1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's ultimate holding company is Chevalier International Holdings Limited ("CIHL"), a limited liability company incorporated in Bermuda and its shares are listed on the Stock Exchange.

The principal activities of the Company are investment holding and investment in securities. Details of the principal activities of the subsidiaries are set out in pages 53 and 54. During the year, the Group has discontinued the telecommunication services and retailing.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of the revised accounting policy has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year and also incorporate the Group's interests in associates on the basis set out in (d) below.

The results of subsidiaries and associates 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.

(b) Goodwill/negative goodwill on consolidation

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 of a subsidiary or associate. Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition.

Goodwill arising on acquisitions prior to 1st April, 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 associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions on or after 1st April, 2001 is capitalised and amortised on a straight-line basis over its estimated useful life. Goodwill arising on acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be credited to income statement at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions after 1st April, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of the associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

(c) Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

3. PRINCIPAL ACCOUNTING POLICIES – continued

(d) Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

(e) 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 value and are revalued annually by independent professional valuers. Any revaluation increase or decrease 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 revaluation decrease, in which case the excess of the revaluation decrease over the balance of the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease 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.

(f) Property, plant and equipment

(i) Properties

Properties held for own use are stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that would be determined using fair values at the balance sheet date. Any revaluation increase arising on revaluation of such properties is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of a property is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that property. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus is transferred to retained profits.

No depreciation is provided on freehold land. Depreciation is provided on leasehold land over the remaining terms of the respective leases. Depreciation is provided on the cost of the buildings on a straight-line basis over their estimated useful lives of 20 to 50 years or the remaining terms of the respective leases, whichever is the shorter.

(ii) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost of plant and equipment over their estimated useful lives after taking into account their estimated residual value, on the reducing balance basis, at the following rates per annum:

	Initial charge upon purchase	**Annual charge**
Computer equipment	20%	40%
Others	20%	20%

Assets held for leasing are depreciated over the shorter of the term of the leases or at an annual rate of 20% on the cost of the assets.

The gain or loss arising from the 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.

3. PRINCIPAL ACCOUNTING POLICIES – continued

(g) Properties for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of acquisition of properties and other direct costs. Net realisable value is estimated by management based on prevailing market conditions or when a binding sales agreement is executed, by reference to the agreed selling prices.

(h) Inventories

Inventories represent general merchandise and consumable stores. General merchandise are stated at the lower of cost and net realisable value whereas consumable stores are stated at cost less allowance. Cost is calculated using weighted average method.

(i) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in income statement for the period.

(j) Installation contracts

When the outcome of an installation contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the value of work carried out during the year.

When the outcome of an installation contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contracts in progress are recorded in the balance sheet at the contract costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as "amounts due from customers for contract work" (as an asset) or "amounts due to customers for contract work" (as a liability), where applicable. Amounts received before the related work is performed are included in the balance sheet as a liability. Amounts billed for work performed on a contract but not yet paid by the customers are included in the balance sheet under "debtors, deposits and prepayments".

(k) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

3. PRINCIPAL ACCOUNTING POLICIES – continued

(l) Revenue recognition

Income from sale of goods is recognised when goods are delivered and title of the goods has passed to the customer. Revenue is arrived at after deduction of any sales returns and discounts.

Income from rendering of services is recognised at the time when services are rendered. Receipts in advance of provision of services are accounted for as deferred service income.

When the outcome of an installation contract can be estimated reliably, revenue is recognised using the percentage of completion method, measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. When the outcome of an installation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Income from sale of securities is recognised on a trade-date basis.

Rental income and other earnings under operating leases are recognised on a straight-line basis over the term of the respective lease.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(m) Operating leases

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessors are accounted for as operating leases. Payments on assets leased by the Group and income on property, plant and equipment of the Group leased to third parties are dealt with in the income statement on a straight-line basis over the terms of the relevant lease.

(n) Retirement benefit costs

The retirement benefit costs charged in the income statement represent the contributions paid and payable in respect of the current year to the Group's defined contribution schemes.

(o) Foreign currency translation

The accounting records of the Group, other than those subsidiaries not operating in Hong Kong, are maintained in Hong Kong dollars. Transactions denominated in foreign currencies during the year are translated at the rates of exchange ruling on the dates of transactions or on the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated into Hong Kong dollars at the rates of exchange ruling on that date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the subsidiaries and associates operating outside Hong Kong are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to exchange fluctuation reserve. Such translation differences are recognised as income or as expenses in the year in which the subsidiary or associate is disposed of.

(p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES – continued

(p) Taxation – continued

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(q) Cash equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4. TURNOVER

Turnover represents the net amount received and receivable for goods sold, provision of services by the Group and investment income. An analysis of the Group's turnover by business and geographical segment is set out in note 22.

