

**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, manufacture and distribution of health care products, property and investment holding and property development.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK\$76,047,000 at 30th June, 2003. The directors are satisfied that the Group has sufficient funding and facilities to be able to meet in full its liabilities as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

**3. 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. The adoption of these SSAPs has no significant effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

**Presentation of financial statements**

In the current year, the Group adopted SSAP 1 (Revised) "Presentation of financial statements", which results in the inclusion of the consolidated statement of changes in equity in the financial statements. The changes in equity were previously presented as a note to the financial statements by the Group.

**Foreign currencies**

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of subsidiaries outside Hong Kong at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

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

**Cash flow statements**

In the current year, the Group adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest paid, interest received and dividends received, which were previously presented under a separate heading, are classified as investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of the operations outside Hong Kong have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

**Employee benefits**

In the current year, the Group adopted SSAP 34 "Employee benefits", which introduces measurement rules for employee benefits, including retirement benefits plans. Because the Group participates only in defined contribution retirement benefits schemes, the adoption of SSAP 34 has not had any significant impact on the financial statements.

**4. SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of consolidation**

The consolidated financial statements 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.

**4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Goodwill**

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

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 losses.

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

**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.

**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 deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a 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.

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

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

**Property, plant and equipment (Cont'd)**

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

Properties held for development are carried at cost, less any identified impairment losses. 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.

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 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 sale 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.

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

**Other investments**

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

**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.

**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 terms.

**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.

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

**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.

**Foreign currencies**

Transactions in currencies other than Hong Kong dollar are initially recorded at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated into Hong Kong dollar 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 assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

**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.

**5. TURNOVER**

	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	<b>115,274</b>	180,820
Rental income	<b>10,592</b>	11,075
	<b>125,866</b>	191,895
	<b>125,866</b>	191,895

**6. BUSINESS AND GEOGRAPHICAL SEGMENTS**

**Business segments**

For management purposes, the Group is currently organised into four (2002: three) operating divisions - manufacture and distribution of electronic products, property and investment holding, property development and manufacture and distribution of health care products. These divisions are the basis on which the Group reports its primary segment information.

Business segment information for the year ended 30th June, 2003 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>	Manufacture and distribution of health care products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>109,263</u>	<u>10,592</u>	-	<u>6,011</u>	<u>125,866</u>
Results					
Segment results	(2,406)	(122,823)	(14,982)	(15,832)	(156,043)
Unallocated corporate expenses					<u>(56,931)</u>
Loss from operations					(212,974)
Finance costs					<u>(7,829)</u>
Loss before taxation					(220,803)
Taxation					<u>2,863</u>
Loss before minority interests					(217,940)
Minority interests					<u>(50,554)</u>
Net loss for the year					<u>(167,386)</u>



**6. 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>	Manufacture and distribution of health care products <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>						
Segment assets	61,128	142,772	239,603	10,006	-	453,509
Unallocated corporate assets					44,181	44,181
Consolidated total assets						<u>497,690</u>
<b>Liabilities</b>						
Segment liabilities	19,603	23,854	32	2,992	-	46,481
Unallocated corporate liabilities					174,245	174,245
Consolidated total liabilities						<u>220,726</u>
<b>Other information</b>						
Capital expenditure	3,615	-	113	1,800	7,366	12,894
Depreciation and amortisation of property, plant and equipment	6,132	2,119	63	266	489	9,069
Deficit on revaluation of investment properties	1,193	76,819	-	-	-	78,012
Impairment losses in respect of:						
Other investments	-	38,968	-	-	-	38,968
Property, plant and equipment	-	17,487	-	-	1,499	18,986
Allowance for trade and other receivables	-	2,613	15,000	-	-	17,613
Allowance for short-term loans receivable	-	-	-	-	23,990	23,990
Allowance for long-term receivable	1,180	-	-	-	-	1,180
Inventories written off	170	-	-	-	-	170

For the year ended 30th June, 2003

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

**Business segments (Cont'd)**

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)
Finance costs				(5,259)
Loss on disposal of subsidiaries				<u>(18)</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>

