

The directors present their annual report and the audited financial statements for the year ended 30th June, 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in the design, manufacture, marketing and distribution of consumer electronic products, manufacture and distribution of health care products, property and investment holding and property development. The activities of the principal subsidiaries are set out in note 16 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year are set out in the consolidated income statement on page 27.

No dividend was paid by the Company during the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the aggregate purchases attributable to the Group's five largest suppliers and the largest supplier were 39% and 9% of the total purchases, respectively. The aggregate sales attributable to the Group's five largest customers and the largest customer were 53% and 17% of the total sales, respectively.

None of the directors, their associates or any shareholders which to the knowledge of the directors, owns more than 5% of the Company's share capital had any beneficial interest in the five largest suppliers or customers of the Group.

INVESTMENT PROPERTIES

Investment properties of the Group were revalued at 30th June, 2003 by an independent firm of professional property valuers on an open market value basis, resulting in a deficit on revaluation of these properties amounting to HK\$95,393,000.

Details of these and other movements during the year in the investment properties of the Group are set out in note 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 30th June, 2003 are set out on pages 76 to 78.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of the share capital, warrants and share options of the Company are set out in note 28 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive:

Hung Kin Sang, Raymond (*Chairman and Managing Director*)

Hung Wong Kar Gee, Mimi

Fang Chin Ping

Non-executive:

Soo Hung Leung, Lincoln

Independent Non-executive:

Lo Yun Tai

Lun Tsan Kau

In accordance with Clause 112(A) of the Company's Bye-Laws, Madam Hung Wong Kar Gee, Mimi retires and, being eligible, offers herself for re-election. All remaining directors will continue in office. The terms of office of the non-executive and independent non-executive directors are the periods up to their retirement by rotation in accordance with the Company's Bye-Laws.

The director being proposed for re-election at the forthcoming annual general meeting does not have any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

- (a) At 30th June, 2003, Mr. Hung Kin Sang, Raymond and Madam Hung Wong Kar Gee, Mimi, 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 of the Company amounting to HK\$24,373,000.

- (b) During the year, the aggregate value of the transactions entered into by RJP International Limited, a non-wholly-owned subsidiary of the Company, pursuant to the Contract Manufacture Agreement described in the Circular to Shareholders of the Company dated 26th August, 1996 did not exceed HK\$185 million for the year ended 30th June, 2003.

- (c) During the year, Quorum Global Limited, a wholly-owned subsidiary of the Company, purchased Chinese medicinal herbs and nano products of HK\$3,593,000 from Quorum Bio-Tech Limited, a 66.74% owned subsidiary of the Company.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30th June, 2003, the interests and short positions held by the directors of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Long positions in shares of the Company

(i) Ordinary shares

Name of directors	Number of ordinary shares			Total	Approximate % of shareholding
	Beneficial owner	Held by a discretionary trust	Held by controlled corporation		
Hung Kin Sang, Raymond	3,280,000	405,655,584 <i>(Note 1)</i>	48,329,000 <i>(Note 2)</i>	457,264,584	48.59%
Hung Wong Kar Gee, Mimi	8,870,056	405,655,584 <i>(Note 1)</i>	48,329,000 <i>(Note 2)</i>	462,854,640	49.18%
Fang Chin Ping	100,000	-	-	100,000	0.01%
Soo Hung Leung, Lincoln	1,100,000	-	-	1,100,000	0.12%

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Cont'd)

(a) Long positions in shares of the Company (Cont'd)

(ii) Warrants

Name of directors	Number of warrants			Total	Number of shares underlying
	Beneficial owner	Held by a discretionary trust	Held by controlled corporation		
Hung Kin Sang, Raymond	560,000	81,131,116 <i>(Note 1)</i>	9,665,800 <i>(Note 2)</i>	91,356,916	91,356,916
Hung Wong Kar Gee, Mimi	1,774,011	81,131,116 <i>(Note 1)</i>	9,665,800 <i>(Note 2)</i>	92,570,927	92,570,927
Fang Chin Ping	20,000	–	–	20,000	20,000
Soo Hung Leung, Lincoln	220,000	–	–	220,000	220,000

Notes:

(1) These shares and warrants were held by the following companies:

	Number of ordinary shares	Number of warrants
Malcolm 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
	<u>405,655,584</u>	<u>81,131,116</u>

Malcolm Trading Inc., Primore Co. Inc. and Capita Company Inc. are wholly-owned by the 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 Mr. Hung Kin Sang, Raymond and Madam Hung Wong Kar Gee, Mimi.

(2) These shares and warrants were held by iQuorum Cybernet Limited ("iQuorum"). iQuorum is a wholly-owned subsidiary of Applied (China) Limited ("ACL"), a company which shares are listed on the Stock Exchange and the Group held 861,887,920 shares and 59,202,503 warrants at 30th June, 2003. The above directors have indirect interests in ACL.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Cont'd)

(b) Long positions in shares of a subsidiary

At 30th June, 2003, Mr. Fang Chin Ping held 200,000 ordinary shares of Quorum Bio-tech Limited, which represented 2% of the issued share capital of this company.

Save as disclosed above and other than certain nominee shares in subsidiaries held in trust for the Group by certain directors at 30th June, 2003, none of the directors or their associates had any interests, or short positions in any shares, underlying shares of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The directors and employees of the Company and its subsidiaries are entitled to participate in the share option schemes of the Company and its subsidiary. Particulars of these schemes are set out in note 28 to the financial statements. The following tables summarise the movements of the options granted under these schemes, so far as the directors of the Company are concerned:

(a) Share option scheme adopted by the Company on 28th May, 1997 (the "1997 Scheme")

Name of directors	Date of grant	Exercise price <i>HK\$</i>	Options outstanding at 1.7.2002	Lapsed during the year	Options outstanding at 30.6.2003
Hung Kin Sang, Raymond	3rd July, 1997	0.36	8,400,000	(8,400,000)	–
Hung Wong Kar Gee, Mimi	3rd July, 1997	0.36	7,000,000	(7,000,000)	–
			<u>15,400,000</u>	<u>(15,400,000)</u>	<u>–</u>

The outstanding share options can be exercised at any time on or before 2nd July, 2002.

The 1997 Scheme was terminated on 16th September, 2002.

(b) Share option scheme adopted by the Company on 16th September, 2002 (the "2002 Scheme")

No share options has been granted under the 2002 Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Cont'd)

(c) Share option scheme adopted by ACL on 16th September, 2002 (the "ACL 2002 Scheme")

No share options has been granted under the ACL 2002 Scheme since its adoption.

Save as disclosed above, at no time during the year was the Company or any of its 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 debentures of, the Company or any other body corporate. None of the directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above under the heading "Directors' interests in shares and underlying shares" in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company at 30th June, 2003.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the year.

DONATIONS

During the year, the Group made charitable and other donations of HK\$1,153,000.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 30th June, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

POST BALANCE SHEET EVENTS

Details of the significant events occurring after the balance sheet date are set out in note 41 to the financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Hung Kin Sang, Raymond
Chairman and Managing Director

Hong Kong, 28th October, 2003