5. GAIN/(LOSS) ON DISCONTINUED OPERATIONS

The current year's credit mainly represents over-accrual of cost made in last year on termination of the Group's operations in trading of general merchandise and retailing of telecommunication equipment and provision of telecommunication agency services. Details of the overprovision and loss incurred in last year are as follows:

	2004 **HK$'000**	2003 HK$'000
Over-accrual (accrual) for lease payments under non-cancellable operating leases and related outgoings	**645**	(1,927)
Over-accrual (accrual) of staff redundancy cost	**408**	(3,264)
Loss on disposal of property, plant and equipment	**–**	(5,425)
Impairment loss on property, plant and equipment	**–**	(1,218)
Loss in value of inventories	**(37)**	(259)
	1,016	(12,093)

5. GAIN/(LOSS) ON DISCONTINUED OPERATIONS – continued

Details of the Group's discontinued operations are as follows:

(a) In September 2002, the board of directors of the Company determined to cease its retailing of telecommunication equipment and provision of telecommunication agency services which were operated in Hong Kong. The operations were ceased in May 2003. Total loss arising from the discontinuance of the operations amounted to HK$8,030,000. An over– accruals of the retail outlets closure costs of HK$948,000 made in prior year was credited to the current year's income statement (2003: loss of HK$8,978,000).

The results of the operations for the current year, and the carrying amounts of the assets and liabilities of the retailing of telecommunication equipment and provision of telecommunication agency services business which have been included in the consolidated financial statements, are as follows:

	2004 HK$'000	2003 HK$'000
Turnover	994	73,893
Other operating income	3,180	8,394
Operating costs	(1,394)	(90,861)
Gain (loss) from operations	2,780	(8,574)
Total assets	2,492	11,395
Total liabilities	(2,853)	(9,855)

During the year, the retailing of telecommunication equipment and provision of telecommunication agency services business contributed HK$ 4,504,000 (2003: used up HK$5,840,000) to the Group's net operating cash flows, contributed HK$ 159,000 (2003: used up HK$1,112,000) in respect of investing activities and used up HK$ 4,877,000 (2003: contributed HK$7,040,000) in respect of financing activities.

(b) During the last financial year, the Group had ceased trading of general merchandise in Hong Kong by closing down all its retail outlets. Loss arising from the discontinuance of the operation amounted to HK$3,047,000. An over-accruals of the retail outlet closure costs of HK$68,000 made in prior year was credited to the current year's income statement (2003: loss of HK$3,115,000).

The results of the operations for the last period and the carrying amounts of the assets and liabilities of the trading of general merchandise business included in the consolidated financial statements, are as follows:

	2004 HK$'000	2003 HK$'000
Turnover	–	14,159
Other operating income	–	1,690
Operating costs	–	(20,901)
Loss from operations	–	(5,052)
Total assets	27	1,287
Total liabilities	(992)	(3,995)

During the year, the trading of general merchandise used up HK$1,203,000 (2003: HK$2,195,000) of the Group's net operating cash flows and contributed HK$1,202,000 (2003: HK$1,765,000) in respect of financing activities. The operation also contributed HK$23,000 in respect of investing activities during last year.

6. PROFIT (LOSS) BEFORE TAXATION

	2004 HK$'000	2003 HK$'000
Profit (Loss) before taxation is arrived at after charging:		
Auditors' remuneration		
Current year	**889**	1,253
Overprovision for prior year	**(288)**	–
	601	1,253
Depreciation on property, plant and equipment	**4,803**	4,844
Loss on disposal of property, plant and equipment	**58**	6,091
Impairment loss on property, plant and equipment	**–**	1,218
Operating lease payments in respect of renting of premises	**10,592**	28,754
Staff costs (note)	**80,392**	104,221
Net realised and unrealised holding loss on investments in securities	**–**	1,431
Interest on bank overdrafts repayable within five years	**22**	68
Deficit on revaluation of properties for own use	**–**	198
and crediting:		
Gross rental income from properties of HK$586,000 (2003: HK$657,000) less outgoings	**420**	488
Gross earnings from leasing of assets other than properties of HK$4,051,000 (2003: HK$1,999,000) less outgoings	**1,778**	1,260
Net realised and unrealised holding gain on investments in securities	**6,595**	–
Interest income from bank and other deposits	**3,035**	4,838
Interest income from debt securities	**6,748**	1,161
Exchange gain	**4,035**	2,572
Surplus on revaluation of		
investment properties	**–**	120
properties for own use	**828**	–

Note: Details of directors' emoluments included in staff costs are disclosed in note 23. Staff costs include an amount of HK$1,056,000 (2003: HK$3,796,000) in respect of staff redundancy payments.