**6. 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>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>					
Segment assets	73,991	333,761	252,284	–	660,036
Unallocated corporate assets				69,184	<u>69,184</u>
Consolidated total assets					<u><u>729,220</u></u>
<b>Liabilities</b>					
Segment liabilities	26,776	21,196	–	–	47,972
Unallocated corporate liabilities				167,204	<u>167,204</u>
Consolidated total liabilities					<u><u>215,176</u></u>
<b>Other information</b>					
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
Inventories written off	1,200	–	–	–	1,200

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

**Geographical segments**

The Group's operations are principally located in Hong Kong, United States of America 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:

	<b>Sales revenue by geographical market</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>79,774</b>	144,249
PRC	<b>9,795</b>	8,206
Other Asian countries	<b>8,222</b>	2,480
Europe	<b>742</b>	9,682
United States of America	<b>24,654</b>	26,333
British Virgin Islands	<b>1,013</b>	824
Australia	<b>1,664</b>	–
Others	<b>2</b>	121
	<b><u>125,866</u></b>	<b><u>191,895</u></b>

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

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>148,123</b>	340,063	<b>10,321</b>	62,194
PRC	<b>229,568</b>	250,271	<b>2,015</b>	9,337
Other Asian countries	<b>2,722</b>	551	–	–
Europe	<b>136</b>	383	–	–
United States of America	<b>24,231</b>	48,000	<b>142</b>	–
British Virgin Island	<b>92,173</b>	89,809	<b>95</b>	2,430
Australia	<b>613</b>	–	<b>321</b>	–
Others	<b>–</b>	19	–	–
	<b><u>497,566</u></b>	<b><u>729,096</u></b>	<b><u>12,894</u></b>	<b><u>73,961</u></b>

**7. INVESTMENT INCOME**

	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income from listed securities	17	21
Gain on disposal of other investments	3,159	–
Gain on disposal of other securities	–	330
	<b>3,176</b>	<b>351</b>

**8. LOSS FROM OPERATIONS**

	<b>2003</b>	2002
	<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	44,596	31,926
Retirement benefits scheme contributions, no forfeited contributions (2002: net of forfeited contributions of HK\$352,000)	643	477
Total staff costs	<b>45,239</b>	32,403
Amortisation of goodwill included in administrative expenses	220	110
Auditors' remuneration:		
Current year	1,497	1,363
Underprovision in prior years	280	68
Depreciation and amortisation:		
Owned assets	5,179	7,768
Assets held under finance leases	3,890	3,766
Loss on disposal of other investments	–	51
Loss on disposal of other securities	85	–
Loss on disposal of property, plant and equipment	8	–
and after crediting:		
Release of negative goodwill included in other operating income	2,326	400
Rental income from investment properties, net of outgoings of HK\$893,000 (2002: HK\$1,009,000)	9,699	10,066
Gain on disposal of property, plant and equipment	<b>–</b>	939

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**9. FINANCE COSTS**

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Interest expense on:		
bank and other borrowings wholly repayable within five years	<b>6,060</b>	2,968
bank and other borrowings not wholly repayable within five years	<b>902</b>	1,828
Finance charges on obligations under finance leases	<b>867</b>	463
	<u><b>7,829</b></u>	<u>5,259</u>

**10. DIRECTORS' AND EMPLOYEES' REMUNERATION**

**(a) Directors' remuneration**

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Fees:		
Executive	–	–
Non-executive	<b>100</b>	50
Independent non-executive	<b>400</b>	200
Other emoluments:		
Executive		
Salaries and other benefits	<b>7,402</b>	9,058
Performance related incentive payments	<b>9,076</b>	–
Retirement benefits scheme contributions	<b>24</b>	24
	<u><b>17,002</b></u>	<u>9,332</u>

**10. DIRECTORS' AND EMPLOYEES' REMUNERATION (Cont'd)**

**(a) Directors' remuneration (Cont'd)**

The directors' remuneration was within the following bands:

	<b>Number of directors</b>	
	<b>2003</b>	<b>2002</b>
Nil to HK\$1,000,000	<b>4</b>	4
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$7,000,001 to HK\$7,500,000	<b>1</b>	–
HK\$8,500,001 to HK\$9,000,000	<b>1</b>	–
	<u><b>1</b></u>	<u>–</u>

