

Notes to the Financial Statements

For the year ended December 31, 2004

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 and associates is the distribution of computer products.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein after collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended December 31, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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.

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.

Notes to the Financial Statements

For the year ended December 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions on or 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 under the heading of "reserve on consolidation" and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions on or 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.

Notes to the Financial Statements

For the year ended December 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the net profit or loss for the period.

Club membership

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

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.

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 accumulated 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%

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.

Notes to the Financial Statements

For the year ended December 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the income statement.

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

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.

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.

Inventories

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

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 as 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.

Notes to the Financial Statements

For the year ended December 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 assets 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, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

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.

Forward contracts

A forward contract is an agreement to exchange different currencies at a specified future date and at a specified rate. A non-speculative forward contract is one which is designated and effective as a hedge of a net investment in a foreign entity, of a foreign currency asset, of a net monetary asset or liability or of a firm commitment. All other forward contracts, or parts of forward contracts in excess of the amount hedged, are speculative.

Where a non-speculative forward contract is used as a hedge of a net monetary asset or liability, the gain or loss and the discount or premium on the contract is taken to the income statement. Where a forward contract is speculative, the gain or loss should be credited or charged to the income statement.

Notes to the Financial Statements

For the year ended December 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at 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 the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Retirement benefits costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. TURNOVER

Turnover represents the net amount received and receivable for goods sold by the Group to outsiders, property rentals, and service fee income during the year and is analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Sales of goods	2,815,871	3,461,305
Service income	8,982	5,051
Rental income	3,947	3,008
	<u>2,828,800</u>	<u>3,469,364</u>

Notes to the Financial Statements

For the year ended December 31, 2004

5. SEGMENTAL INFORMATION

Geographical segments

The following table provides an analysis of the Group's sales by geographical market:

For the year ended December 31, 2004

	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
REVENUE							
External sales	1,889,419	729,334	186,422	1,153	22,472	–	2,828,800
Inter-segment sales	5,558	475	–	–	–	(6,033)	–
Total revenue	<u>1,894,977</u>	<u>729,809</u>	<u>186,422</u>	<u>1,153</u>	<u>22,472</u>	<u>(6,033)</u>	<u>2,828,800</u>
SEGMENT RESULT	<u>36,551</u>	<u>2,015</u>	<u>(11,738)</u>	<u>–</u>	<u>(53)</u>	<u>–</u>	<u>26,775</u>
Interest income							2,396
Impairment losses recognised in respect of investments in securities		(1,535)					(1,535)
Loss on disposal of investments in securities	(174)						(174)
Revaluation decrease on investment properties	(7,122)	(473)					(7,595)
Unallocated corporate income							3,057
Profit from operations							22,924
Gain on partial disposal of an associate				10,304			10,304
Gain on deemed disposal of an associate				6,045			6,045
Finance costs							(3,275)
Share of results of associates			775	7,501			8,276
Profit before taxation							44,274
Taxation							(6,780)
Profit before minority interests							37,494
Minority interests							(141)
Profit for the year							<u>37,353</u>

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, 2004

5. SEGMENTAL INFORMATION (Continued)

Geographical segments (Continued)

Balance sheet

	At 12.31.2004				
	Hong Kong and the PRC HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	568,400	281,116	72,094	–	921,610
Interests in associates	–	–	5,152	25,969	31,121
Unallocated corporate assets					73,693
Consolidated total assets					<u>1,026,424</u>
LIABILITIES					
Segment liabilities	216,718	176,607	33,805	–	427,130
Unallocated corporate liabilities					116,888
Consolidated total liabilities					<u>544,018</u>
OTHER INFORMATION					
Allowance for doubtful debts	1,106	13,745	11,767	–	26,618
Capital additions	67,667	1,391	797	–	69,855
Depreciation and amortisation	950	979	564	–	2,493
(Gain) loss on disposal of property, plant and equipment	(9)	28	(3)	–	16

Notes to the Financial Statements

For the year ended December 31, 2004

5. SEGMENTAL INFORMATION (Continued)

Geographical segments (Continued)