7. TAXATION

	2004 HK$'000	2003 HK$'000
Current taxation		
Company and subsidiaries		
Hong Kong	**748**	1,142
Overseas	**430**	2,842
	1,178	3,984
Share of taxation attributable to associates		
Hong Kong	**–**	350
Deferred taxation		
Hong Kong	**379**	–
	1,557	4,334

Provision for Hong Kong Profits Tax is calculated at the rate of 17.5% (2003: 16%) on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the year of assessment 2003/2004. The effect of this increase has been reflected in the calculation of current and deferred tax balance as at 31st March, 2004.

Provision for overseas taxation is calculated based on the rates applicable to the relevant local legislation on the estimated assessable profits.

7. TAXATION – continued

The tax charge for the year can be reconciled to the profit (loss) per the income statement as follows:

	2004 HK$'000	2003 HK$'000
Profit (loss) before taxation	24,420	(18,463)
Less: Share of results of associates	77	(1,927)
	24,497	(20,390)
Tax at the domestic income tax rate of 17.5% (2003: 16%) (note)	4,287	(3,262)
Tax effect of expenses not deductible for tax purpose	356	857
Tax effect of income not taxable for tax purpose	(2,192)	(1,623)
Tax effect of tax losses not recognised	1,282	6,566
Utilisation of tax losses previously not recognised	(3,092)	(139)
Tax effect on deferred tax assets not recognised	868	610
Effect of different tax rates of subsidiaries operating in other jurisdictions	195	1,231
Others	(147)	(256)
Tax expenses of the Company and subsidiaries for the year	1,557	3,984

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

8. DIVIDEND

	2004 HK$'000	2003 HK$'000
Interim dividend paid HK$0.02 (2003: nil) per share on 171,355,871 shares	3,427	–
Proposed final dividend HK$0.03 (2003: nil) per share on 171,355,871 shares	5,141	–
	8,568	–

9. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated based on the profit for the year of HK$22,863,000 (2003: loss of HK$22,797,000) and on the weighted average number of ordinary shares of 171,355,871 (2003: 171,355,870) in issue during the year. The weighted average number of shares has been adjusted for the consolidation of every five of the Company's ordinary shares of HK$0.10 each into one ordinary share of HK$0.50 in June 2003.

No diluted earnings per share for the year has been presented because the exercise price of the Company's options was higher than the average market price for shares. No diluted loss per share is presented for last year as the exercise of the Company's outstanding share options would result in a decrease in net loss per share.

10. INVESTMENT PROPERTIES

	THE GROUP	
	2004 HK$'000	2003 HK$'000
Properties situated in the Mainland China, held under medium-term leases	5,160	5,160

Investment properties were revalued on an open market value basis on 31st March, 2004 by independent professional valuers, DTZ Debenham Tie Leung Limited.

Gross rental income derived from renting of investment properties under operating leases during the year amounted to HK$419,000 (2003: HK$468,000).

11. PROPERTY, PLANT AND EQUIPMENT

	Properties for own use									
	Hong Kong	Overseas		The Mainland China				Furniture, fixtures, office equipment and motor vehicles		
	under medium-term lease	freehold	under short-term lease	under long-lease	under medium-term lease	Transmitters and tele-communications equipment	Machinery tools and equipment	for own use	for lease	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP										
COST OR VALUATION										
At 1st April, 2003	4,450	6,985	295	1,690	1,710	302	14,557	19,580	4,900	54,469
Exchange adjustments	–	611	25	–	–	–	367	541	228	1,772
Additions	–	–	–	–	–	–	589	1,059	4,547	6,195
Disposals	–	–	–	–	–	(171)	(2,505)	(4,700)	(1,975)	(9,351)
Surplus (deficit) on revaluation	350	969	117	(10)	–	–	–	–	–	1,426
At 31st March, 2004	4,800	8,565	437	1,680	1,710	131	13,008	16,480	7,700	54,511
ACCUMULATED DEPRECIATION										
At 1st April, 2003	–	–	–	–	–	222	11,510	15,438	1,044	28,214
Exchange adjustments	–	–	–	–	–	–	269	464	80	813
Charge for the year	101	268	119	29	123	24	1,353	1,139	1,647	4,803
Eliminated on disposals	–	–	–	–	–	(153)	(2,347)	(4,399)	(822)	(7,721)
Eliminated on revaluation	(101)	(268)	(119)	(29)	(123)	–	–	–	–	(640)
At 31st March, 2004	–	–	–	–	–	93	10,785	12,642	1,949	25,469
NET BOOK VALUES										
At 31st March, 2004	4,800	8,565	437	1,680	1,710	38	2,223	3,838	5,751	29,042
At 31st March, 2003	4,450	6,985	295	1,690	1,710	80	3,047	4,142	3,856	26,255

