

# Notes to the Financial Statements

for the year ended December 31, 2001

## 1. GENERAL

The Company is 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"). Its ultimate holding company is Summertown Limited, incorporated in the British Virgin Islands.

The Company acts as an investment holding company and provides corporate management services. The principal activity of its subsidiaries is the distribution of computer products.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following revised or new Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants:

SSAP 9 (Revised)	Events after the balance sheet date
SSAP 14 (Revised)	Leases
SSAP 26	Segment reporting
SSAP 30	Business combinations

In accordance with SSAP 9 (Revised), dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet. In previous years, the declaration of dividends after the balance sheet date was treated as an adjusting post balance sheet event. The effect of this change has been to increase shareholders' funds at January 1, 2000 and 2001 by HK\$5,361,000 and HK\$5,361,000, respectively.

In accordance with SSAP 14 (Revised), disclosures for the Group's finance lease and operating lease commitments have been modified so as to meet the requirement of this standard. Comparative figures have been restated in order to achieve a consistent presentation.

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26. Segment disclosures for the year ended December 31, 2000 have been amended so that they are presented on a consistent basis.

In accordance with SSAP 30, the Group has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to January 1, 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. Negative goodwill arising on acquisitions prior to January 1, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after January 1, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after January 1, 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities and investment properties.

The financial statements have been prepared 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 December 31 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.

### ***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 of a subsidiary or associate at the date of acquisition.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### ***Goodwill (Continued)***

Goodwill arising on acquisitions prior to January 1, 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 after January 1, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

On disposal of a subsidiary or associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or 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 or associate at the date of acquisition over the cost of acquisition.

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

Negative goodwill arising on acquisitions after January 1, 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.

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.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

### ***Investments in subsidiaries***

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

### ***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, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

### ***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 previously recognised in equity is included in net profit or loss for the period.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Club membership**

Club membership is carried at cost less any identified impairment loss.

### **Turnover**

Turnover represents the net amount received and receivable for goods sold by the Group to outsiders, property rentals, management fee income and service fee income during the year.

### **Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from bank deposits 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.

Management fee and service fee income are recognised when the services are provided.

Rentals receivable under operating leases are recognised and credited to the income statement on a straight line basis over the relevant lease term.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation and amortisation and accumulated impairment losses.

Depreciation and amortisation are provided or amortised to write off the cost of items of property, plant and equipment over their estimated useful lives using the straight line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	2% – 2.5%
Leasehold improvements	20% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	15% – 33.3%
Motor vehicles	20%

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### **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. 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 on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on 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 retained profits.

No depreciation is provided for investment properties except where the unexpired term of the relevant lease is 20 years or less.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### ***Impairment***

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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.

### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

### ***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.

### ***Assets held under hire purchase contracts***

Assets held under hire purchase contracts are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor or hirer, net of interest charges, is included in the balance sheet as an obligation under hire purchase contract. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant contracts so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

### ***Operating leases***

Annual rentals payable on properties under operating leases are charged to the income statement on a straight line basis over the terms of the respective leases.

### ***Foreign currencies***

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated 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 financial statements of overseas operations and subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

### ***Cash equivalents***

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

### ***Retirement benefits schemes***

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 scheme and Mandatory Provident Fund Scheme.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 4. SEGMENTAL INFORMATION

### Geographical segments

For the year ended December 31, 2001

	Hong Kong and The People's Republic of China (the "PRC") HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>							
External sales	2,286,543	799,623	400,057	592,074	2,122	–	4,080,419
Inter-segment sales	5,173	6,331	1,381	–	–	(12,885)	–
Total revenue	2,291,716	805,954	401,438	592,074	2,122	(12,885)	4,080,419
<b>SEGMENT RESULT</b>	16,800	1,744	2,324	8,213	6	–	29,087
Interest income							5,058
Impairment losses							
recognised on investments							
in securities							(32,533)
Loss on disposal of							
investments in securities							(158)
Release of provision for							
management fee and							
interest	36,631	1,758					38,389
Unallocated corporate							
expenses							(4,433)
Profit from operations							35,410
Impairment losses on							
subsidiaries and associates		(3,165)					(3,165)
Loss on deemed disposal							
of associates		(128)					(128)
Finance costs							(6,566)
Share of results of associates		480	1,388				1,868
Profit before taxation							27,419
Taxation							(11,643)
Profit before minority interests							15,776
Minority interests							(1,192)
Profit for the year							14,584

