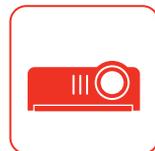


2007  
ANNUAL REPORT



# SiS International Holdings Limited

( Stock Code : 529 )



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# CORPORATE INFORMATION

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## **DIRECTORS**

### **Executive Directors:**

Lim Siam Kwee (*Chairman*)

Lim Kiah Meng

Lim Kia Hong (*Chief Executive Officer*)

Lim Hwee Hai

Lim Hwee Noi

### **Independent Non-executive Directors:**

Lee Hiok Chuan

Woon Wee Teng

Ong Wui Leng

## **SECRETARY**

Chiu Lai Chun, Rhoda

## **REGISTERED OFFICE**

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

## **PRINCIPAL PLACE OF BUSINESS**

301, Eastern Harbour Centre

28 Hoi Chak Street

Quarry Bay

Hong Kong

Telephone: 2565 1682

Fax: 2562 7428

## **INVESTOR RELATIONS**

[www.sisinternational.com.hk](http://www.sisinternational.com.hk)

## **AUDITORS**

Deloitte Touche Tohmatsu

Certified Public Accountants

35/F., One Pacific Place

88 Queensway

Hong Kong

## **SOLICITORS**

Norton Rose

## **PRINCIPAL BANKERS**

Bank of China

DBS Bank

Hang Seng Bank

Hong Leong Bank Berhad

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

The Hongkong and Shanghai Banking  
Corporation Limited

Malayan Banking Berhad

OCBC Bank

United Overseas Bank

## **PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE**

Butterfield Corporate Services Limited

65 Front Street

Hamilton

Bermuda

## **HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE**

Tricor Secretaries Limited

26/F., Tesbury Centre,

28 Queen's Road East

Wanchai

Hong Kong

# CHAIRMAN'S STATEMENT

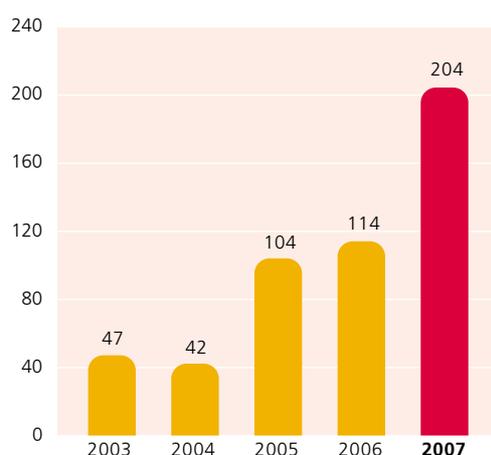
I am very pleased to report an outstanding success once again, posting yet another year of sterling results and performance for the Group. SiS Group generated another year of record profitability and sales in fiscal year 2007. Net profit attributable to shareholders increased by 84% to HK\$170,341,000 in 2007 from HK\$92,459,000 in 2006. Group sales turnover increased by 25% from HK\$3,396,237,000 in 2006 to HK\$4,260,503,000 in 2007. Basic earnings per share increased to 63.4 HK cents from 34.4 HK cents in 2006, an increase of 84% as compared to previous year.

## FINANCIAL RESULTS HIGHLIGHTS

- Profit before taxation – up 78% to HK\$204 million
- Earning per share – up 84% to 63.4 HK cents
- Revenue – up 25% to HK\$4,261 million
- Profit attributable to equity holders – up 84% to HK\$170 million
- Return on capital employed – up from 14% to 21%
- Net assets value per share – up 26% to HK\$3.09

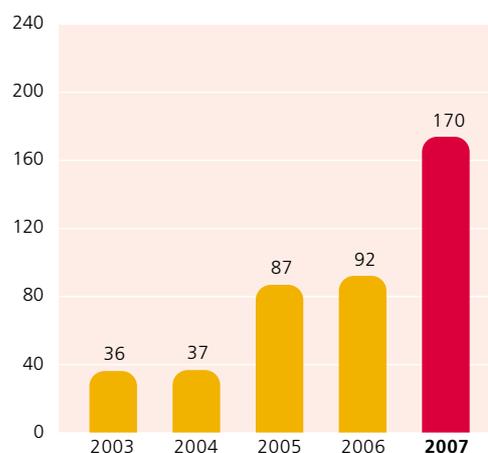
### PROFIT BEFORE TAXATION

(in HK\$ million)



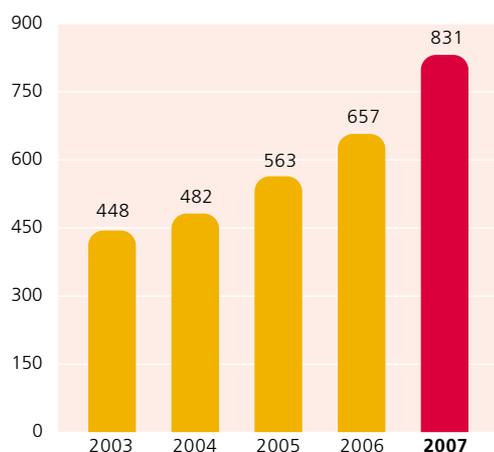
### PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

(in HK\$ million)



### SHAREHOLDERS' FUNDS

(in HK\$ million)



# CHAIRMAN'S STATEMENT (cont'd)

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## **BUSINESS REVIEW**

Our strategy of profitable growth and diversifying our income and profit streams is beginning to make a positive contribution to the Group. Each of our businesses contributed positively to our Group in 2007.