An analysis of cost or valuation of the property, plant and equipment is as follows:

At cost	–	–	–	–	–	131	13,008	16,480	7,700	37,319
At 2004 professional valuation	4,800	8,565	437	1,680	1,710	–	–	–	–	17,192
	4,800	8,565	437	1,680	1,710	131	13,008	16,480	7,700	54,511

Properties were revalued on an open market value basis on 31st March, 2004 based on existing use by independent professional valuers. Properties in Hong Kong were revalued by Messrs. Knight Frank. Overseas properties were revalued by Brooke Real Estate Limited. Properties in the Mainland China were revalued by DTZ Debenham Tie Leung Limited.

Had these properties been carried at cost less accumulated depreciation, the carrying amount at 31st March, 2004 would have been HK$22,286,000 (2003: HK$23,026,000).

11. PROPERTY, PLANT AND EQUIPMENT – continued

THE COMPANY

	HK$'000
MOTOR VEHICLE AT COST	
At 1st April, 2003 and 31st March, 2004	348
ACCUMULATED DEPRECIATION	
At 1st April, 2003	159
Charge for the year	38
At 31st March, 2004	197
NET BOOK VALUES	
At 31st March, 2004	151
At 31st March, 2003	189

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK$'000	HK$'000
Unlisted shares, at cost less impairment loss	**57,951**	57,409
Amounts due from subsidiaries, less allowances	**42,282**	39,320
	100,233	96,729

Particulars regarding the principal subsidiaries as at 31st March, 2004 are set out on pages 53 and 54.

The Directors are of the opinion that a complete list of all subsidiaries would be of excessive length and therefore, the subsidiaries as set out are those that principally affect the results or assets of the Group.

None of the subsidiaries had any debt securities outstanding at the end of the year.

13. INTERESTS IN ASSOCIATE

	THE COMPANY	
	2004	2003
	HK$'000	HK$'000
Share of net assets	**24**	7,072
Amount due from an associate	**2,215**	2,546
	2,239	9,618

13. INTERESTS IN ASSOCIATES – continued

Particulars of the associate Guangzhou Chevalier iTech Limited, which was incorporated and is operating in the Mainland China are as follows:

Form of business structure:	Corporate
Effective % of registered capital held by the subsidiary:	24%
Principal activities:	Trading of office equipment and provision of maintenance service

14. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
Held to maturity securities:				
Debt securities, unlisted	**–**	17,800	**–**	17,800
Investment securities:				
Equity securities, unlisted	**5,000**	–	**–**	–
Other investments:				
Equity securities, listed in Hong Kong	**416**	–	**–**	–
Equity securities, unlisted	**2,976**	995	**–**	–
Debt securities, listed overseas	**5,969**	–	**–**	–
Debt securities, unlisted	**108,054**	53,015	**–**	40,166
Mutual fund, unlisted	**35,354**	32,048	**–**	32,048
	157,769	103,858	**–**	90,014
Market value of listed securities				
equity securities	**416**	–	**–**	–
debt securities	**5,969**	–	**–**	–
	6,385	–	**–**	–
Carrying value analysed for reporting purposes are:				
Non-current	**5,000**	17,800	**–**	17,800
Current	**152,769**	86,058	**–**	72,214
	157,769	103,858	**–**	90,014

15. INVENTORIES

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
Inventories held for resale	**63,455**	53,000
Consumable stores	**3,614**	3,946
	67,069	56,946

Included in the above are inventories held for resale of HK$8,842,000 (2003: HK$7,611,000) carried at net realisable value.

The cost of inventories recognised as an expense during the year was HK$381,115,000 (2003: HK$499,233,000).

16. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK$56,650,000 (2003: HK$72,201,000). An aged analysis of trade debtors as at 31st March, 2004 is as follows:

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
0 – 60 days	**50,455**	63,469
61 – 90 days	**3,298**	3,389
Over 90 days	**2,897**	5,343
	56,650	72,201

The Group has established different credit policies for customers in each of its core business. The average credit period granted for trade debtors was 60 days.

17. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2004 **HK$'000**	2003 HK$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred	**68,151**	39,538
Recognised profits less losses	**(6,633)**	(7,052)
	61,518	32,486
Progress billings	**(62,402)**	(35,772)
	(884)	(3,286)
Represented by:		
Amounts due from customers included in current assets	**438**	1,244
Amounts due to customers included in current liabilities	**(1,322)**	(4,530)
	(884)	(3,286)

At 31st March, 2004, retentions held by customers for contract work amounted to HK$4,909,000 (2003: HK$3,637,000). No advance payments were received from customers for contract work.