Inter-segment sales are charged at prevailing market prices or where no market price is available, at cost plus a percentage profit mark-up.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 4. SEGMENTAL INFORMATION (Continued)

### Geographical segments (Continued)

#### BALANCE SHEET

	At 12.31.2001				
	Hong Kong and the PRC	Singapore	Malaysia	Thailand	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	543,170	238,321	121,340	113,186	1,016,017
Interests in associates			3,488		3,488
Unallocated corporate assets					60,010
Consolidated total assets					1,079,515
LIABILITIES					
Segment liabilities	279,203	166,067	108,410	92,963	646,643
Unallocated corporate liabilities					17,568
Consolidated total liabilities					664,211
OTHER INFORMATION					
Capital additions	4,470	2,114	1,330	1,683	9,597
Depreciation and amortisation	3,008	1,750	919	2,633	8,310
Impairment losses recognised on investments in securities					32,533
Impairment losses on subsidiaries and associates		3,165			3,165

# Notes to the Financial Statements

for the year ended December 31, 2001

## 4. SEGMENTAL INFORMATION (Continued)

### Geographical segments (Continued)

For the year ended December 31, 2000

	Hong Kong and the PRC	Singapore	Malaysia	Thailand	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>							
External sales	2,089,168	742,905	365,769	291,652	22,521	–	3,512,015
Inter-segment sales	1,708	8,166	350	480	–	(10,704)	–
Total revenue	2,090,876	751,071	366,119	292,132	22,521	(10,704)	3,512,015
<b>SEGMENT RESULT</b>	35,177	81	2,385	3,675	145	–	41,463
Interest income							10,455
Impairment losses recognised on investments in securities							(7,129)
Gain on disposal of investments in securities							727
Unallocated corporate expenses							(8,408)
Profit from operations							37,108
Finance costs							(8,386)
Share of results of associates		(1,554)	1,146				(408)
Profit before taxation							28,314
Taxation							(6,193)
Profit before minority interests							22,121
Minority interests							(23)
Profit for the year							22,098

Inter-segment sales are charged at prevailing market prices or where no market price is available, at cost plus a percentage profit mark-up.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 4. SEGMENTAL INFORMATION (Continued)

### Geographical segments (Continued)

#### BALANCE SHEET

	At 12.31.2000				
	Hong Kong and the PRC	Singapore	Malaysia	Thailand	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	576,589	203,923	91,479	106,111	978,102
Interests in associates		787	2,505		3,292
Unallocated corporate assets					75,240
Consolidated total assets					1,056,634
LIABILITIES					
Segment liabilities	297,229	141,649	79,972	90,761	609,611
Unallocated corporate liabilities					57,141
Consolidated total liabilities					666,752
OTHER INFORMATION					
Capital additions	83,846	2,852	894	11,868	99,460
Depreciation and amortisation	2,037	1,825	776	1,641	6,279
Impairment losses recognised on investments in securities					7,129



# Notes to the Financial Statements

for the year ended December 31, 2001

## 4. SEGMENTAL INFORMATION (Continued)

### Business segments

The following table provides an analysis of the Group's revenue by business divisions:

	Revenue by business divisions		Contribution to profit from operations	
	Year ended 12.31.2001 HK\$'000	Year ended 12.31.2000 HK\$'000	Year ended 12.31.2001 HK\$'000	Year ended 12.31.2000 HK\$'000
Distribution of computer products	4,066,843	3,499,498	27,165	43,060
Others	13,576	12,517	1,922	(1,597)
	4,080,419	3,512,015	29,087	41,463
Interest income			5,058	10,455
Impairment losses recognised on investments in securities			(32,533)	(7,129)
(Loss) gain on disposal of investments in securities			(158)	727
Release of provision for management fee and interest			38,389	–
Unallocated corporate expenses			(4,433)	(8,408)
Profit from operations			35,410	37,108

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

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment	
	Year ended 12.31.2001 HK\$'000	Year ended 12.31.2000 HK\$'000	Year ended 12.31.2001 HK\$'000	Year ended 12.31.2000 HK\$'000
Distribution of computer products	909,526	853,255	6,362	17,715
Others	169,989	203,379	3,235	81,745
	1,079,515	1,056,634	9,597	99,460

# Notes to the Financial Statements

for the year ended December 31, 2001

## 5. OTHER REVENUE

Included in other revenue is interest earned on bank deposits of HK\$5,058,000 (2000: HK\$10,455,000).

