



## Chairman's Statement

### IMPAIRMENT LOSS OF ASSETS

During the year ended 30th June, 2003, the Group embarked on a new direction.

Due to unfavourable local economic condition, the Group has recognised an impairment loss of assets amounting to HK\$149 million with details as follows:

<u>Assets</u>	<u>Impairment Loss</u> HK\$
Units 4101-2, 41st Floor, Unit 4203-4, 42nd Floor Far East Finance Centre 16 Harcourt Road, Central, Hong Kong	35,662,665
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	21,000,000
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	9,135,163
Property, plant and equipment	17,879,421
Other investment	35,824,342
Trade and other receivables	3,891,189
Short-term loan receivables	23,990,357
	<u>148,983,137</u>

### DIVIDEND

The Directors do not recommend the payment of dividends for the year ended 30th June, 2003 (2002: Nil).

### REVIEW OF OPERATION AND PROSPECTS

The Group's turnover for the year ended 30th June, 2003 was approximately HK\$70.9 million, which represented a decrease of 40.5% compared to the previous year. The administrative expenses for the year ended 30th June, 2003 were approximately HK\$38 million, which represented an increase of 18% from the expenses which was incurred last year.



The audited consolidated loss for the year ended 30th June, 2003 was approximately HK\$166.6 million (for the year ended 30th June, 2002: HK\$33.2 million). The consolidated income statement also recorded an impairment loss in respect of investment property of HK\$67.4 million, property, plant and equipment of HK\$17.9 million and other investment of HK\$35.8 million. Besides an allowance for trade and other receivables and short term loan receivable of HK\$3.9 million and HK\$24 million.

Other losses incurred for the year were mainly spent on diversification of business into the manufacture and marketing of Chinese herbal supplements products. These included the setting up of a manufacturing factory in Shenzhen and recruitment of Chinese herbal staff. The factory has commenced production for six months time.

During the year, the Directors have also established a strong research and development team to develop new products and strategic opportunity for the business.

## **CHINESE HERBS PRODUCTS**

During the period under review, the Group continues its strategic direction by taking advantage of the sustained economic growth, the increase of elderly population and the substantial growth of healthcare products in China. The Group has set up a manufacturing plant in China to produce and distribute herbal products.

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

Some of the herbal products has been sold to the Group's parent company for overseas distribution via Quorum Global Limited.

## **ELECTRONIC PRODUCTS**

During the year, the business of Sharp Win Holdings Limited, a subsidiary of the Company engaged in the manufacture of connectors used in personal computers, continued to decline due to the downturn of the global economy, the occurrence of SARS and the sluggish sales in personal computers. The Company has diversified its product lines into other electronic products and has successfully established on OEM business with a leading Japanese conglomerate. The Company has also implemented cost control measures to reduce costs. The business has started to pick up after the SARS event. With the gradual rebound of the economy an improvement in sales of the products is expected.

## **INVESTMENT PROPERTIES**

For the year ended 30th June, 2003, the Group's rental properties contributed revenues of HK\$6.6 million (2002: HK\$7.2 million).



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### LIQUIDITY AND FINANCIAL INFORMATION

As at 30th June, 2003, the Group's total borrowings amounted to approximately HK\$89,856,000 with approximately HK\$57,010,000 repayable within one year, approximately HK\$4,805,000 repayable between one to two years, approximately HK\$6,883,000 repayable between two to five years and approximately HK\$21,158,000 repayable after five years. Bank balances and deposits as at 30th June, 2003 amounted to approximately HK\$42,177,000. The Group's current ratio was 1.20 and the gearing ratio which is expressed as a ratio of total liabilities and minority interests to shareholders' funds was 1.07. Bank balances and cash and deposits were held in Hong Kong dollars.

The Group had no significant exposure to foreign exchange fluctuations.

### EMPLOYEE INFORMATION

As at 30th June, 2003, the Group employed a total of 450 full-time employees, mostly at the Group's subsidiary factories for manufacturing electronics and TCM herbal products. 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 schemes (as the case may be) to its employees depending on the location of such employees.

### APPRECIATION

The Directors would like to express their sincere appreciation for all the dedicated efforts of all the management and staff of the Group during the year.

By order of the Board

**Hung Wong Kar Gee, Mimi**  
*Chairman*

Hong Kong, 28th October, 2003