**(b) Employees' remuneration**

The five highest paid individuals included three (2002: two) directors, details of whose remuneration are set out above. The remuneration of the remaining two (2002: three) individuals is as follows:

	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Salaries and other benefits	<b>2,213</b>	2,886
Retirement benefits scheme contributions	<b>121</b>	133
	<u><b>2,334</b></u>	<u>3,019</u>

Their remuneration is within the following bands:

	<b>Number of employees</b>	
	<b>2003</b>	<b>2002</b>
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	<b>2</b>	<b>2</b>
	<u><b>2</b></u>	<u><b>2</b></u>

During the years ended 30th June, 2003 and 2002, 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, 2003 and 2002, no directors waived any emoluments.

**11. TAXATION**

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	<b>250</b>	196
(Over)underprovision in prior year	<b>(2,850)</b>	3
	<u><b>(2,600)</b></u>	<u>199</u>
Deferred taxation (note 32)		
Credit for the year	<b>(324)</b>	(17)
Effect of change in tax rate	<b>61</b>	–
	<u><b>(263)</b></u>	<u>(17)</u>
	<u><b>(2,863)</b></u>	<u>182</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the current year.

Details of deferred taxation are set out in note 32.

**12. LOSS PER SHARE**

The calculation of the basic loss per share is based on the net loss for the year of HK\$167,386,000 (2002: loss of HK\$27,917,000) and on 941,080,745 (2002: 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 and the conversion of the Group's outstanding convertible note is anti-dilutive for the year.



**13. INVESTMENT PROPERTIES**

	<b>THE GROUP</b> <i>HK\$'000</i>
VALUATION	
At 1st July, 2002	202,780
Transfer from property, plant and equipment ( <i>note 14</i> )	293
Deficit on revaluation	<u>(95,393)</u>
<b>At 30th June, 2003</b>	<b><u>107,680</u></b>

The investment properties were revalued at 30th June, 2003 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\$95,393,000. After eliminating minority shareholders' share of deficit of HK\$7,003,000, HK\$10,378,000 has been charged to the investment property revaluation reserve. The remaining balance of HK\$78,012,000, being the excess of the deficit over the balance on the investment property revaluation reserve is charged to the consolidated income statement.

The value of investment properties held by the Group comprises:

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Held in Hong Kong:		
Long leases	<b>71,600</b>	131,300
Medium-term leases	<b>2,920</b>	3,820
Held outside Hong Kong:		
Medium-term leases	<b>29,300</b>	63,800
Freehold	<b>3,860</b>	3,860
	<u><b>107,680</b></u>	<u>202,780</u>

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**14. PROPERTY, PLANT AND EQUIPMENT**

	Properties held for development HK\$'000	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Motor boats HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
<b>COST</b>								
At 1st July, 2002	258,618	50,510	2,652	79,127	74,695	12,357	16,298	494,257
Additions	95	14	111	1,851	9,717	1,106	-	12,894
Transfer to investment properties (note 13)	-	(341)	-	-	-	-	-	(341)
Disposals	-	(10,451)	-	-	(695)	(376)	-	(11,522)
<b>At 30th June, 2003</b>	<b>258,713</b>	<b>39,732</b>	<b>2,763</b>	<b>80,978</b>	<b>83,717</b>	<b>13,087</b>	<b>16,298</b>	<b>495,288</b>
<b>DEPRECIATION AND IMPAIRMENT</b>								
At 1st July, 2002	6,334	2,995	77	68,905	68,870	11,204	16,295	174,680
Provided for the year	-	835	63	4,151	3,306	713	1	9,069
Transfer to investment properties (note 13)	-	(48)	-	-	-	-	-	(48)
Eliminated on disposals	-	-	-	-	(695)	(271)	-	(966)
Impairment loss	1,106	15,386	1,276	-	1,218	-	-	18,986
<b>At 30th June, 2003</b>	<b>7,440</b>	<b>19,168</b>	<b>1,416</b>	<b>73,056</b>	<b>72,699</b>	<b>11,646</b>	<b>16,296</b>	<b>201,721</b>
<b>NET BOOK VALUES</b>								
<b>At 30th June, 2003</b>	<b>251,273</b>	<b>20,564</b>	<b>1,347</b>	<b>7,922</b>	<b>11,018</b>	<b>1,441</b>	<b>2</b>	<b>293,567</b>
At 30th June, 2002	252,284	47,515	2,575	10,222	5,825	1,153	3	319,577

