarked on a new direction. The Group's businesses are based in Mainland China, and with its aging population, healthcare is becoming a major concern. The Group has set up and developed a distribution network for the sales of herbal products in Mainland China.

Due to unfavourable local economic condition, the Group has recognised an impairment loss of Asset amounting to HK\$88.3 million with details as below:

<u>Asset Name</u>	<u>Impairment Loss</u>
	<i>HK\$</i>
Units 4101-2, 41st Floor, Unit 4203-4, 42nd Floor Far East Finance Centre 16 Harcourt Road Central, Hong Kong	22,134,665
Flat A on 1st Floor, Flat B on 1st Floor, 2nd Floor and 3rd Floor, the roof and carpark Nos. 1,2,3,4,5 and 7, Severn Villa 3 Severn Road, The Peak, Hong Kong	14,000,000

## IMPAIRMENT LOSS OF ASSETS (Continued)

<u>Asset Name</u>	<u>Impairment Loss</u> <i>HK\$</i>
Unit 4, 72nd Floor, Office Tower, CITIC Plaza 233 Tianhe Road, Tianhe District, Guangzhou, PRC	1,600,000
South and North Portion of Starmate, Industrial Park Tutang District, Changping Town, Dongguan, PRC	10,557,046
Other Investment	28,000,000
Other Securities	2,860,000
Trade Receivables	4,600,000
Berth	2,500,000
Inventory	2,000,000
	<u>88,251,711</u>

## INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 31 December 2002 (No dividend was recommended or paid for the period ended 31 December 2001.).

## REVIEW OF OPERATION AND PROSPECTS

The Group's turnover for the period ended 31 December 2002 was approximately HK\$38 million, which represented a decrease of 49.8% as compared to the period ended 31 December 2001. The administrative expenses for the period ended 31 December 2002 were approximately HK\$13 million, which represented an increase of 0.6% as compared to the period ended 31 December 2001 the expenses which was incurred last period.

## **REVIEW OF OPERATION AND PROSPECTS (Continued)**

The unaudited consolidated loss for the period ended 31 December 2002 was approximately HK\$95 million (as compared to an unaudited consolidated loss of HK\$7.3 million for the period ended 31 December 2001.) This included an impairment loss of approximately HK\$48.3 million recognised in respect of property investments and other securities and investments losses of approximately HK\$30.9 million, and an allowance for trade and other receivables of approximately HK\$7.1 million.

Other losses incurred for the period were mainly due to the marketing costs spent in diversification of the Group's business into Chinese herbal supplements.

### **Chinese Herbs Products**

The Group has started its trading business of Chinese herbal products, which include Lingzhi, Cordyceps, Yunzhi, and other fat reduction, skin radiance and nutritional health herbs. We promote these Chinese herbal products and sell them to healthcare distribution centres in China.

Some of the herbal products will be sold to our parent company for overseas distribution via Quorum Global Limited.

Traditional Chinese Medicine (TCM) are widely recognised by many countries. Statistics show there has been an average annual growth of 30-35% in the TCM industry in the past 5 years. The Directors believe that this venture will improve Group's results in the near future.

### **Electronic Products**

During the period, the business of Sharp Win Holdings Limited, a subsidiary of the Company engaging in the trading of connectors used in personal computers, continued to decline due to the slowdown of the global economy and slower sales in personal computers. The Company has diversified its product lines into other electronic products and have implemented cost control measures to reduce cost.

## REVIEW OF OPERATION AND PROSPECTS (Continued)

### Investment Properties

For the period ended 31 December 2002, the Group's rental properties contributed a revenue of HK\$3.3 million (as compared to HK\$3.7 million for the period ended 31 December 2001).

### DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

### DIRECTORS' INTERESTS IN SHARES AND OPTIONS

#### Shares

According to the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code For Securities Transactions by Directors of Listed Companies in the Listing Rules, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) at 31 December 2002 were as follows:

#### (a) The Company

Name of directors	Number of shares of the Company held under corporate interests (Note)	Number of warrants of the Company held under corporate interests (Note)
Hung Wong Kar Gee, Mimi	861,887,920	59,202,503
Hung Kin Sang, Raymond	861,887,920	59,202,503



## DIRECTORS' INTERESTS IN SHARES AND OPTIONS (Continued)

### Shares (Continued)

#### (a) The Company (Continued)

Note: 604,263,167 shares and 58,702,517 warrants were held by Batimate Limited, and 1,118 shares and 111 warrants were held by Applied Electronics Limited, both of which are wholly-owned subsidiaries of AIHL. The remaining 257,623,635 shares and 499,875 warrants were held by AIHL. Mrs. Hung Wong Kar Gee, Mimi and Mr. Hung Kin Sang, Raymond are the substantial shareholders of AIHL.

#### (b) Subsidiary

At 31 December 2002, Mr. Fang Chin Ping, directors of the Company, held 200,000 ordinary shares of Quorum Bio-tech Limited, a subsidiary of the Company.