For the year ended December 31, 2003

	Hong Kong and the PRC HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	1,623,115	555,936	242,720	956,338	91,255	–	3,469,364
Inter-segment sales	2,789	5,802	767	8	–	(9,366)	–
Total revenue	<u>1,625,904</u>	<u>561,738</u>	<u>243,487</u>	<u>956,346</u>	<u>91,255</u>	<u>(9,366)</u>	<u>3,469,364</u>
SEGMENT RESULT	<u>25,955</u>	<u>(13,569)</u>	<u>(5,613)</u>	<u>16,947</u>	<u>11</u>	<u>–</u>	<u>23,731</u>
Interest income							2,419
Gain on disposal of investments in securities		758					758
Revaluation increase (decrease) on investment properties	1,710	(1,825)					(115)
Unallocated corporate income							<u>4,913</u>
Profit from operations							31,706
Gain on partial disposal of a subsidiary		23,733					23,733
Finance costs							(9,613)
Share of results of associates			962	885			<u>1,847</u>
Profit before taxation							47,673
Taxation							<u>(9,642)</u>
Profit before minority interests							38,031
Minority interests							<u>(1,978)</u>
Profit for the year							<u>36,053</u>

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, 2004

5. SEGMENTAL INFORMATION (Continued)

Geographical segments (Continued)

Balance sheet

	At 12.31.2003				
	Hong Kong and the PRC HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	454,899	213,018	112,003	–	779,920
Interests in associates	–	–	4,632	16,850	21,482
Unallocated corporate assets					82,651
Consolidated total assets					<u>884,053</u>
LIABILITIES					
Segment liabilities	193,155	117,753	61,181	–	372,089
Unallocated corporate liabilities					64,159
Consolidated total liabilities					<u>436,248</u>
OTHER INFORMATION					
Allowance for doubtful debts	9,660	8,288	121	1,043	19,112
Capital additions	352	663	300	1,609	2,924
Depreciation and amortisation	975	663	615	2,522	4,775
(Gain) loss on disposal of property, plant and equipment	(4,622)	–	28	–	(4,594)

Business segments

The Company's sole principal activity is the distribution of computer products. Accordingly, no business segment analysis is presented.

6. OTHER OPERATING INCOME

Included in other operating income is interest earned on bank deposits of HK\$2,396,000 (2003: HK\$2,419,000).

Notes to the Financial Statements

For the year ended December 31, 2004

7. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF INVESTMENTS IN SECURITIES

During the year, the directors have reviewed the carrying value of the Group's investments engaging in internet related business with reference to the current market conditions. It is anticipated that certain of the investments will not generate positive cash flows for the foreseeable future and consequently the revaluation deficit previously transferred to revaluation reserve had been released to the income statement.

8. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	960	1,001
Depreciation and amortisation:		
Owned assets	2,493	4,515
Assets held under finance leases	–	260
	<u>2,493</u>	<u>4,775</u>
Loss on disposal of property, plant and equipment	16	–
Operating leases rental in respect of rented premises	6,822	9,371
Allowance for doubtful debts	26,618	19,112
Staff costs including directors' emoluments	61,099	68,733
and after crediting:		
Dividend income from unlisted investments	2	8
Gross rental income:		
Property	3,947	3,008
Equipment	–	615
Exchange gain, net	5,071	8,859
Gain on disposal of property, plant and equipment	<u>–</u>	<u>4,594</u>

9. GAIN ON PARTIAL DISPOSAL OF A SUBSIDIARY

In prior year, the Group disposed of 26% equity interest in a subsidiary for a consideration of HK\$39,165,000 and the attributable amount of negative goodwill had been released to the income statement. An allowance for doubtful debts of HK\$6,500,000 had been provided and charged to the income statement due to the dispute arisen with the purchasers subsequent to the acquisition. Details of the transaction were set out in note 36. The company became an associate of the Group and its remaining carrying value upon disposal was reclassified to interests in associates.

Notes to the Financial Statements

For the year ended December 31, 2004

10. GAIN ON PARTIAL DISPOSAL OF AN ASSOCIATE

During the year, the Group disposed of 11.5% equity interest in an associate for a consideration of HK\$14,246,000, resulting in a gain of HK\$10,304,000 which had been credited to the income statement.

11. GAIN ON DEEMED DISPOSAL OF AN ASSOCIATE

During the year, the Group's interest in an associate had been diluted from 37.5% to 29.5% as a result of the placing of new shares of the associate, resulting in a gain of HK\$6,045,000 which had been credited to the income statement.

12. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	2,889	7,459
Bank borrowings not wholly repayable within five years	348	–
Amounts due to related companies	38	–
Other loans	–	2,115
Finance leases	–	39
	<u>3,275</u>	<u>9,613</u>

No interest was capitalised by the Group during the year.

13. DIRECTORS' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Directors' fees	956	850
Other emoluments – executive directors		
Salaries and other benefits	7,743	6,829
Contributions to retirement benefit scheme	164	206
	<u>8,863</u>	<u>7,885</u>
Total emoluments		

The directors' fees disclosed above include an amount of HK\$360,000 (2003: HK\$300,000) payable to independent non-executive directors.

Notes to the Financial Statements

For the year ended December 31, 2004

13. DIRECTORS' EMOLUMENTS *(Continued)*

Emoluments of the directors were within the following bands:

	2004 No. of Directors	2003 No. of Directors
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	–	3
HK\$2,000,001 to HK\$2,500,000	<u>3</u>	<u>–</u>

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group in 2004 include four directors (2003: five directors), details of whose emoluments are set out in note 13 above. The emoluments of the remaining highest paid individual for the year ended December 31, 2004 were as follows:

	2004 HK\$'000
Salaries and other benefits	1,107
Retirement benefit scheme contribution	<u>12</u>
	<u>1,119</u>

Notes to the Financial Statements

For the year ended December 31, 2004

15. TAXATION

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Current tax		
Hong Kong	6,885	5,760
Overseas	123	4,210
	<u>7,008</u>	<u>9,970</u>
(Over)underprovision in prior years		
Hong Kong	(1,728)	–
Overseas	(654)	310
	<u>(2,382)</u>	<u>310</u>
Deferred taxation (Note 32)		
Current year	145	(1,028)
Attributable to a change in tax rate	–	(156)
	<u>145</u>	<u>(1,184)</u>
Taxation attributable to the Company and its subsidiaries	4,771	9,096
Share of taxation attributable to associates	2,009	546
Taxation charge for the year	<u>6,780</u>	<u>9,642</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year.

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

Notes to the Financial Statements

For the year ended December 31, 2004

15. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	2004		2003	
	HK\$'000	%	HK\$'000	%
Profit before taxation	<u>44,274</u>		<u>47,673</u>	
Tax at the domestic income tax rate of 17.5% (2003: 17.5%)	7,748	17.5	8,343	17.5
Tax effect of expenses not deductible for tax purpose	999	2.3	7,755	16.3
Tax effect of income not taxable for tax purpose	(4,321)	(9.8)	(13,122)	(27.5)
(Over)underprovision in respect of prior years	(2,382)	(5.4)	310	0.6
Tax effect of tax losses/deductible temporary differences not recognised	3,988	9.0	6,368	13.3
Utilisation of tax losses/deductible temporary differences previously not recognised	(377)	(0.9)	–	–
Increase in opening deferred tax asset resulting from an increase in applicable tax rate	–	–	(156)	(0.3)
Effect of different tax rates of subsidiaries and associates	562	1.3	144	0.3
Others	<u>563</u>	<u>1.3</u>	<u>–</u>	<u>–</u>
Tax charge and effective tax rate for the year	<u>6,780</u>	<u>15.3</u>	<u>9,642</u>	<u>20.2</u>

Note: The domestic tax rate in Hong Kong is used as it is where the operation of the Group is substantially based.

16. DIVIDEND

	2004 HK\$'000	2003 HK\$'000
Final dividend, paid in respect of 2003 of 2 HK cents per share (2003: final dividend paid for 2002 of 2 HK cents per share)	<u>5,371</u>	<u>5,371</u>

The final dividend of 2 HK cents (2003: 2 HK 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, 2004

17. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year of HK\$37,353,000 (2003: HK\$36,053,000) and 268,550,000 (2003: 268,550,000) ordinary shares in issue during the year.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the two years December 31, 2004.