**14. PROPERTY, PLANT AND EQUIPMENT** (Cont'd)

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

	<b>2003</b>	2002
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Leasehold properties held in Hong Kong under medium-term leases	<b>1,087</b>	1,450
Leasehold properties held in Hong Kong under long leases	<b>17,200</b>	29,510
Held in the PRC under medium-term land use rights	<b>318</b>	3,264
Held in the PRC under long-term land use rights	<b>1,959</b>	2,840
Freehold properties held in the United States of America	<u>–</u>	<u>10,451</u>
	<b><u>20,564</u></b>	<b><u>47,515</u></b>

The properties held for development of the Group comprise:

	<b>2003</b>	2002
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Freehold property held in the British Virgin Islands	<b>89,490</b>	89,395
Freehold properties held in the United States of America	<b>11,700</b>	12,806
Properties held in the PRC		
– Medium-term land use rights	<b>2,949</b>	2,949
– Long-term land use rights	<b>147,134</b>	147,134
	<b><u>251,273</u></b>	<b><u>252,284</u></b>

The net book values of property, plant and equipment of the Group includes an aggregate amount of HK\$14,407,000 (2002: HK\$8,644,000) in respect of assets held under finance leases.

For the year ended 30th June, 2003

**14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

The directors reviewed the carrying amount of property, plant and equipment of the Group at the balance sheet date and identified that:

- (a) as certain of its subsidiaries ceased their operations, an impairment loss on certain leasehold properties, leasehold improvements and furniture and fixtures with an aggregate amount of HK\$6,202,000 (2002: HK\$4,100,000), representing the difference between the recoverable amounts and the carrying amounts of these assets, has been identified and recognised in the consolidated income statement.

In addition, the directors of the Company have reviewed the recoverable amount of the remaining leasehold properties at 30th June, 2003. An impairment loss of HK\$11,678,000 (2002: Nil) has been recognised and charged to the consolidated income statement for the year ended 30th June, 2003.

- (b) the recoverable amounts of the freehold properties held for development in the United States of America were lower than their carrying amounts by reference to their disposal values contracted subsequent to the balance sheet date. An impairment loss of HK\$1,106,000 (2002: Nil) has been charged to the consolidated income statement.

**15. LONG-TERM RECEIVABLE**

Long-term receivable of the Group was unsecured, interest free and was fully provided for during the year.

**16. INTERESTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Unlisted investments, at cost	<b>67,716</b>	67,716
Amounts due from subsidiaries	<b>882,511</b>	871,087
	<hr/>	<hr/>
	<b>950,227</b>	938,803
Less: Impairment loss recognised	<b>(663,900)</b>	(623,900)
	<hr/>	<hr/>
	<b>286,327</b>	314,903
	<hr/>	<hr/>
Amounts due to subsidiaries	<b>(86,707)</b>	(81,553)
	<hr/>	<hr/>

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

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.

Particulars of the principal subsidiaries at 30th June, 2003 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 <i>(Note a)</i>	Principal activities
AEL (Bahamas) Limited	Bahamas/ PRC	Ordinary US\$5,000 Redeemable preference US\$300	100%	Property holding
Applied (China) Limited ("ACL")	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 (HuiYang) Limited S.A.	Republic of Panama/ PRC	Ordinary US\$200	100%	Property holding in the PRC

For the year ended 30th June, 2003

**16. 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 (Note a)	Principal activities
Applied Properties (Jiang Men) Limited S.A.	Republic of Panama/ PRC	Ordinary US\$200	100%	Property holding in the PRC
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) (Note b)	PRC	Registered capital US\$11,720,000	100%	Property development
Batimate Limited	British Virgin Islands	Ordinary US\$2	100%	Investment holding
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 (Note b)	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")	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
Quorum Bio-tech Limited	Hong Kong	Ordinary HK\$10,000,000	66.74%	Investment holding
盈聯多科技企業(深圳)有限公司 (Quorum Electronics (Shenzhen) Co., Ltd.) (Note c)	PRC	Registered capital HK\$10,000,000	100%	Property, plant and equipment holding