## 6. IMPAIRMENT LOSSES RECOGNISED ON INVESTMENTS IN SECURITIES

The Directors have cautiously reviewed the carrying value of the Group's investments engaging in internet related business with reference to the current market conditions. Certain of the investments cannot generate positive cash flows for the future, revaluation deficit previously transferred to revaluation reserve have been impaired and released to the income statement.

## 7. RELEASE OF PROVISION FOR MANAGEMENT FEE AND INTEREST

During the year, the Group has reached a settlement agreement with an independent third party on its non-payment of the balance of the purchase consideration of a Group's subsidiary. Accordingly, in the opinion of the Directors, the accrued management fee and interest payable to that third party made in prior years are no longer required and are released to the income statement.

## 8. PROFIT FROM OPERATIONS

	<b>2001 HK\$'000</b>	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	<b>1,009</b>	842
Under (over) provision in prior year	<b>137</b>	(29)
	<b>1,146</b>	813
Depreciation and amortisation:		
Owned assets	<b>7,950</b>	6,174
Assets held under hire purchase contracts	<b>360</b>	105
	<b>8,310</b>	6,279
Loss on disposal of property, plant and equipment	<b>366</b>	134
Operating leases in respect of rented premises	<b>12,648</b>	9,528
Allowance for doubtful debts	<b>17,290</b>	2,579
Staff costs including directors' emoluments	<b>78,365</b>	73,885
Exchange loss, net	<b>679</b>	–
and after crediting:		
Gross rental income:		
Property	<b>3,784</b>	1,298
Equipment	<b>880</b>	–
Exchange gain, net	<b>–</b>	2,507

# Notes to the Financial Statements

for the year ended December 31, 2001

## 9. IMPAIRMENT LOSSES ON SUBSIDIARIES AND ASSOCIATES

	2001 HK\$'000	2000 HK\$'000
Impairment losses recognised on goodwill arising on acquisition of subsidiaries	200	—
Impairment losses recognised on interests in associates (including recognition of impairment of goodwill held in reserves)	2,965	—
	<b>3,165</b>	<b>—</b>

## 10. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	4,459	3,748
Other borrowings wholly repayable within five years	2,021	4,590
Hire purchase contracts	86	48
	<b>6,566</b>	<b>8,386</b>

No interest was capitalised by the Group during the year.

## 11. DIRECTORS' EMOLUMENTS

	2001 HK\$'000	2000 HK\$'000
Directors' fees	1,149	1,165
Other emoluments - executive directors		
Salaries and other benefits	6,671	6,233
Contributions to retirement benefits scheme	215	202
Total emoluments	<b>8,035</b>	<b>7,600</b>

The directors' fee disclosed above include an amount of HK\$300,000 (2000: HK\$300,000) payable to independent non-executive directors.

Emoluments of the directors were within the following bands:

	2001 No. of Directors	2000 No. of Directors
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$1,500,001 to HK\$2,000,000	3	1

# Notes to the Financial Statements

for the year ended December 31, 2001

## 12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group in 2001 include four directors (2000: four directors), details of whose emoluments are set out in note 11 above. The emoluments of the remaining highest paid individual for the year ended December 31, 2001 were as follows:

	HK\$'000
Salaries and other benefits	1,770
Retirement benefit scheme contribution	24
	<b>1,794</b>

## 13. TAXATION

	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Profits Tax for the year		
Hong Kong	<b>6,942</b>	3,936
Overseas	<b>3,810</b>	1,969
	<b>10,752</b>	5,905
Prior years		
Hong Kong	<b>962</b>	–
Overseas	<b>(501)</b>	–
	<b>461</b>	–
Deferred taxation (note 29)	<b>13</b>	44
Taxation attributable to the Company and its subsidiaries	<b>11,226</b>	5,949
Share of tax on results of associates	<b>417</b>	244
Taxation charge for the year	<b>11,643</b>	6,193

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

## 14. DIVIDEND

	2001 HK\$'000	2000 HK\$'000
Final, paid – 2 cents per share for the year ended December 31, 2000 (2000: 2 cents per share for the year ended December 31, 1999)	<b>5,361</b>	5,361

The final dividend of 3 cents (2000: 2 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Earnings for the purposes of basic earnings per share and diluted earnings per share	<b>14,584</b>	22,098
	<b>Number of shares</b>	
	<b>2001</b> <b>'000</b>	2000 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>268,050</b>	267,017
Effect of dilutive potential ordinary shares:		
Options	<b>162</b>	955
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>268,212</b>	267,972