18. INVESTMENT PROPERTIES

	THE GROUP	
	<i>HK\$'000</i>	
At January 1, 2004		60,156
Exchange realignment		319
Additions		66,252
Revaluation decrease		(7,595)
		<hr/>
At December 31, 2004		119,132
		<hr/>
An analysis of the investment properties of the Group is as follows:		
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
In Hong Kong on long-term leases	108,200	49,500
In Singapore on long-term leases	8,972	9,126
In PRC under medium-term leases	1,960	1,530
	<hr/>	<hr/>
	119,132	60,156
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Investment properties were valued at their open market value at December 31, 2004 by Norton Appraisals Limited, Chartered Surveyor for properties located in Hong Kong and the PRC and Knight Frank Pte. Ltd., Chartered Surveyor for properties located in Singapore. The valuation gave rise to a revaluation decrease of HK\$7,595,000 (2003: HK\$115,000), which has been debited to the income statement.

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

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19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At January 1, 2004	18,888	5,838	14,491	5,712	44,929
Exchange realignment	–	79	129	43	251
Additions	–	29	1,891	1,683	3,603
Disposals	–	(51)	(306)	(1,877)	(2,234)
At December 31, 2004	18,888	5,895	16,205	5,561	46,549
DEPRECIATION AND AMORTISATION					
At January 1, 2004	981	4,440	11,908	3,974	21,303
Exchange realignment	–	66	122	12	200
Provided for the year	197	466	1,170	660	2,493
Eliminated on disposals	–	(21)	(88)	(1,455)	(1,564)
At December 31, 2004	1,178	4,951	13,112	3,191	22,432
NET BOOK VALUES					
At December 31, 2004	17,710	944	3,093	2,370	24,117
At December 31, 2003	17,907	1,398	2,583	1,738	23,626

All land and buildings are located in Hong Kong and held under long leases.

20. INTERESTS IN SUBSIDIARIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares, at cost	7,999	9,665
Amounts due from subsidiaries	165,019	122,031
	173,018	131,696

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.

Notes to the Financial Statements

For the year ended December 31, 2004

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries at December 31, 2004 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	Inactive
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
SiS International Trading (Shanghai) Co., Ltd. <i>(Note)</i>	PRC	–	US\$200,000	–	100	Distribution of computer products and provision of technical consultancy services

Notes to the Financial Statements

For the year ended December 31, 2004

20. 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	
				%	%	
Chuang Long Trading (Shanghai) Co. Ltd. (Note)	PRC	–	US\$200,000	–	100	Distribution of computer products and provision of technical consultancy services
Computer Zone Limited	Hong Kong	Ordinary	HK\$2	–	100	Inactive
SIS HK Limited	Hong Kong	Ordinary	HK\$400,000	–	100	Properties investment
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 Netrepreneur Ventures Corp.	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Maxima Technology Limited	British Virgin Islands	Ordinary	US\$1	–	100	Inactive

Notes to the Financial Statements

For the year ended December 31, 2004

20. 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	
				%	%	
Computer Network Centre Sdn. Bhd.	Malaysia	Ordinary	M\$2	–	100	Distribution of computer products
Qool Labs Pte. Ltd.	Singapore	Ordinary	S\$2	–	100	Manufacturing, developing and distribution of communication and computer products
Metier Career Management Pte. Ltd.	Singapore	Ordinary	S\$75,000	–	60	Operating employment agencies and human resource centres

Note: Wholly-owned foreign enterprises registered in the PRC

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

21. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	<u>31,121</u>	<u>21,482</u>

Notes to the Financial Statements

For the year ended December 31, 2004

21. INTERESTS IN ASSOCIATES *(Continued)*

The details of the associates as at December 31, 2004 are as follows:

Name of company	Form of business structure	Country of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company	Principal activities
SiS Distribution (Thailand) Public Company Limited (Formerly known as SiS Distribution (Thailand) Company Limited)	Limited company	Thailand	Ordinary	29.5%	Distribution of computer products
ECS Pericomp Sdn. Bhd.	Limited company	Malaysia	Ordinary	20%	Distribution of computer products

The following is a summary of the financial information extracted from the financial statements of SiS Distribution (Thailand) Public Company Limited for the year ended December 31, 2004:

	2004 HK\$'000	2003 HK\$'000
Results for the year		
Turnover	<u>1,310,915</u>	<u>1,047,108</u>
Profit before taxation	<u>22,606</u>	<u>12,904</u>
Profit before taxation attributable to the Group	<u>7,501</u>	<u>885</u>
Financial position		
Non-current assets	14,395	9,002
Current assets	356,677	279,832
Current liabilities	(282,634)	(254,034)
Non-current liabilities	<u>(302)</u>	<u>(413)</u>
Net assets	<u>88,136</u>	<u>34,387</u>
Net assets attributable to the Group	<u>25,969</u>	<u>16,850</u>