**16. 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 <i>(Note a)</i>	Principal activities
Quorum Global Limited	Hong Kong	Ordinary HK\$100	100%	Investment holding
Quorum Global (AU) Pty Ltd.	Australia	Ordinary AUD200,000	100%	Trading of Chinese medicinal herbs and nano products
Quorum Global (NA) Inc.	United States of America	Ordinary US\$0.01	100%	Trading of Chinese medicinal herbs and nano products
Quorum Island (BVI) Limited	British Virgin Islands	Ordinary US\$10,000	100%	Property holding
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

For the year ended 30th June, 2003

**16. 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 (Note a)	Principal activities
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 (Note b)	PRC	Ordinary HK\$10,000,000	66.74%	Manufacturing and trading of Chinese medicinal herbs

*Notes:*

- (a) The above principal subsidiaries are owned indirectly by the Company, with the exception of Applied Electronics Limited and Batimate Limited.
- (b) These PRC subsidiaries are sino-foreign joint ventures established in the PRC.
- (c) The PRC subsidiary is wholly foreign owned enterprises established in the PRC.

None of the subsidiaries had any debt securities subsisting at the balance sheet date or at any time during the year, except for Quorum Global (NA) Inc. which has issued a convertible note of HK\$780,000, in which the Group has no interest (note 33).

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.



**17. OTHER INVESTMENTS**

Other investments of the Group represent antiques held for long-term investment purpose. At 30th June, 2003, the carrying amount of other investments is reduced to their recoverable amounts which is determined by reference to the market selling price of similar antiques. Accordingly, an impairment loss of HK\$38,968,000 (2002: Nil) has been recognised and charged to the consolidated income statement.

**18. OTHER SECURITIES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong listed securities, at cost	<b>22,686</b>	22,686	<b>2,756</b>	2,756
Overseas listed securities, at cost	<b>449</b>	558	–	–
Unlisted investments, at cost	<b>619</b>	3,119	–	–
	<b>23,754</b>	26,363	<b>2,756</b>	2,756
<i>Less:</i>				
Unrealised loss on revaluation	<b>(15,991)</b>	(14,460)	<b>(1,787)</b>	(1,517)
Impairment loss recognised	<b>(619)</b>	(3,119)	–	–
At fair value	<b>7,144</b>	8,784	<b>969</b>	1,239
Market value of listed securities	<b>7,144</b>	8,784	<b>969</b>	1,239

For the year ended 30th June, 2003

**19. GOODWILL**

**THE GROUP**  
HK\$'000

**COST**

At 1st July, 2002 and 30th June, 2003 1,100

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**AMORTISATION**

At 1st July, 2002 110

Provided for the year 220

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**At 30th June, 2003** **330**

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**NET BOOK VALUES**

**At 30th June, 2003** **770**

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At 30th June, 2002 990

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

**20. NEGATIVE GOODWILL**

**THE GROUP**  
HK\$'000

**GROSS AMOUNT**

At 1st July, 2002 and 30th June, 2003 46,519

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**RELEASED TO INCOME**

At 1st July, 2002 (400)

Released in the year (2,326)

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**At 30th June, 2003** **(2,726)**

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**CARRYING AMOUNTS**

**At 30th June, 2003** **43,793**

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At 30th June, 2002 46,119

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The negative goodwill is released to income on a straight line basis of 20 years.

**21. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Raw materials	<b>6,490</b>	6,802
Work in progress	<b>736</b>	776
Finished goods	<b>3,105</b>	1,147
	<hr/> <b>10,331</b> <hr/>	<hr/> 1,147 <hr/>
	<hr/> <b>10,331</b> <hr/>	<hr/> 8,725 <hr/>

The above inventories are stated at cost.

