

The directors present their annual report and the audited financial statements of the Company for the year ended 30th June, 2004.

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 healthcare products, property and investment holding and property development. The activities of the principal subsidiaries are set out in note 16 to the financial statements.

On 1st December, 2003, the Company entered into a sale and purchase agreement with MACRO-LINK International Investment Company Limited ("MACRO-LINK"), to dispose of its entire interest in MACRO-LINK International Holdings Limited (formerly known as Applied (China) Limited ("ACL")) for an aggregate consideration of HK\$123 million. ACL is an exempted company incorporated in Bermuda with limited liability and its shares and warrants are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). ACL is principally engaged in the manufacture and trading of electronic and healthcare products and property investment.

On the same date, the Company entered into another sale and purchase agreement with ACL to acquire 100% interest in iQuorum Cybernet Limited ("iQuorum"), a wholly-owned subsidiary of ACL for an aggregate consideration of HK\$77,550,000.

Further details of the above transactions are set out in the circular issued by the Company dated 12th January, 2004.

RESULTS AND APPROPRIATION

The results of the Group for the year are set out in the consolidated income statement on page 22.

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

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the total purchases. The aggregate sales attributable to the Group's five largest customers and the largest customer were 44% and 12% 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 customers of the Group.

INVESTMENT PROPERTIES

Investment properties of the Group were revalued at 30th June, 2004 by an independent firm of professional property valuers on an open market value basis, resulting in a surplus on revaluation of these properties amounting to HK\$85,228,000.

Details of these and other movements during the year in the investment properties of the Group are set out in note 14 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 15 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 30th June, 2004 are set out on pages 72 to 74.

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 (*resigned on 30th September, 2004*)

Independent Non-executive:

Lo Yun Tai

Lun Tsan Kau

Soo Hung Leung, Lincoln (*appointed on 30th September, 2004*)

In accordance with Clause 112(A) of the Company's Bye-Laws, Mr. Fang Chin Ping retires and, being eligible, offers himself 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.

DIRECTORS (Cont'd)

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, 2004, 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, Quorum Global Limited, a former wholly-owned subsidiary of the Company disposed of during the year, purchased Chinese medicinal herbs and nano products of HK\$2,311,000 from Quorum Bio-Tech Limited, a 89% owned subsidiary of the Company.
- (c) On 1st December, 2003, the Company entered into a conditional sale and purchase agreement with ACL to acquire 100% interest in iQuorum.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30th June, 2004, the interests 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 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

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)

Notes:

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

	Number of ordinary shares
Malcolm Trading Inc.	43,992,883
Primore Co. Inc.	2,509,266
Capita Company Inc.	359,153,435
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	405,655,584

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 were held by iQuorum.

(b) Long positions in shares of an 89% owned subsidiary

At 30th June, 2004, 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, 2004, 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 following share option schemes of the Company and ACL. Particulars of these schemes are set out in note 28 to the financial statements.

(a) 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.

(b) 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.

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

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, 2004.

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\$1,606,000.

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.

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, 27th October, 2004