Notes to the Financial Statements

For the year ended December 31, 2004

22. INVESTMENTS IN SECURITIES

	OTHER SECURITIES			
	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Equity securities:				
Listed	285	2,390	–	203
Unlisted	680	275	–	–
	<u>965</u>	<u>2,665</u>	<u>–</u>	<u>203</u>
Listed				
Hong Kong	–	2,039	–	203
Overseas	285	351	–	–
Unlisted	680	275	–	–
	<u>965</u>	<u>2,665</u>	<u>–</u>	<u>203</u>
Market value of listed securities	<u>285</u>	<u>2,390</u>	<u>–</u>	<u>203</u>
Carrying amount analysed for reporting purposes as:				
Non-current	<u>965</u>	<u>2,665</u>	<u>–</u>	<u>203</u>

23. STAFF ADVANCES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
The staff advances is analysed as follows:		
Current	474	793
Non-current	<u>389</u>	<u>1,083</u>
	<u>863</u>	<u>1,876</u>

The amounts are unsecured, interest free and repayable by monthly instalments over the period of the advances.

24. INVENTORIES

Inventories of the Group comprise trading merchandise. Included in the balance are merchandise of HK\$44,547,000 (2003: HK\$57,118,000) which are carried at net realisable value.

Notes to the Financial Statements

For the year ended December 31, 2004

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group maintains 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	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	357,453	256,417
31 to 90 days	42,490	33,560
91 to 120 days	5,072	8,627
Over 120 days	16,177	34,804
Trade receivables	421,192	333,408
Deposits, prepayments and other receivables	49,242	67,106
	470,434	400,514

26. AMOUNT DUE FROM AN ASSOCIATE

The balance with an associate is unsecured, interest free and repayable on demand.

27. AMOUNTS DUE FROM RELATED COMPANIES

THE GROUP

Name of company	Term	Balance at 12.31.2004 HK\$'000	Balance at 1.1.2004 HK\$'000	Maximum amount outstanding during the year HK\$'000
P.T. SiSTech Kharisma	Unsecured, interest free and repayable on demand	–	1	1
Netband Technology Far East Limited	Unsecured, interest free and repayable on demand	–	3,910	3,910
		–	3,911	

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

During the year, the spouse of Mr. Lim Kiah Meng disposed of all her interest in Netband Technology Far East Limited to independent third parties. The balance with the company at December 31, 2004 has been included in trade receivables.

Notes to the Financial Statements

For the year ended December 31, 2004

28. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	242,573	189,197
31 to 90 days	14,650	34,352
91 to 120 days	450	8,271
Over 120 days	15,708	10,718
Trade payables	273,381	242,538
Accruals and other payables	119,954	98,449
	393,335	340,987

29. BILLS PAYABLE

The aged analysis of bills payable as at December 31, 2004 and 2003 is within 90 days.

30. AMOUNTS DUE TO RELATED COMPANIES

Name of company	Term	Balance at 12.31.2004 HK\$'000	Balance at 1.1.2004 HK\$'000	Maximum amount outstanding during the year HK\$'000
Regent Pacific Limited	Unsecured, interest bearing at 1.88% p.a. and repayable on demand	11,907	—	13,020
Gold Sceptre Limited	Unsecured, interest bearing at 1.88% p.a. and repayable on demand	2,601	—	3,003
Ever Rich Technology Limited	Unsecured, interest bearing at 1.88% p.a. and repayable on demand	901	—	1,001
P.T. SiSTech Kharisma	Unsecured, interest free and repayable on demand	16,175	8,866	16,175
		31,584	8,866	

Regent Pacific Limited is owned by Mr. Lim Kiah Meng and his spouse.

Mr. Lim Kiah Meng and Mr. Lim Kia Hong and their spouses together own 40.5% and 39.5% indirect interest in Gold Sceptre Limited.

Mr. Lim Kiah Meng and his spouse own 80% of the issued share capital of Ever Rich Technology Limited.