18. CREDITORS, DEPOSITS AND ACCRUALS

Included in creditors, deposits and accruals are trade creditors of HK$28,613,000 (2003: HK$21,053,000). An aged analysis of the trade creditors as at 31st March, 2004 is as follows:

	THE GROUP	
	2004 **HK$'000**	2003 HK$'000
0 – 60 days	**26,739**	15,289
61 – 90 days	**–**	969
Over 90 days	**1,874**	4,795
	28,613	21,053

19. DEFERRED TAXATION

The following are the major deferred tax liabilities and (assets) recognised and movements thereon during the year:

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 April 2002 and 2003	–	–	–	–
Charge (credit) to income for the year	536	(107)	(50)	379
At 31 March 2004	536	(107)	(50)	379

19. DEFERRED TAXATION – continued

No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$495,771,000 (2003: HK$506,113,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$2,359,000 (2003: nil) that will expire in 2009. Other losses may be carried forward indefinitely.

At the balance sheet date, the Group had deductible temporary difference of HK$36,746,000 (2003: HK$30,702,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

20. SHARE CAPITAL

	2004 HK$'000	2003 HK$'000
Authorised: 240,000,000 (2003: 1,200,000,000) ordinary shares of HK$ 0.50 (2003: HK$ 0.10) each	**120,000**	120,000
Issued and fully paid: 171,355,871 (2003: 856,779,352) ordinary shares of HK$ 0.50 (2003: HK$ 0.10) each	**85,678**	85,678

On 13th May, 2003, 3 shares of HK$0.10 each were allotted at HK$0.464 on exercise of share options.

Pursuant to a special resolution passed at a special general meeting of the shareholders of the Company on 5th June, 2003, every five issued and unissued ordinary shares of HK$0.10 each are consolidated into one ordinary share of HK$0.50.

Details of the share option scheme of the Company and the ultimate holding company are set out in note 27.

21. RESERVES

	Share premium HK$'000	**Capital reserve** HK$'000	**Capital redemption reserve** HK$'000	**Properties for own use revaluation reserve** HK$'000	**Exchange fluctuation reserve** HK$'000	**Dividend reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
THE GROUP								
At 1st April, 2002	223,434	18,231	14	1,134	587	–	55,790	299,190
Surplus on revaluation of properties	–	–	–	392	–	–	–	392
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	1,771		–	1,771
Net loss for the year	–	–	–	–	–	–	(22,797)	(22,797)
At 31st March, 2003	223,434	18,231	14	1,526	2,358		32,993	278,556
Surplus on revaluation of properties	–	–	–	1,238	–	–	–	1,238
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	(1,322)	–	–	(1,322)
Net profit for the year	–	–	–	–	–	–	22,863	22,863
Dividend	–	–	–	–	–	5,141	(8,568)	(3,427)
At 31st March, 2004	223,434	18,231	14	2,764	1,036	5,141	47,288	297,908

21. RESERVES – continued

Notes:

(i) Reserves of the Group at the balance sheet date includes the Group's share of the post-acquisition loss sustained by an associate amounting to HK$79,000 (2003: profit of HK$816,000).

(ii) The capital reserve includes amounts of HK$27,000 (2003: HK$27,000) goodwill and HK$198,000 (2003: HK$198,000) negative goodwill on consolidation.

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1st April, 2002	223,434	6,226	14	–	21,288	250,962
Net loss for the year	–	–	–	–	(7,432)	(7,432)
At 31st March, 2003	223,434	6,226	14	–	13,856	243,530
Net profit for the year	–	–	–	–	3,260	3,260
Dividend	–	–	–	5,141	(8,568)	(3,427)
At 31st March, 2004	223,434	6,226	14	5,141	8,548	243,363

Notes:

(a) Contributed surplus represents the difference between the value of total net assets of subsidiaries acquired and the nominal amount of the Company's shares issued for the re-organisation in 1989, less dividends paid out of the contributed surplus subsequently. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders.

(b) As at 31st March, 2004, the Company's reserves available for distribution to shareholders amounted to HK$19,915,000 (2003: HK$20,082,000).

22. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four operating divisions. These divisions are the basis on which the Group reports its primary segment information.

During the year ended 31st March, 2004, the Group had discontinued its retailing of telecommunication equipment and provision of telecommunication agency services business as disclosed in note 5. The Group had also discontinued its trading of general merchandise business in the year ended 31 March 2003.

Segment information about these businesses is presented below.