## 16. INVESTMENT PROPERTIES

	<b>THE GROUP</b> HK\$'000
At January 1, 2001	77,857
Exchange realignment	(654)
Additions	2,000
Revaluation decrease (note 33)	(9,405)
At December 31, 2001	<b>69,798</b>

An analysis of the investment properties of the Group is as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
In Hong Kong on long-term leases	<b>57,000</b>	64,800
In Singapore on long-term leases	<b>11,548</b>	13,057
In PRC under medium-term leases	<b>1,250</b>	–
	<b>69,798</b>	77,857

The investment properties of the Group were revalued at December 31, 2001 on an open market value basis by CG Richard Ellis Limited, Knight Frank Pte. Ltd. and Castores Magi Surveyors Limited, Chartered Surveyors for properties located in Hong Kong, Singapore and the PRC, respectively. The surveyors are not connected with the Group. The valuation gave rise to a revaluation decrease of HK\$9,405,000 which has been debited to the investment property revaluation reserve (note 33).

The investment properties of the Group are rented out under operating leases.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
<b>COST</b>					
At January 1, 2001	25,019	5,236	32,691	5,644	68,590
Exchange realignment	–	(153)	(858)	(62)	(1,073)
Additions	–	2,173	3,947	1,477	7,597
Disposals	–	–	(981)	(1,103)	(2,084)
At December 31, 2001	25,019	7,256	34,799	5,956	73,030
<b>DEPRECIATION AND AMORTISATION</b>					
At January 1, 2001	992	2,774	18,007	4,050	25,823
Exchange realignment	–	(84)	(642)	(38)	(764)
Provided for the year	257	917	6,436	700	8,310
Eliminated on disposals	–	–	(458)	(838)	(1,296)
At December 31, 2001	1,249	3,607	23,343	3,874	32,073
<b>NET BOOK VALUES</b>					
At December 31, 2001	23,770	3,649	11,456	2,082	40,957
At December 31, 2000	24,027	2,462	14,684	1,594	42,767

The net book value of land and buildings held under long leases is analysed as follows:

	2001 HK\$'000	2000 HK\$'000
Hong Kong	19,988	20,169
PRC	3,782	3,858
	23,770	24,027

The net book value of property, plant and equipment includes furniture, fixtures and equipment of HK\$276,000 (2000: HK\$155,000) and motor vehicles of HK\$499,000 (2000: HK\$520,000) held under hire purchase contracts.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 18. INTERESTS IN SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	9,665	9,665
Amounts due from subsidiaries	171,487	182,642
	<b>181,152</b>	<b>192,307</b>

The amounts due from subsidiaries are unsecured and interest free. In the opinion of the Directors, no repayment will be demanded within the next twelve months. Accordingly, the amounts are classified as non-current assets.

Details of the Company's subsidiaries at December 31, 2001 are as follows:

Name of subsidiary	Country of incorporation or registration/operation	Class of shares held	Issued and fully paid ordinary share capital/registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
SIS Investment Holdings Limited	British Virgin Islands	Ordinary	US\$1	100	–	Investment holding
SIS Distribution Limited	British Virgin Islands	Ordinary	US\$45,000	100	–	Investment holding
SIS TechVentures Corp.	British Virgin Islands	Ordinary	US\$1	100	–	Investment holding
SIS International Limited	Hong Kong	Ordinary	HK\$100,000	–	100	Distribution of computer products
SIS China Limited	Hong Kong	Ordinary	HK\$2	–	100	Properties investment
SIS Technologies Pte. Ltd.	Singapore	Ordinary	S\$1,000,000	–	100	Distribution of computer products
SIS Distribution (M) Sdn. Bhd.	Malaysia	Ordinary	M\$7,500,000	–	100	Distribution of computer products

# Notes to the Financial Statements

for the year ended December 31, 2001

## 18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Country of incorporation or registration/operation	Class of shares held	Issued and fully paid ordinary share capital/registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
SiS International Trading (Shanghai) Co., Ltd.	PRC	—	US\$200,000	—	100	Distribution of computer products and provision of technical consultancy services
Chuang Long Trading (Shanghai) Co. Ltd.	PRC	—	US\$200,000	—	100	Distribution of computer products and provision of technical consultancy services
Computer Zone Limited	Hong Kong	Ordinary	HK\$2	—	100	Retail trading of computer products
SiS HK Limited	Hong Kong	Ordinary	HK\$400,000	—	100	Properties investment
SiS Properties Limited	Hong Kong	Ordinary	HK\$2	—	100	Inactive



