

The Directors present their annual report and the audited financial statements for the year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its principal subsidiaries are engaged in the manufacture and trading of electronic and healthcare products and property investment. The Group's head office is in Hong Kong and all of its manufacturing operations are located in the People's Republic of China.

CHANGE OF NAME

Pursuant to a special resolution passed at the special general meeting of the Company held on 4 February 2004, the name of the Company was changed from "Applied (China) Limited" to "MACRO-LINK International Holdings Limited" and the Company has adopted the Chinese name "新華聯國際控股有限公司" for identification purpose.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 30 June 2004 are set out in the consolidated income statement on page 15.

The directors do not recommend the payment of a dividend for the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 65% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 19%.

The aggregate sales attributable to the Group's five largest customers was approximately 75% and the sales attributable to the Group's largest customer was approximately 23%.

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

SHARE CAPITAL AND WARRANTS

Details of the share capital and warrants of the Company are set out in notes 24 and 25 to the financial statements, respectively.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year, the Group disposed of its investment properties with an aggregate carrying amount of HK\$4,000,000 at a consideration of approximately HK\$4,600,000. The remaining investment properties of the Group with an aggregate carrying amount of HK\$80,756,000 were disposed of as a result of the disposal of certain subsidiaries of the Company.

During the year, the Group spent approximately HK\$1,400,000 on the acquisition of tools, equipment and moulds for the purpose of upgrading of its production facilities.

Details of these and other movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 10 and 11 to the financial statements, respectively.

DIRECTORS

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

Executive Directors:

Mr Fu Kwan (<i>Chairman</i>)	(appointed on 25 February 2004)
Mr Wu Xiang Dong (<i>Deputy Chairman</i>)	(appointed on 25 February 2004)
Mr Shu Shi Ping (<i>Managing Director</i>)	(appointed on 27 September 2004)
Mr Chan Yeuk	(appointed on 25 February 2004)
Mr Zhang Jian	(appointed on 25 February 2004)
Mr Wang Xiao Ming (<i>Managing Director</i>)	(appointed on 25 February 2004 and resigned on 27 September 2004)
Mrs Hung Wong Kar Gee, Mimi	(resigned on 3 March 2004)
Mr Fang Chin Ping	(resigned on 3 March 2004)

Non-executive Director:

Mr Hung Kin Sang, Raymond	(redesignated as Non-executive Director on 25 February 2004)
---------------------------	---

Independent Non-executive Directors:

Mr Cao Kuangyu	(appointed on 25 February 2004)
Mr Ting Leung Huel, Stephen	(appointed on 25 February 2004)
Mr E Meng	(appointed on 27 September 2004)
Mr Lun Tsan Kau	(resigned on 3 March 2004)
Mr Lo Yun Tai	(resigned on 3 March 2004)

In accordance with Bye-laws 86, 87 and 88 of the Company's Bye-laws, Mr Fu Kwan, Mr Wu Xiang Dong, Mr Shu Shi Ping, Mr Chan Yeuk, Mr Zhang Jian, Mr Cao Kuangyu, Mr Ting Leung Huel, Stephen and Mr E Meng will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. All of the remaining directors will continue in office.

The appointment of each Non-executive Director is for an initial term of one year and is subject to retirement by rotation and re-election in accordance with the Company's Bye-laws during his term of office.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of discloseable connected transactions for the year are as follows:

- (a) In December, 2003, the Company entered into an agreement (the "Disposal Agreement") with Applied International Holdings Limited ("AIHL"), the then ultimate holding company of the Company. Pursuant to the Disposal Agreement, the Company has agreed to dispose of its entire interest in iQuorum Cybernet Limited and its subsidiaries to AIHL. The Disposal Agreement was completed on 9 February 2004 (the "Completion Date"). Details of the above transactions were set out in the circular dated 12 January 2004 issued by the Company.
- (b) At the Completion Date, Mrs Hung Wong Kar Gee, Mimi and Mr Hung Kin Sang, Raymond, 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\$23,461,000.
- (c) At the Completion Date, the Group advanced an aggregate of approximately HK\$3,061,000 to a fellow subsidiary. The advance was unsecured, non-interest bearing and has no fixed terms of repayment.
- (d) During the year, the Group entered into sales transaction with a fellow subsidiary with an aggregate amount of approximately HK\$2,318,000. The transactions were carried out at a cost plus mark-up.
- (e) During the period from 1 July 2003 to the Completion Date, the Group wrote off amounts due from fellow subsidiaries of approximately HK\$11,336,000.
- (f) For the period from 1 July 2003 to the Completion Date, the aggregate value of the transactions entered into by RJP International Limited, a wholly-owned subsidiary of the Company, with a fellow subsidiary pursuant to the Contract Manufacture Agreement described in the circular to Shareholders dated 26 August 1996 did not exceed HK\$212.8 million.

In accordance with the conditions agreed with The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with respect to connected transactions, the Independent Non-executive Directors of the Company have reviewed the connected transactions set out above and have confirmed that the transactions were carried out in accordance with the terms of the relevant agreement, or if the transaction is not governed by an agreement:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

Save as disclosed above:

- (i) no contracts of significance subsisted at the end of the year or at any time during the year to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly; and
- (ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Details of the share option schemes of the Company are set out in note 35 to the financial statements.

Save as disclosed above, at no time during the year was the Company or any of its holding companies 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.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2004, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in ordinary shares of the Company

Name of Director	Number of issued ordinary shares held by controlled corporations	Percentage of the issued share capital of the Company <i>(Note)</i>
Mr Fu Kwan	861,880,281	74.99%

Note: MACRO-LINK International Investment Co., Ltd., a wholly-owned subsidiary of MACRO-LINK Sdn. Bhd. owned 861,880,281 shares in the Company. Mr Fu Kwan, the Director of the Company owned 70% issued share capital of MACRO-LINK Sdn. Bhd. MACRO-LINK Sdn. Bhd. and Mr Fu Kwan were deemed to be interested in the 861,880,281 shares in the Company.

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, or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2004.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed under the heading "Directors' interests in shares" above, 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 as at 30 June 2004.

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

During the year, there was no purchase, sale or redemption of the shares of the Company by the Company or any of its subsidiaries.

DONATIONS

During the year, the Group made charitable and other donations of approximately HK\$894,000.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The written term of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited financial statements and report of the Group for the year ended 30 June 2004. The Committee was content that the accounting policies of the Group are in accordance with current best practice in Hong Kong.

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.

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

Fu Kwan
Chairman

Hong Kong, 27 September 2004