TURNOVER AND RESULTS

Year ended 31st March, 2004

	Continuing operations				Discontinued operations		Total
	Computer and business machines HK$'000	Network solution & telecom-munication systems HK$'000	Technical and maintenance services Hk$'000	Investment in securities and others HK$'000	General merchandise trading HK$'000	Telecom-munication services and retailing HK$'000	HK$'000
TURNOVER							
Total sales	433,462	121,109	46,560	124,477	–	1,818	727,426
Inter-segment sales	(48,723)	(1,850)	(5,446)	–	–	(824)	(56,843)
External sales	384,739	119,259	41,114	124,477	–	994	670,583
RESULTS							
Segment results	720	(1,668)	2,717	13,344	–	2,780	17,893
Interest income							3,035
Unallocated corporate income							4,152
Unallocated corporate expenses							(1,577)
Profit from operations							23,503
Finance costs							(22)
Share of results of an associate	(77)	–	–	–	–	–	(77)
Gain on discontinued operations	–	–	–	–	68	948	1,016
Profit before taxation							24,420
Taxation							(1,557)
Net profit for the year							22,863

22. SEGMENT INFORMATION – continued

TURNOVER AND RESULTS

Year ended 31st March, 2003

	Continuing operations				Discontinued operations		Total
	Computer and business machines HK$'000	Network solution & telecom-munication systems HK$'000	Technical and maintenance services Hk$'000	Investment in securities and others HK$'000	General merchandise trading HK$'000	Telecom-munication services and retailing HK$'000	HK$'000
TURNOVER							
Total sales	477,771	138,816	44,214	12,989	14,443	79,826	768,059
Inter-segment sales	(57,097)	(11,298)	(5,544)	–	(284)	(5,933)	(80,156)
External sales	420,674	127,518	38,670	12,989	14,159	73,893	687,903
RESULTS							
Segment results	3,121	(2,856)	1,989	(2,458)	(5,053)	(8,612)	(13,869)
Interest income							5,999
Unallocated corporate expenses							(359)
Loss from operations							(8,229)
Finance costs							(68)
Share of results of associates	1,927	–	–	–	–	–	1,927
Loss on discontinued operations	–	–	–	–	(3,115)	(8,978)	(12,093)
Loss before taxation							(18,463)
Taxation							(4,334)
Net loss for the year							(22,797)

Note: Inter-segment sales are charged at prices determined by management with reference to market prices.

22. SEGMENT INFORMATION – continued

BALANCE SHEET

As at 31st March, 2004

	Continuing operations				Discontinued operations		Total
	Computer and business machines HK$'000	Network solution & telecom-munication systems HK$'000	Technical and maintenance services Hk$'000	Investment in securities and others HK$'000	General merchandise trading HK$'000	Telecom-munication services and retailing HK$'000	HK$'000
ASSETS							
Segment assets	112,672	42,292	10,872	159,530	27	2,492	327,885
Interests in an associate	2,239	–	–	–	–	–	2,239
Unallocated corporate assets							142,821
Consolidated total assets							472,945
LIABILITIES							
Segment liabilities	40,470	28,068	5,711	–	992	2,853	78,094
Unallocated corporate liabilities							11,091
Consolidated total liabilities							89,185

As at 31st March, 2003

	Continuing operations				Discontinued operations		Total
	Computer and business machines HK$'000	Network solution & telecom-munication systems HK$'000	Technical and maintenance services Hk$'000	Investment in securities and others HK$'000	General merchandise trading HK$'000	Telecom-munication services and retailing HK$'000	HK$'000
ASSETS							
Segment assets	114,338	53,730	11,555	103,858	1,287	11,395	296,163
Interests in associates	9,618	–	–	–	–	–	9,618
Unallocated corporate assets							159,804
Consolidated total assets							465,585
LIABILITIES							
Segment liabilities	17,954	34,913	16,756	13	3,995	9,855	83,486
Unallocated corporate liabilities							17,679
Consolidated total liabilities							101,165

22. SEGMENT INFORMATION – continued

OTHER INFORMATION

Year ended 31st March, 2004

	Continuing operations				Discontinued operations		Total
	Computer and business machines HK$'000	Network solution & telecom-munication systems HK$'000	Technical and maintenance services Hk$'000	Investment in securities and others HK$'000	General merchandise trading HK$'000	Telecom-munication services and retailing HK$'000	HK$'000
Capital additions	4,558	486	226	925	–	–	6,195
Depreciation	2,262	896	969	676	–	–	4,803
Surplus on revaluation of properties	–	–	–	828	–	–	828

Year ended 31st March, 2003

	Continuing operations				Discontinued operations		Total
	Computer and business machines HK$'000	Network solution & telecom-munication systems HK$'000	Technical and maintenance services Hk$'000	Investment in securities and others HK$'000	General merchandise trading HK$'000	Telecom-munication services and retailing HK$'000	HK$'000
Capital additions	1,977	1,465	22	2,951	6	174	6,595
Depreciation	1,584	1,210	906	632	–	512	4,844
Impairment loss property, plant and equipment	–	–	–	–	–	1,218	1,218
Deficit on revaluation of properties	–	–	–	78	–	–	78