# Notes to the Financial Statements

for the year ended December 31, 2001

## 18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Country of incorporation or registration/operation	Class of shares held	Issued and fully paid ordinary share capital/registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Einfoasia.com (S) Pte. Ltd.	Singapore	Ordinary	S\$10	–	70	Trading of computers and related accessories and providing consultancy and internet related services
SIS Asia Pte. Ltd.	Singapore	Ordinary	S\$2	–	100	Provision of hardware and software services and corporate management services
Tallgrass Technologies Sdn. Bhd.	Malaysia	Ordinary	M\$2	–	100	Inactive
SIS Netpreneur Ventures Corp.	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
eservicesasia.com Corp.	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
einfoasia.com Corp.	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding

# Notes to the Financial Statements

for the year ended December 31, 2001

## 18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Country of incorporation or registration/operation	Class of shares held	Issued and fully paid ordinary share capital/registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Cable Media (Asia) Pte. Ltd.	Singapore	Ordinary	S\$100,000	–	60	Provision of computer system consultancy services
Maxima Technology Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
SiS Distribution (Thailand) Co. Ltd.	Thailand	Ordinary	Baht60,000,000	–	75	Distribution of computer products
Smartbiz Portal Pte. Ltd.	Singapore	Ordinary	S\$2	–	100	Trading of products through e-commerce
Metier Career Management Pte. Ltd. (formerly Recruitment Online.com Pte. Ltd.)	Singapore	Ordinary	S\$75,000	–	60	Operating employment agencies and human resource centres
E-Logistics Global Master Pte. Ltd.	Singapore	Ordinary	S\$200,000	–	70	Provision of parcel delivery service

None of the subsidiaries had any debt capital at the end of the year, or at any time during the year.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	3,488	3,292

The details of the associates as at December 31, 2001 are as follows:

Name of company	Form of business structure	Place/ country of incorporation or registration/ operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company	Principal activities
Pericomp SiSTech Sdn. Bhd.	Limited company	Malaysia	Ordinary	20%	Distribution of computer products
Inchone.com Pte. Ltd.	Limited company	Singapore	Ordinary	24.13%	Developing, providing and marketing e-learning services and facilities

During the year, the interest in the Group's associate, Intuition Consulting Pte. Ltd. with no carrying value has been reclassified as investment in security due to the loss of significant influence over the associate by the Group. At December 31, 2001, the Group has 17.01% of equity interest in the associate.

## 20. INVESTMENTS IN SECURITIES

### THE GROUP

	Other securities	
	2001 HK\$'000	2000 HK\$'000
Equity securities:		
Listed shares overseas	5,983	11,497
Unlisted shares overseas	—	2,724
	5,983	14,221
Market value of listed shares	5,983	11,497
Carrying amount analysed for reporting purposes as:		
Non-current	5,983	14,221

# Notes to the Financial Statements

for the year ended December 31, 2001

## 21. STAFF ADVANCES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
The staff advances is analysed as follows:		
Current	2,174	1,180
Non-current	2,512	2,203
	<b>4,686</b>	<b>3,383</b>

## 22. INVENTORIES

Inventories of the Group comprise trading merchandise.

## 23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group maintained a defined credit policy. For sales of goods, the Group allows an average credit period of 30 - 60 days to its trade customers. Service income receivable from customers are payable on presentation of invoices.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within 30 days	371,339	296,592
31 to 90 days	98,463	115,261
91 to 120 days	12,971	15,290
Over 120 days	20,755	1,776
Trade receivables	<b>503,528</b>	428,919
Other receivables, deposits and prepayments	<b>39,526</b>	35,479
	<b>543,054</b>	<b>464,398</b>

# Notes to the Financial Statements

for the year ended December 31, 2001

## 24. AMOUNTS DUE FROM RELATED COMPANIES THE GROUP

Name of company	Term	Balance at 12.31.2001 HK\$'000	Balance at 1.1.2001 HK\$'000	Maximum amount outstanding during the year HK\$'000
P.T. SiSTech Kharisma	Unsecured, interest free and repayable on demand	712	2,766	6,108
Netband Technologies Far East Limited	Unsecured, interest free and repayable on demand	2,484	3,403	5,475
Regent Pacific Media (S) Pte. Ltd.	Unsecured, interest free and repayable on demand	8	87	87
SiS Realty Pte. Limited	Unsecured, interest free and repayable on demand	20	—	74
		3,224	6,256	

The wife of Mr. Lim Kiah Meng holds a 90% interest in P.T. SiSTech Kharisma.