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

Notes to the Financial Statements

For the year ended December 31, 2004

31. BORROWINGS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Bank overdrafts	1,418	16,958
Bank loans	71,277	34,347
Other borrowings	432	–
	73,127	51,305
Secured	54,929	28,818
Unsecured	18,198	22,487
	73,127	51,305
The borrowings are repayable as follows:		
On demand or within one year	51,877	51,305
In the second year	2,500	–
In the third to fifth years inclusive	7,500	–
Over five years	11,250	–
	73,127	51,305
Less: Amount due for settlement within 1 year (under current liabilities)	(51,877)	(51,305)
Amount due for settlement after 1 year	21,250	–

Notes to the Financial Statements

For the year ended December 31, 2004

32. DEFERRED TAXATION

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

THE GROUP

	Accelerated tax depreciation HK\$'000	Allowances for doubtful debts/ inventories HK\$'000	Total HK\$'000
At January 1, 2003			
– as previously reported	725	3,198	3,923
(Charge) credit to income for the year	(35)	1,063	1,028
Disposal of a subsidiary	24	(3,286)	(3,262)
Effect of change in tax rate credit to the income statement	64	92	156
At January 1, 2004	778	1,067	1,845
Charge to income for the year	(145)	–	(145)
At December 31, 2004	633	1,067	1,700

At the balance sheet date, the Group has deductible temporary differences of HK\$30,457,000 (2003: HK\$14,684,000) and unutilised tax losses of HK\$40,989,000 (2003: HK\$36,310,000). No deferred tax asset has been recognised in relation to such deductible temporary differences and tax losses as it is not probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. The tax losses of HK\$39,039,000 may be carried forward indefinitely and the remaining of HK\$1,950,000 can be carried forward for a maximum of five years.

33. 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.

34. SHARE CAPITAL

	Number of shares		Share capital	
	2004 '000	2003 '000	2004 HK\$'000	2003 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised	350,000	350,000	35,000	35,000
Issued and fully paid				
At beginning and end of the year	268,550	268,550	26,855	26,855

Notes to the Financial Statements

For the year ended December 31, 2004

35. SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 17.

	Share premium HK\$'000	Contributed surplus HK\$'000	Investments reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY					
At January 1, 2003	52,834	29,186	–	105,859	187,879
Profit for the year	–	–	–	14,872	14,872
Dividend paid	–	–	–	(5,371)	(5,371)
Revaluation increase	–	–	87	–	87
At December 31, 2003	52,834	29,186	87	115,360	197,467
Profit for the year	–	–	–	73,432	73,432
Dividend paid	–	–	–	(5,371)	(5,371)
Realised on disposal	–	–	(87)	–	(87)
At December 31, 2004	52,834	29,186	–	183,421	265,441

The retained profits of the Group include HK\$20,370,000 (2003: HK\$14,103,000) retained by associates.

The statutory reserves of the Group 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.

Notes to the Financial Statements

For the year ended December 31, 2004

35. SHARE PREMIUM AND RESERVES *(Continued)*

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:

	2004 HK\$'000	2003 HK\$'000
Contributed surplus	29,186	29,186
Retained profits	183,421	115,360
	<u>212,607</u>	<u>144,546</u>

Notes to the Financial Statements

For the year ended December 31, 2004

36. DISPOSAL OF A SUBSIDIARY

The Group disposed of a subsidiary during the year ended December 31, 2003. The net assets of this subsidiary at the date of disposal were as follows:

	<i>HK\$'000</i>
NET ASSETS DISPOSED OF:	
Property, plant and equipment	4,893
Deferred tax assets	3,262
Inventories	80,142
Trade and other receivables, deposits and prepayments	149,775
Pledged bank deposits	74,383
Bank balances and cash	5,135
Trade and other payables	(131,726)
Taxation	(1,575)
Obligations under finance leases	(425)
Borrowings	(148,954)
Minority interests	(8,727)
	<hr/>
	26,183
Reclassified to interests in associates	(17,106)
Attributable negative goodwill	(751)
Exchange gain realised	(215)
Gain on disposal	23,733
	<hr/>
	31,844
	<hr/>
Satisfied by:	
Cash	392
Deferred consideration less allowance for doubtful recovery	32,273
Less: Expenses incurred on disposal of a subsidiary	(821)
	<hr/>
	31,844
	<hr/>
Net cash outflow arising on disposal:	
Cash consideration	392
Less: Expenses paid on disposal of a subsidiary	(167)
Bank balances and cash disposed of	(5,135)
Bank overdrafts disposed of	4,142
	<hr/>
	(768)
	<hr/>

Notes to the Financial Statements

For the year ended December 31, 2004

36. DISPOSAL OF A SUBSIDIARY *(Continued)*

The deferred consideration will originally be settled in cash in twelve equal instalments by the purchasers on or before December 31, 2004. However, pursuant to the agreements entered into with purchasers and a wholly owned subsidiary of the Company, the payment of the remaining balance has been extended to on or before December 13, 2005.