Geographical segments

The Group's operations in sales of computer and business machines and telecommunication systems, provision of technical and maintenance services and network solution services are carried out in Hong Kong and Thailand. The discontinued operations, retailing of telecommunication equipment and provision of telecommunication agency services and trading of general merchandise were carried out in Hong Kong. The following table provides an analysis of the Group's turnover by geographical market:

Turnover by geographical market

	2004 HK$'000	2004 %	2003 HK$'000	2003 %
Hong Kong	516,689	77	511,653	74
Thailand	124,176	19	123,699	18
Others	29,718	4	52,551	8
	670,583	100	687,903	100

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

	Carrying amounts of segment assets				Additions to property, plant and equipment			
	2004 HK$'000	2004 %	2003 HK$'000	2003 %	2004 HK$'000	2004 %	2003 HK$'000	2003 %
Hong Kong	393,357	83	380,733	82	3,182	51	3,215	49
Thailand	65,042	14	66,483	14	3,003	48	3,245	49
Others	14,546	3	18,369	4	10	1	135	2
	472,945	100	465,585	100	6,195	100	6,595	100

23. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Details of the emoluments paid to the Directors of the Company are as follows:

	2004 HK$'000	2003 HK$'000
Fees	**240**	238
Salaries, allowances and benefits in kind	**–**	505
Retirement benefits scheme contributions	**–**	25
	240	768

Except for the directors' fees of HK$240,000 (2003: HK$238,000) paid to the Independent Non-executive Directors, no other emoluments were paid or are payable to the Independent Non-executive Directors during the two years ended 31st March, 2004.

The emoluments of the Directors fall within the following bands:

	Number of directors	
Bands	**2004**	2003
Nil – HK$1,000,000	**7**	8

In addition to the directors' emoluments disclosed above, four (2003: four) directors received remuneration totalling HK$15,259,000 (2003: HK$16,173,000) from the Company's ultimate holding company in respect of their services to the ultimate holding company and its subsidiaries including the Group.

The amounts paid by the ultimate holding company have not been allocated between the services of the directors as directors of the Company and its subsidiaries, and their services to the ultimate holding company and its other subsidiaries.

The emoluments of the five (2003: five) highest paid individuals were as follows:

	2004 HK$'000	2003 HK$'000
Salaries, allowances and benefits in kind	**3,354**	3,943
Retirement benefits scheme contributions	**215**	200
	3,569	4,143

The emoluments of these five (2003: five) highest paid individuals fall within the following bands:

	Number of individuals	
Bands	**2004**	2003
Nil – HK$1,000,000	**5**	3
HK$1,000,001 – HK$1,500,000	**–**	2

24. CHARGE OF ASSETS

At 31st March, 2004, freehold properties with an aggregate carrying value of HK$ 8,070,000 (2003: HK$6,603,000) were mortgaged to secure general banking facilities granted to an overseas subsidiary.

25. CONTINGENT LIABILITIES

At 31st March, 2004, the Company had contingent liabilities in respect of:

(i) guarantees issued for banking facilities extended to its subsidiaries amounting to HK$3,102,000 (2003: HK$5,421,000).

(ii) guarantees issued for performance under contracts and rendering of services of certain subsidiaries amounting to HK$2,053,000 (2003: HK$1,405,000.)

26. OPERATING LEASE

(a) The Group as lessee

At 31st March, 2004, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of renting of premises which fall due as follows:

	THE GROUP		THE COMPANY	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**3,356**	6,287	**92**	123
In the second to fifth year inclusive	**–**	3,231	**–**	92
	3,356	9,518	**92**	215

Leases are negotiated and rentals are fixed for an average term of 2 years.

(b) The Group as lessor

All the investment properties were leased out for a period of one year and the Group did not have any renewal options given to the lessees. The future minimum lease payments receivable by the Group within one year under non-cancellable operating leases amounted to HK$135,000 (2003: HK$406,000).

27. SHARE OPTION SCHEMES

(a) Option of the Company

The share option scheme of the Company (the "Old CiTL Scheme") which was adopted on 30th September, 1991 expired on 29th September, 2001 but its term remain in full force and effect in respect of the outstanding options previously granted. At 1st April, 2002 and 31st March 2003, there were options granted under the Old CiTL Scheme outstanding entitling the holders to subscribe for 28,550,000 shares at an exercise price of HK$0.4640. These options were granted on 17th December, 1999 with vesting period from 17th December, 1999 to 29th June, 2000 and exercisable during the period from 30th June, 2000 to 29th June, 2003. During the year ended 31st March, 2004, 3 options were exercised. As a result of the consolidation of the Company's ordinary shares as disclosed in note 20, the remaining options entitled the holders thereof to subscribe for 5,709,999 new shares of the Company at an adjusted price of HK$2.32 per share. These remaining options were lapsed on 29th June, 2003.