### **(1) IT Distribution Business**

Driving our success is our IT distribution business. It contributed 72% of the Group's profit before tax for year 2007.

SiS has a strong and seasoned team of management who understands the diverse cultural background of the Asia region and the dynamics of the IT distribution business. This, coupled with diligent profit margin management, excellent service, strong customer and vendor engagements enable the Group to profitably grow our IT distribution business during the year. Operating profit from our IT distribution business increased from HK\$88 million to HK\$148 million representing 68% growth.

SiS Group is one of the Top IT distributors in Asia representing some of the world's best IT products.

### **(2) Investment in IT Business**

Our group investment in IT business focused on investing in IT companies in the region. We invest in businesses which have synergies with the Group or where our investments and involvements can play a part in growing these companies.

Despite of the challenging political climate in Thailand for the year 2007, the Group's investments in SiS Distribution (Thailand) Public Company Limited ("SiS Thailand") continue to perform and grow steadily. SiS Thailand's net profit increased 39% over previous year with revenue exceeded 10,000 million Baht. The impressive performance of SiS Thailand has contributed HK\$16 million to the Group's result for 2007 compared with HK\$7 million in year 2006.

### **(3) Real Estate Investments Business**

As Asian economies continue to prosper and property prices continue to rise in the region, the Group has made selective long term investment in properties in Asia. As at 31 December 2007, the Group has recorded fair valuation gains of HK\$39 million for all its investment in properties, and the total fair value of these investment properties amounted to HK\$212 million. Rental income together with the valuation gains less outgoings accounted for 23% of the Group's profit before taxation.

# CHAIRMAN'S STATEMENT (cont'd)

## PROSPECT

As pricings and margins continue to decline, IT vendors are shifting more and more to proven and reliable distribution partners like SiS in order to efficiently and effectively reach out to a larger and more extensive reseller's channel. IT distribution industry continues to consolidate. With a strong balance sheet, a strong management team, an established channel of resellers, the Group is well positioned to explore opportunities posed in the consolidation of the IT distribution business in the IT industry around the world. We are looking ahead with confidence.

## FINAL DIVIDEND

To reward loyal shareholders, I am happy to announce that the Directors recommend a final dividend of 10.0 HK cents per share for 2007 (2006: 8.0 HK cents per share) payable to shareholders on the register of members on 13 May 2008. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable in cash on 11 July 2008.

## FUTURE: FOCUS, DETERMINATION, EXECUTION, EXCELLENCE

2007 represents a significant milestone for the Group. We are getting stronger as we enter into our 25th year of business. We had achieved an impressive record of continuous profitability for the Group since our inception in 1983.

## APPRECIATION

We would like to take this opportunity to thank our staff for their contributions, our customers, business partners and shareholders for their support and confidence in SiS. We remain **focused** on maximizing shareholders value with **determination** to succeed, commitment to efficient execution & business Excellence. We are enthusiastic and looking forward to a great year ahead and a greater future together.

On behalf of the Board

**LIM Siam Kwee**

*Chairman*

**LIM Kia Hong**

*Chief Executive Officer*

Hong Kong, 15 April 2008

# MANAGEMENT DISCUSSION AND ANALYSIS

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Revenue of the Group for the year ended 31 December 2007 was HK\$4,260,503,000 and net profit before tax was HK\$204,257,000.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group had total assets of HK\$1,489,611,000 which were financed by shareholders' funds of HK\$830,694,000, and total liabilities of HK\$658,917,000. The Group had a current ratio of approximately 1.77 as compared to that of approximately 1.71 at 31 December 2006.

As at 31 December 2007, the Group had HK\$177,880,000 bank balances and cash of which HK\$20,698,000 was pledged to banks to secure banking facilities in the ordinary course of business. The Group's working capital requirements were mainly financed by internal resources and short term borrowings. As at 31 December 2007, the Group had short term bank loans and bills payable of total HK\$157,273,000. The Group's borrowings were mainly denominated in Hong Kong dollars, Singapore dollars and Malaysia Ringgit and were charged at floating interest rates.

The Group continued to sustain a good liquidity position. At the end of December 2007, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank loans and bills payable) of HK\$20,607,000 compared to HK\$49,062,000 as at 31 December 2006.