The wife of Mr. Lim Kiah Meng has a 70% indirect interest in Netband Technologies Far East Limited.

Mr. Lim Kia Hong, the director of the Company, holds a 50% interest in Regent Pacific Media (S) Pte. Ltd.

All executive directors (and their respective associates) together hold a 51% indirect interest in the issued share capital of SiS Realty Pte. Limited.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 25. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within 30 days	353,549	300,409
31 to 90 days	69,778	100,670
91 to 120 days	1,102	8,654
Over 120 days	8,821	7,197
Trade payables	433,250	416,930
Accruals and other payables	103,807	144,123
	537,057	561,053

## 26. BILLS PAYABLE

The following is an aged analysis of bills payable at balance sheet date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within 90 days	48,287	18,508
91 to 120 days	–	7,463
	48,287	25,971

# Notes to the Financial Statements

for the year ended December 31, 2001

## 27. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Amounts payable under hire purchase contracts:				
Within one year	351	410	318	366
In the second to fifth year inclusive	221	342	221	309
	572	752	539	675
Less: future finance charges	(33)	(77)	–	–
Present value of hire purchase contracts	539	675	539	675
Less: Amount due within one year			(318)	(366)
Amount due after one year			221	309

## 28. BORROWINGS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Bank overdrafts	19,768	16,272
Bank loans	43,611	58,762
Other loans	7,520	–
	70,899	75,034
Secured	24,057	31,461
Unsecured	46,842	43,573
	70,899	75,034

The above overdrafts and loans are repayable within one year.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 29. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	44	—
Exchange realignment	(2)	—
Charge for the year (note 13)	13	44
At end of year	55	44

At the balance sheet date, the major components of the deferred taxation liabilities provided for are as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of excess of tax allowances over depreciation	55	44

The Group and the Company did not have any significant unprovided deferred taxation at the balance sheet date or during the year.

The valuation surplus or deficit attributable to the Group's investment properties situated in Hong Kong and investments in securities do not constitute timing differences, accordingly, deferred taxation has not been provided.

## 30. ADVANCES FROM MINORITY SHAREHOLDERS

Advances from minority shareholders are interest free and have no fixed repayment terms but are not expected to be repayable within one year from the balance sheet date.



# Notes to the Financial Statements

for the year ended December 31, 2001

## 31. SHARE CAPITAL

	Number of shares		Share capital	
	2001 '000	2000 '000	2001 HK\$'000	2000 HK\$'000
Shares of HK\$0.10 each				
Authorised	350,000	350,000	35,000	35,000
Issued and fully paid				
At beginning of year	268,050	260,950	26,805	26,095
Exercise of share options	–	7,100	–	710
At end of year	268,050	268,050	26,805	26,805

### Share options

At December 31, 2001, the following options to subscribe for shares of the Company were outstanding under the Company's share option scheme:

Date of grant	Exercisable period	Exercise price HK\$	Number of share options
February 21, 2000	August 20, 2000 to July 28, 2002	0.94	5,000,000
August 31, 2001	February 28, 2002 to July 28, 2002	0.38	7,500,000
			12,500,000

# Notes to the Financial Statements

for the year ended December 31, 2001

## 32. SHARE PREMIUM AND RESERVES

	Share premium HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Reserve on consolidation HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP							
At January 1, 2000							
– as originally stated	51,274	(1,425)	919	115,972	2,860	182,274	351,874
– prior year adjustment in respect of dividend (note 2)	–	–	–	–	–	5,361	5,361
– as restated	51,274	(1,425)	919	115,972	2,860	187,635	357,235
Exchange realignment	–	(2,891)	–	–	–	–	(2,891)
Shares issued	1,420	–	–	–	–	–	1,420
Reserve on acquisition of:							
– subsidiaries	–	–	–	1,969	–	–	1,969
– associates	–	–	–	(1,774)	–	–	(1,774)
Profit for the year	–	–	–	–	–	22,098	22,098
Dividend (note 14)	–	–	–	–	–	(5,361)	(5,361)
At December 31, 2000	52,694	(4,316)	919	116,167	2,860	204,372	372,696
Exchange realignment	–	(2,311)	–	–	–	–	(2,311)
Release on impairment of:							
– subsidiaries	–	–	–	200	–	–	200
– associates	–	52	–	1,774	–	–	1,826
Profit for the year	–	–	–	–	–	14,584	14,584
Dividend (note 14)	–	–	–	–	–	(5,361)	(5,361)
At December 31, 2001	52,694	(6,575)	919	118,141	2,860	213,595	381,634
THE COMPANY							
At January 1, 2000							
– as originally stated	51,274	–	–	–	29,186	112,487	192,947
– prior year adjustment in respect of dividend (note 2)	–	–	–	–	–	5,361	5,361
– as restated	51,274	–	–	–	29,186	117,848	198,308
Shares issued	1,420	–	–	–	–	–	1,420
Profit for the year	–	–	–	–	–	7,022	7,022
Dividend (note 14)	–	–	–	–	–	(5,361)	(5,361)
At December 31, 2000	52,694	–	–	–	29,186	119,509	201,389
Profit for the year	–	–	–	–	–	27,037	27,037
Dividend (note 14)	–	–	–	–	–	(5,361)	(5,361)
At December 31, 2001	52,694	–	–	–	29,186	141,185	223,065