**22. 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 of the Group are trade debtors of HK\$23,870,000 (2002: HK\$30,799,000) and their aging analysis is as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 90 days	<b>15,887</b>	24,246
More than 90 days and within 180 days	<b>7,983</b>	6,553
	<hr/> <b>23,870</b> <hr/>	<hr/> 6,553 <hr/>
	<hr/> <b>23,870</b> <hr/>	<hr/> 30,799 <hr/>

**23. SHORT-TERM LOANS RECEIVABLE**

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

For the year ended 30th June, 2003

**24. TRADE AND OTHER PAYABLES**

Included in trade and other payables of the Group are trade payables of HK\$14,295,000 (2002: HK\$19,249,000) and their aging analysis is as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>10,496</b>	13,966
More than 90 days and within 180 days	<b>2,499</b>	3,961
More than 180 days	<b>1,300</b>	1,322
	<u><b>14,295</b></u>	<u>19,249</u>

**25. AMOUNT DUE TO A DIRECTOR**

The amount of the Group is unsecured, non-interest bearing and has no fixed terms of repayment.

**26. BANK AND OTHER BORROWINGS**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
The bank and other borrowings comprise:				
Bank loans	<b>73,154</b>	80,007	–	–
Import loans	<b>10,678</b>	13,536	–	–
Bank overdrafts	<b>8,576</b>	4,198	<b>264</b>	–
Other loans	<b>61,098</b>	55,315	<b>24,098</b>	18,024
Loan from a minority shareholder of a subsidiary	<b>5,198</b>	–	<b>5,198</b>	–
	<u><b>158,704</b></u>	<u>153,056</u>	<u><b>29,560</b></u>	<u>18,024</u>
Secured	<b>91,498</b>	95,877	–	–
Unsecured	<b>67,206</b>	57,179	<b>29,560</b>	18,024
	<u><b>158,704</b></u>	<u>153,056</u>	<u><b>29,560</b></u>	<u>18,024</u>

**26. BANK AND OTHER BORROWINGS** (Cont'd)

The above bank and other borrowings are repayable as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	<b>127,074</b>	116,400	<b>29,560</b>	18,024
Between 1 to 2 years	<b>2,592</b>	3,297	–	–
Between 2 to 5 years	<b>7,659</b>	9,411	–	–
Over 5 years	<b>21,379</b>	23,948	–	–
	<hr/> <b>158,704</b>	<hr/> 153,056	<hr/> <b>29,560</b>	<hr/> 18,024
Less: Amount due within one year shown under current liabilities	<hr/> <b>(127,074)</b>	<hr/> (116,400)	<hr/> <b>(29,560)</b>	<hr/> (18,024)
Amount due after one year	<hr/> <b>31,630</b>	<hr/> 36,656	<hr/> –	<hr/> –

The loan from a minority shareholder of a subsidiary is unsecured, interest-bearing at 12% and will be repayable within one year.

For the year ended 30th June, 2003

**27. OBLIGATIONS UNDER FINANCE LEASES**

	<b>THE GROUP</b>			
	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<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	<b>6,029</b>	4,130	<b>5,709</b>	3,743
Between 1 to 2 years	<b>3,429</b>	1,921	<b>3,321</b>	1,800
Between 2 to 5 years	<b>462</b>	556	<b>520</b>	529
	<b>9,920</b>	6,607	<b>9,550</b>	6,072
<i>Less: Finance charges relating to future periods</i>	<b>(370)</b>	(535)	–	–
Present value of lease obligations	<b><u>9,550</u></b>	<u>6,072</u>	<b>9,550</b>	6,072
<i>Less: Amount due within one year shown under current liabilities</i>			<b><u>(5,709)</u></b>	<u>(3,743)</u>
Amount due after one year			<b><u>3,841</u></b>	<u>2,329</u>

The average lease term is two years. For the year ended 30th June, 2003, the average effective borrowing rate was 8.56% (2002: 11.36%). 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.

**28. SHARE CAPITAL**

	<b>Number of ordinary shares of HK\$0.20 each</b>	<b>Amount <i>HK\$'000</i></b>
Authorised:		
Balance at 1st July, 2001, 1st July, 2002 and 30th June, 2003	<u>2,000,000,000</u>	<u>400,000</u>
Issued and fully paid:		
Balance at 1st July, 2001, 1st July, 2002 and 30th June, 2003	<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, 2003, the Company had outstanding warrants of HK\$90,880,000 (2002: HK\$90,880,000). Exercise in full of such warrants would result in the issue of approximately 189,334,000 (2002: 189,334,000) shares at a subscription price of HK\$0.48 per share, subject to adjustment.