The subsidiary disposed of during 2003 contributed HK\$956,338,000 to the Group's turnover and HK\$17,602,000 to the Group's profit from operations.

37. 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	
	2004	2003
	HK\$'000	HK\$'000
Within one year	5,352	5,916
In the second to fifth year inclusive	250	6,284
	<u>5,602</u>	<u>12,200</u>

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

At December 31, 2004, the Company had no commitments under non-cancellable operating leases (2003: Nil).

The Group as lessor

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	1,167	545
In the second to fifth year inclusive	190	116
	<u>1,357</u>	<u>661</u>

Property rental income earned during the year was HK\$3,947,000 (2002: HK\$3,008,000). The Group's properties are expected to generate rental yields of 5% on an ongoing basis.

Notes to the Financial Statements

For the year ended December 31, 2004

38. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	<u>164</u>	<u>–</u>

At December 31, 2004, the Company had no capital commitments (2003: Nil).

39. OTHER COMMITMENTS

At December 31, 2004, there were outstanding foreign exchange hedging contracts amounting to HK\$66,434,000 (2003: HK\$117,502,000) entered into by the Group with certain financial institutions to hedge against the Group's trade payables.

40. SHARE OPTION SCHEME

The Company's existing share option scheme ("the Scheme") was adopted pursuant to a resolution passed on May 31, 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on May 30, 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries and associates, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties with a view to maintain business relationship with such persons and as an alternative for settlement of the Company's payment obligations.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. 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 in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within the period as specified in the offer letter together with a payment of HK\$10 as consideration of grant. Options may be exercised at any time from the second anniversary of the date of grant to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted under the Scheme since its adoption and no share options were outstanding for the two years ended December 31, 2004.

Notes to the Financial Statements

For the year ended December 31, 2004

41. 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.

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 5% of the employee's basic salary. Where there are employees who leave the ORSO Schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Employees of the subsidiaries established in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

During the year, the total retirement benefit contributions charged to income statement, net of forfeited contribution of HK\$46,000 (2003: HK\$6,000) from the ORSO scheme, is HK\$3,209,000 (2003: HK\$3,957,000).

At the balance sheet date, the total amount of forfeited contributions which arose upon employees leaving the ORSO scheme and which are available to reduce the contributions payable in the future years, was nil (2003: HK\$31,370).

42. CONTINGENT LIABILITIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Guarantees given to banks for banking facilities granted to subsidiaries	<u>192,977</u>	<u>138,840</u>
Guarantees given to suppliers for goods supplied to subsidiaries of the Company	<u>33,150</u>	<u>54,600</u>

At the balance sheet date, the Group had no contingent liabilities (2003: Nil).

Notes to the Financial Statements

For the year ended December 31, 2004

43. PLEDGE OF ASSETS

At December 31, 2004, the Group has pledged certain of its assets with a net book value of HK\$62,315,000 (2003: HK\$20,381,000) to banks to secure general banking facilities granted to the Group. The net book value of these assets are analysed as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Investment property	45,800	–
Pledged bank deposits	16,515	20,381
	<u>62,315</u>	<u>20,381</u>

44. RELATED PARTY TRANSACTIONS

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

	Notes	Related companies	
		2004 HK\$'000	2003 HK\$'000
Sales of goods	1	2,026	194,358
Purchase of goods	1	108	–
Operating lease rentals paid	2	3,816	4,122
Legal fee paid	2	103	158
Interest paid	3	<u>38</u>	<u>–</u>

Notes:

1. Sales and purchases of goods were carried out at cost plus a percentage profit mark-up.
2. Operating lease rentals and legal fee paid were determined on the terms agreed with both parties.
3. Interest was charged at 1.88% per annum on the outstanding principal.

The directors, directly and indirectly, hold beneficial interests in these related companies. Details of these and outstanding balances arising from the above transactions with related parties are set out in notes 27 and 30 respectively.