# Notes to the Financial Statements

for the year ended December 31, 2001

## 32. SHARE PREMIUM AND RESERVES (Continued)

The retained profits of the Group include HK\$2,122,000 (2000: HK\$671,000) retained by associates.

Statutory reserves refer to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after taxation unless the aggregate amount exceeded 50% of registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior year losses of the PRC subsidiaries, if any, and can be applied in conversion into capital after approval by PRC authority.

The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1992.

The contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries at the date on which they were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1992.

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 accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Contributed surplus	<b>29,186</b>	29,186
Retained earnings	<b>141,185</b>	119,509
	<b>170,371</b>	148,695

# Notes to the Financial Statements

for the year ended December 31, 2001

## 33. REVALUATION RESERVES

	Investment property HK\$'000	Investments HK\$'000	Total HK\$'000
THE GROUP			
At January 1, 2000	7,606	48,971	56,577
Revaluation increase (decrease)	3,622	(71,750)	(68,128)
Realised on impairment of investments in securities	–	2,313	2,313
Realised on disposals	–	(4,308)	(4,308)
At December 31, 2000	11,228	(24,774)	(13,546)
Revaluation decrease	(9,405)	(7,998)	(17,403)
Realised on impairment of investments in securities	–	32,533	32,533
Realised on disposals	–	239	239
At December 31, 2001	1,823	–	1,823

## 34. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	27,419	28,314
Share of results of associates	(1,868)	408
Staff advances written off	110	2,794
Impairment losses recognised on investments in securities	32,533	7,129
Loss (gain) on disposal of investments in securities	158	(727)
Release of provision for management fee and interest	(38,389)	–
Impairment losses on subsidiaries and associates	3,165	–
Loss on deemed disposal of associates	128	–
Interest income	(5,058)	(10,455)
Interest expenses	6,480	8,338
Interest on obligations under hire purchase contracts	86	48
Depreciation and amortisation	8,310	6,279
Loss on disposal of property, plant and equipment	366	134
Allowance for doubtful debts	17,290	2,579
Increase in inventories	(25,412)	(70,679)
Increase in trade and other receivables, deposits and prepayments	(97,946)	(327)
Decrease (increase) in amounts due from related companies	3,032	(4,234)
Increase in trade and other payables	14,393	127,995
Increase in bills payable	22,316	1,169
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(32,887)	98,765

# Notes to the Financial Statements

for the year ended December 31, 2001

## 35. PURCHASE OF SUBSIDIARIES

In prior year, the Group acquired Maxima Technology Limited, SiS Distribution (Thailand) Co. Limited, E-Logistics Global Master Pte. Ltd and Recruitment Online.com Pte Ltd. These acquisitions had been accounted for by the acquisition method of accounting and the details are as follows:

	2001 HK\$'000	2000 HK\$'000
<b>NET ASSETS ACQUIRED</b>		
Property, plant and equipment	-	4,994
Inventories	-	21,117
Trade and other receivables, deposits and prepayments	-	67,004
Bank balances and cash	-	5,435
Trade and other payables	-	(74,614)
Obligations under hire purchase contracts	-	(459)
Tax payable	-	(547)
Bank loans	-	(7,869)
Minority interests	-	(3,938)
	-	11,123
Reserve on consolidation	-	(1,969)
	-	9,154
Satisfied by:		
Cash consideration	-	9,154
Net cash outflow arising on acquisition:		
	2001 HK\$'000	2000 HK\$'000
Cash consideration	-	(9,154)
Bank balances and cash acquired	-	5,435
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	-	(3,719)

In prior year, the subsidiaries acquired contributed HK\$8,940,000 to the Group's net operating cash flows, paid HK\$160,000 in respect of the net returns on investments and servicing of finance, refunded HK\$64,000 in respect of taxation, utilised HK\$6,222,000 for investing activities and repaid HK\$1,582,000 in respect of financing activities.