**SHARE OPTION SCHEMES**

The directors and employees of the Company and its subsidiaries are entitled to participate in the share option schemes operated by the Company and ACL. Details of these schemes are as follows:

**(a) Share options of the Company**

*1997 Scheme*

The Company's share option scheme adopted on 28th May, 1997 (the "1997 Scheme") for the primary purpose of providing incentives to directors and eligible employees and was terminated on 16th September, 2002.

Under the 1997 Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Options granted should be accepted within 30 days from the date of grant.

**28. SHARE CAPITAL** (Cont'd)

**SHARE OPTION SCHEMES** (Cont'd)

**(a) Share options of the Company** (Cont'd)

*1997 Scheme (Cont'd)*

The exercise price is determined by the directors of the Company, and is the higher of the nominal value of the Company's shares and an amount which is not less than 80% of the average closing price of the shares for the five trading days immediately preceding the option is granted.

The total number of shares in respect of which options may be granted under the 1997 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time.

Options granted under the 1997 Scheme are exercisable within a period of five years from the date the options are granted.

Details of share options granted under the 1997 Scheme to the directors of the Company are as follows:

	Date of grant	Exercisable period	Exercise price HK\$	Number of shares to be issued upon exercise of the share options		
				Options outstanding at 1.7.2001 and 1.7.2002	Lapsed during the year	Options outstanding at 30.6.2003
Directors	3rd July, 1997	3.7.1997 to 2.7.2002	0.36	15,400,000	(15,400,000)	–

Other than the share options disclosed above, no share options were held by the employees of the Group.



**28. SHARE CAPITAL** (Cont'd)**SHARE OPTION SCHEMES** (Cont'd)**(a) Share options of the Company** (Cont'd)*2002 Scheme*

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

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 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 Rules Governing the Listing of Securities on the Stock Exchange.

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 under the 2002 Scheme since its adoption.

**(b) Share options of ACL***ACL 2002 Scheme*

On 16th September, 2002, ACL adopted a share option scheme (the "ACL 2002 Scheme"). The details of the ACL 2002 Scheme are the same as the 2002 Scheme of the Company.

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

For the year ended 30th June, 2003

**29. TREASURY SHARES**

	Number of treasury shares	Amount HK\$'000
Balance at 1st July, 2001, 1st July, 2002 and 30th June, 2003	<u>48,329,000</u>	<u>12,546</u>

Treasury shares represent ordinary shares of the Company held by iQuorum before iQuorum is 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.

**30. RESERVES**

	Shares premium account HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE COMPANY</b>						
At 1st July, 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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,855)</u>	<u>(3,855)</u>
At 30th June, 2002	3	(1,516)	10,892	204,610	(184,675)	29,314
Deficit on revaluation of other securities	-	(270)	-	-	-	(270)
Net loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,317)</u>	<u>(47,317)</u>
At 30th June, 2003	<u>3</u>	<u>(1,786)</u>	<u>10,892</u>	<u>204,610</u>	<u>(231,992)</u>	<u>(18,273)</u>

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.

At 30th June, 2003, the Company has no reserve available for distribution to the shareholders (2002: profit available for distribution of HK\$19,935,000).

**31. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY**

The amount due to a minority shareholder of a subsidiary of the Group 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.

**32. DEFERRED TAXATION**

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

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	<b>647</b>	664	–	–
Movement for the year (note 11)	<b>(263)</b>	(17)	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	<b><u>384</u></b>	<u>647</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:

	<b>Recognised</b>		<b>Unrecognised</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE GROUP</b>				
Tax effect of timing differences attributable to:				
Difference of tax allowances and depreciation charged in the financial statements	<b>561</b>	647	<b>451</b>	1,646
Tax losses	<b>(177)</b>	–	<b>(76,149)</b>	(62,014)
	<hr/>	<hr/>	<hr/>	<hr/>
	<b><u>384</u></b>	<u>647</u>	<b><u>(75,698)</u></b>	<u>(60,368)</u>
<b>THE COMPANY</b>				
Tax effect of timing differences attributable to:				
Tax losses	<b>–</b>	–	<b>(5,026)</b>	(4,553)
	<hr/>	<hr/>	<hr/>	<hr/>