The Company's new share option scheme (the "CiTL Scheme") was adopted by the shareholders pursuant to a resolution passed on 20th September, 2002 for the primary purpose of providing the participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The CiTL Scheme will expire on 19th September, 2012.

The total number of shares in respect of which options may be granted under the CiTL Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the CiTL Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the CiTL Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's and CIHL's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors of the Company and CIHL. Where any grant of options to a substantial shareholder or any independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 in the 12-month period up to the date of grant must be approved in advance by the Company's and CIHL's shareholders.

Options granted must be taken up within 30 days from the date of grant, upon payment of HK$1 for each lot of option granted. An option may be exercised in accordance with the terms of the CiTL Scheme at any time during the effective period of the CiTL Scheme to be notified by the board of directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's share on the date of grant, the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant, and the nominal value.

No options were granted during the years ended 31st March, 2003 and 2004 under the CiTL Scheme.

(b) Option of the ultimate holding company

Under the share option scheme which was adopted by CIHL on 30th September, 1991 (the "Old CIHL Scheme"), the Board of Directors of CIHL has granted certain options to eligible employees, including directors of the Company, to subscribe for 24,150,000 shares in CIHL at an exercise price of HK$0.488. These options were granted to the directors on 17th December, 1999 with vesting period from 17th December, 1999 to 29th June, 2000 and exercisable during the period from 30th June, 2000 to 29th June, 2003. As a result of the consolidation of CIHL's shares, these options entitled the holders to subscribe for 4,830,000 new shares of CIHL at an adjusted price of HK$2.44 per share. These option were lapsed on 29th June, 2003.

28. RETIREMENT BENEFITS

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") for the benefits of the Hong Kong employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employee's basic salary, depending on the length of service with the Group.

Where there are employees who leave the ORSO scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK$569,000 (2003: HK$1,169,000).

The total cost charged to income statement of HK$3,682,000 (2003: HK$4,087,000) represents contributions pay and payable to these schemes by the Group in respect of the current accounting period net of forfeited contributions. As at 31st March 2004, contributions of HK$250,000 (2003: HK$285,000) due in respect of the reporting period had not been paid over to the schemes.

29. RELATED PARTY TRANSACTIONS

The Company's ultimate holding company, CIHL and its subsidiaries, associates and jointly controlled entities are regarded as related parties for the purpose of SSAP 20. Details of the material transactions with these companies are as follows:

(a) On 28th March, 2003, the Company renewed the management agreement with Chevalier (HK) Limited ("CHKL"), a wholly-owned subsidiary of CIHL, for the provision of company secretarial, accounting, electronic data processing, personnel and property management services by CHKL to the Group in respect of the year ended 31st March, 2004 at a management fee calculated at the rate of 0.5% of the annual turnover of the Group excluding those of its overseas subsidiaries. Management fees paid to CHKL during the year under this agreement amounted to HK$2,376,000 (2003: HK$3,055,000). The management agreement expired on 28th March, 2004 and has been renewed for a further term of one year.

(b) During the year, the Group sold computer equipment and business machines to and provided maintenance service to wholly-owned subsidiaries of CIHL totalling HK$4,492,000 (2003: HK$4,409,000). The price is determined with reference to market rates.

(c) During the year, the Group paid rentals determined with reference to market rates amounting to HK$3,488,000 (2003: HK$5,042,000) to wholly-owned subsidiaries of CIHL, for the use of their premises by the Group.

(d) During the year, the Group paid storage and delivery charges amounting to HK$4,167,000 (2003: HK$4,295,000) and HK$1,483,000 (2003: HK$2,470,000) respectively to a wholly-owned subsidiary of CIHL to cover its cost for services provided to the Group.

The outstanding balance due from the ultimate holding company arising from the above transactions and payment of recurrent expenses on behalf of the Group as at 31st March, 2004 amounted to HK$245,000 whereas the outstanding due to the ultimate holding company as at 31st March, 2004 amounted to HK$6,290,000.

29. RELATED PARTY TRANSACTIONS – continued

Apart from the above, the Group obtained repayment from an associate during the year. The amount outstanding at 31st March, 2004 is HK$2,215,000 (2003: HK$2,546,000).

The balance with the ultimate holding company is unsecured and interest-free. The balance with the associate is unsecured, interest-free and the Company has no intention to demand repayment from the associate in the next financial year.