#### (c) AIHL

Name of director	Number of AIHL shares		Number of AIHL warrants	
	Personal interests	Other interests	Personal interests	Other interests
Hung Wong Kar Gee, Mimi	8,870,056	453,984,584 (Note)	1,774,011	90,796,916 (Note)
Hung Kin Sang, Raymond	3,280,000	453,984,584 (Note)	560,000	90,796,916 (Note)
Fang Chin Ping	100,000	–	20,000	–

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS (Continued)

### Shares (Continued)

#### (c) AIHL (Continued)

Note: These shares and warrants were held by the following companies:

	<b>Number of ordinary shares</b>	<b>Number of warrants</b>
Malcom Trading Inc.	43,992,883	8,798,576
Primore Co. Inc.	2,509,266	501,853
Capita Company Inc.	359,153,435	71,830,687
iQuorum Cybernet Limited	48,329,000	9,665,800
	<u>453,984,584</u>	<u>90,796,916</u>

Malcom Trading Inc., Primore Co. Inc. and Capita Company Inc. are wholly-owned by Marami Foundation as the trustee of Raymond Hung/Mimi Hung & Family Trust. All units in Raymond Hung/Mimi Hung & Family Trust are beneficially owned by a discretionary trust, the beneficiaries of which include the family members of Hung Kin Sang, Raymond and Hung Wong Kar Gee, Mimi.

Save as disclosed herein and other than certain nominee shares in the subsidiaries held in trust for the Group, none of the directors, chief executives or their associates had any interests in the securities of the Company or any of its associated corporations within the meaning of the SDI Ordinance as at 31 December 2002.

### Share Options

#### (a) 1991 Scheme

iQuorum, the former holding company of the Group, had a share option scheme ("1991 Scheme"), which was adopted pursuant to a resolution passed on 6th September, 1991 for the primary purpose of providing incentives to directors and eligible employees. Under the 1991 Scheme, the Board of Directors of iQuorum may grant options to eligible employees, including executive directors of iQuorum and its subsidiaries, to subscribe for shares in iQuorum.

## **DIRECTORS' INTERESTS IN SHARES AND OPTIONS** (Continued)

### **Share Options** (Continued)

#### **(a) 1991 Scheme** (Continued)

The total number of shares in respect of which options may be granted under the 1991 Scheme is not permitted to exceed 10% of the iQuorum shares in issue at any point in time excluding any shares issued pursuant to the 1991 Scheme. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the number of shares issued and issuable under the 1991 Scheme.

Options granted must be taken up within 21 days of the date of grant. Options may be exercised as specified by the directors of iQuorum, which shall not be more than ten years from its date of grant. The exercise price is determined by the directors of iQuorum, any will not be less than the higher of the 80% of the average closing price of iQuorum's shares for the five business days immediately preceding the date of grant, and the nominal value of iQuorum's shares. No options were granted or exercised during the year. The 1991 Scheme expired on 5 September 2001.

#### **(b) 2002 Scheme**

On 16 September 2002, the Company adopted a new share option scheme ("2002 Scheme") for the primary purpose of providing incentives to directors and eligible employees. The 2002 Scheme will expire on 15 September 2012. Under the 2002 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

## **DIRECTORS' INTERESTS IN SHARES AND OPTIONS** (Continued)

### **Share Options** (Continued)

#### **(b) 2002 Scheme** (Continued)

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed the higher of 10% of the shares of the Company in issue as at the date of adoption of the 2002 Scheme. The number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 1% of the number of shares issued and issuable under the 2002 Scheme or any other limit as may be permitted under the Listing Rules.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will be less than the higher of (i) the closing price of the Company's share on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

No option has been granted or exercised under the 2002 Scheme since its adoption.

#### **(c) AIHL**

Pursuant to the share option scheme of the Company's ultimate holding company, Applied International Holdings Limited ("AIHL"), the Company's directors have been granted options ("AIHL Option") to subscribe for shares in AIHL.

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS (Continued)

### Share Options (Continued)

#### (c) AIHL (Continued)

Details of the AIHL Options granted to the Company's directors to subscribe for shares in AIHL are as follows:

Name of director	Exercise price <i>HK\$</i>	Number of AIHL shares subject to AIHL Options outstanding
		at 1.7.2001 and 30.6.2002
Hung Wong Kar Gee, Mimi	0.36	7,000,000
Hung Kin Sang, Raymond	0.36	8,400,000

The outstanding AIHL Options are exercisable at any time on or before 2 July 2002. The AIHL Options lapsed on 2 July 2002.

Save as disclosed above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such rights, during the period.

### **SUBSTANTIAL SHAREHOLDERS**

Other than the interests of AIHL and Batimate Limited disclosed under the heading "Directors' interests in shares" above, according to the register required to be kept under Section 16(1) of the SDI Ordinance, there was no other shareholder who was interested in 10% or more of the share capital of the Company as at 30 June 2002.

## **LIQUIDITY AND FINANCIAL INFORMATION**

As at 31 December 2002, the Group's total borrowings amounted to approximately HK\$91 million with approximately HK\$39 million repayable within one year, approximately HK\$24 million repayable between one to two years, approximately HK\$7.3 million repayable between two to five years and approximately HK\$20.7 million repayable after five years. Bank balances and deposits as at 31 December 2002 amounted to approximately HK\$45.9 million. The Group's current ratio was 2.1 and the gearing ratio (the ratio of total bank liabilities to total assets) was 0.3. Bank balances and cash and deposits were held in Hong Kong dollars.

The Group had no significant exposure to foreign exchange fluctuation.

## **ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

During the period, there was no material acquisition or disposal of the Company's subsidiaries and associates.

## **EMPLOYEE INFORMATION**

As at 31 December 2002, the Group employed a total of 400 full-time employees. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 31 December 2002.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed on auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements.

## **CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not for any part of the accounting period covered by this interim report, in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

By order of the Board

**Hung Wong Kar Gee, Mimi**

Chairman

Hong Kong, 25 March 2003