For the year ended 30th June, 2003

**32. 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:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
<b>THE GROUP</b>		
Tax effect of timing differences attributable to:		
Difference of tax allowances and depreciation charged in the financial statements	<b>(1,349)</b>	(33)
Tax losses arising	<b>(8,321)</b>	(2,507)
Effect of change in tax rate	<b>(5,660)</b>	–
	<u><b>(15,330)</b></u>	<u>(2,540)</u>

**THE COMPANY**

Tax effect of timing differences attributable to:

Tax losses (arising) utilised	<b>(46)</b>	53
Effect of change in tax rate	<b>(427)</b>	–
	<u><b>(473)</b></u>	<u>53</u>

**33. CONVERTIBLE NOTE**

The convertible note of the Group (the "Note") which issued on 6th June, 2003, is unsecured, held by an independent third party and interest-bearing at 12% per annum. The Note, which is transferable in whole or in part, confers rights on the holder to convert into shares in Quorum Global (NA) Inc., a subsidiary of the Company, at an initial conversion price per share of Quorum Global (NA) Inc. which equal to the first round offering price with no dilution on the shares of Quorum Global (NA) Inc.. Unless otherwise converted, the principal amount of the Note will be repayable by Quorum Global (NA) Inc. on 6th June, 2005.

The Note has not been converted since its issue.

**34. CONTINGENT LIABILITIES**

At 30th June, 2003, the Company issued guarantees of HK\$37,000,000 (2002: HK\$37,000,000) in respect of other loans granted to a subsidiary.

**35. OPERATING LEASE COMMITMENTS**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments paid in respect of properties under operating leases	<u><b>6,952</b></u>	<u>1,863</u>

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

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>5,739</b>	4,832
In the second to fifth year inclusive	<b>5,157</b>	6,018
Over five years	<u>–</u>	<u>568</u>
	<u><b>10,896</b></u>	<u>11,418</u>

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

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

For the year ended 30th June, 2003

**36. 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:

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	<b>7,782</b>	7,619
In the second to fifth year inclusive	<b>4,375</b>	3,954
	<u><b>12,157</b></u>	<u>11,573</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\$61,820,000 have committed tenants for the next year.

**37. CAPITAL COMMITMENTS**

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

	<b>2003</b> <i>HK\$'000</i>	2002 <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><b>3,693</b></u>	<u>10,838</u>

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

**38. DISPOSAL OF SUBSIDIARIES**

	<b>2003</b>	2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net assets disposed of		
Bank balances and cash	–	18
Loss on disposal of subsidiaries	–	(18)
	<u>–</u>	<u>(18)</u>
	<u>–</u>	<u>–</u>
Satisfied by		
Cash	–	–
	<u>–</u>	<u>–</u>

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

	<b>2003</b>	2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cash consideration received	–	–
Bank balances and cash disposed of	–	(18)
	<u>–</u>	<u>(18)</u>

The cash flows contributed or utilised by the subsidiaries disposed of during year ended 30th June, 2002 were not significant.

**39. MAJOR NON-CASH TRANSACTION**

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\$10,398,000 (2002: HK\$5,127,000).

**40. PLEDGE OF ASSETS**

At 30th June, 2003, the Group pledged its bank deposits, investment properties and property, plant and equipment amounting to HK\$3,219,000 (2002: HK\$4,702,000), HK\$73,920,000 (2002: HK\$135,120,000) and HK\$18,287,000 (2002: HK\$41,410,000), respectively, to secure general banking facilities granted to the Group.

**41. POST BALANCE SHEET EVENTS**

Subsequent to 30th June, 2003, the following significant events of the Group occurred:

- (a) The Group disposed of certain investment properties at an aggregate consideration of HK\$9,545,000.
- (b) On 16th October, 2003, the Group entered into an agreement to dispose of its 59% equity interest in a subsidiary at a consideration of HK\$61 million.

**42. RELATED PARTIES TRANSACTION**

At 30th June, 2003, 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\$24,373,000 (2002: HK\$25,900,000).

**43. RETIREMENT BENEFITS SCHEME**

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

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

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

With 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.