The subsidiaries acquired contributed HK\$292,330,000 to the Group's turnover, and HK\$1,346,000 to the Group's profit after taxation.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 36. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Advances from minority shareholders HK\$'000	Bank and other loans HK\$'000	Obligations under hire purchase contracts HK\$'000
At January 1, 2000	77,369	—	99,094	443
Exchange realignment	—	—	—	(55)
Purchase of subsidiaries	—	—	7,869	459
Inception of hire purchase contracts	—	—	—	313
Cash inflow	2,130	203	4,608	—
Repayments	—	—	(52,809)	(485)
At December 31, 2000	79,499	203	58,762	675
Exchange realignment	—	(11)	(455)	41
Inception of hire purchase contracts	—	—	—	302
Cash inflow	—	—	154,756	—
Repayments	—	—	(161,932)	(479)
At December 31, 2001	79,499	192	51,131	539

## 37. NON-CASH TRANSACTIONS

During the year, the Group entered into hire purchase arrangements in respects of assets with a total capital value at the inception of the contracts of HK\$302,000.

In addition, the Group also acquired an investment property of HK\$2,000,000 from a debtor as repayment of debt.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 38. OPERATING LEASE COMMITMENTS

### *The Group as lessee*

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

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within one year	10,748	9,208
In the second to fifth year inclusive	3,996	8,325
	<b>14,744</b>	<b>17,533</b>

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases (2000: Nil).

### *The Group as lessor*

At the balance sheet date, the Group had contracted with lessees for the following future minimum lease payments:

	2001		2000	
	Rented premises HK\$'000	Equipment HK\$'000	Rented premises HK\$'000	Equipment HK\$'000
Within one year	3,994	402	3,150	—
In the second to fifth year inclusive	2,619	536	5,250	—
	<b>6,613</b>	<b>938</b>	<b>8,400</b>	<b>—</b>

Property rental income earned during the year was HK\$3,784,000 (2000: HK\$1,298,000). The Group's properties are expected to generate rental yields of 6% on an ongoing basis. Majority of the properties held have committed tenants for the next two years.

# Notes to the Financial Statements

for the year ended December 31, 2001

## 39. COMMITMENTS

Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements

THE GROUP	
2001 HK\$'000	2000 HK\$'000
–	584

At the balance sheet date, the Company had no capital commitment (2000: Nil).

## 40. RETIREMENT BENEFITS SCHEMES

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") established under the Mandatory Provident Fund Ordinance in December 2000. 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 December 1, 2000 are required to join the MPF Scheme.

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

During the year, retirement benefit contributions charged to income statement, net of forfeited contribution of HK\$42,000 (2000: HK\$40,000) from the ORSO scheme, is HK\$5,185,000 (2000: HK\$3,778,000).

At both balance sheet dates, there are no forfeited contributions which arose upon employees leaving the ORSO scheme and which are available to reduce the contributions payable in the future years.



# Notes to the Financial Statements

for the year ended December 31, 2001

## 41. CONTINGENT LIABILITIES

		THE COMPANY	
		2001 HK\$'000	2000 HK\$'000
Guarantees given to banks for banking facilities utilised by subsidiaries		134,175	103,505
Guarantees given to suppliers for goods supplied to subsidiaries of the Company		55,600	48,750

At the balance sheet date, the Group had no contingent liabilities (2000: Nil).

## 42. PLEDGE OF ASSETS

At December 31, 2001, the Group has pledged bank deposits amounting to HK\$26,397,000 (2000: HK\$11,300,000) to banks to secure general banking facilities granted to the Group.

## 43. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

		Related companies	
		2001 HK\$'000	2000 HK\$'000
Sales to	1	62,486	54,161
Purchases from	1	–	227
Operating lease rentals paid to	2	5,841	5,811
Advertising fee paid to	3	–	30
Service fee paid to	2	97	–

Notes:

- Trade sales and purchases were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.
- Operating lease rentals and service fee were determined on the basis of estimated market value.
- Advertising fee was charged based on actual expenses incurred.

The directors, directly and indirectly, hold beneficial interests in these related companies.

Outstanding balance arising from the above transactions with related parties are set out in note 24.