Gearing ratio, as defined by total bank loans and bills payable to shareholders' funds, as at 31 December 2007 was 18.9% compared to 18.6% as at 31 December 2006.

## CHARGES ON GROUP ASSETS

At the balance sheet date, the Group had pledged bank deposits of HK\$20,698,000 (2006: HK\$18,828,000) and an investment property of carrying value of HK\$44,800,000 (2006: HK\$40,000,000) to banks to secure general banking facilities granted to subsidiaries.

## NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES

The number of staff of the Group as at 31 December 2007 was 281 and the salaries and other benefits paid to employees, including share-based payments expense but excluding Directors' emoluments amounted to HK\$77,535,000 (2006: HK\$58,771,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

# MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

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During the year 2007, the Company granted share options to eligible persons including the Directors and staffs with exercise price of HK\$1.72 per share and there are 9,950,000 share options outstanding as at balance sheet date. Estimated total fair value of the outstanding share options amounts to HK\$5,621,000 in which HK\$1,915,000 has been recognized in 2007 results. After the balance sheet date, total 2,466,661 share options have been exercised.

## **CURRENCY RISK MANAGEMENT**

The Group maintains a conservative approach on foreign exchange exposure management. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date.

## **CONTINGENT LIABILITIES**

The Company's corporate guarantees extended to certain banks as security for banking facilities to the Group amounted to HK\$202,122,000 (2006: HK\$250,155,000).

# CORPORATE GOVERNANCE REPORT

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## CODE ON CORPORATE GOVERNANCE PRACTICES

On 23 September 2005, the Company has adopted its own corporate governance code which is substantially similar or in exceeds as the Code on Corporate Governance Practices (the “Code”) as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). Material deviations from the Code are explained in the report below.

## BOARD OF DIRECTORS

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board.

The Board currently comprised of five Executive Directors, namely Messrs. Lim Siam Kwee (Chairman), Lim Kiah Meng, Lim Kia Hong (Chief Executive Officer), Lim Hwee Hai, and Madam Lim Hwee Noi, and three Independent Non-Executive Directors (the “INED”), namely, Messrs. Lee Hiok Chuan, Woon Wee Teng, and Ms. Ong Wui Leng. Messrs. Lim Kiah Meng and Lim Kia Hong, and Madam Lim Hwee Noi are sons and daughter of Mr. Lim Siam Kwee respectively. Mr. Lim Hwee Hai is son-in-law of Mr. Lim Siam Kwee. Biographical details of each Director are set out on page 12 of the annual report.

Each of the INED has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. One of the INED has the more than twenty years experience in corporate banking, corporate finance and management.

All the INEDs are not appointed with a specific term as required by Code A.4.1, but are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Company’s Bye-Laws 99(B). As such, the Directors consider that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less than exacting than those in the Code.

According to the Bye-Laws of the Company, at each annual general meeting one-third (or the number nearest to one-third) of the Directors at the time being shall retire from office provided that notwithstanding any thing therein, the chairman of the Board of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This deviates from the provision in Code A.4.2 which requires every Director to be subject to retirement by rotation at least once every three years. The Directors consider the deviation acceptable as the current Chairman is the founder and also a substantial shareholder of the Company. Also in view of the small number of the total Directors of the Company, the deviation is not material.

The positions of the Chairman and Chief Executive Officer are held by separate individuals. The Chairman, Mr. Lim Siam Kwee, is responsible to oversee the function of the Board, and the Chief Executive Officer, Mr. Lim Kia Hong, is responsible to manage business operations of the Group.

The nomination, appointment and removal of Directors are considered by the Board. All Directors shall made recommendation to the Board whenever they consider appropriate. During the year, the Board considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporation governance of the Company and manage the operations of the Group.

# CORPORATE GOVERNANCE REPORT (cont'd)

## REMUNERATION COMMITTEE

The Remuneration Committee was set up on 23 September 2005 and is comprised of all INED, namely Messrs. Lee Hiok Chuan, Woon Wee Teng, and Ms. Ong Wui Leng, and two Executive Directors, namely Messrs. Lim Kiah Meng and Lim Kia Hong, with Mr. Lee Hiok Chuan as the Chairman of the Remuneration Committee.

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to Executive Directors and senior management. A meeting was held during the year ended 31 December 2007, and the members had reviewed the remuneration policy and determined remuneration of Directors.

## AUDIT COMMITTEE

The Audit Committee is comprised of all INED, with Mr. Lee Hiok Chuan as the Chairman of the Audit Committee up to 20 April 2007. Mr. Woon Wee Teng was appointed as the Chairman with effect from 20 April 2007.

The main duties of the Audit Committee include:

- to consider the appointment, reappointment and removal of the external auditors, the audit fee and terms of engagements, and any questions of resignation or dismissal of that auditors;
- to monitor integrity of half-year and annual financial statements before submission to the Board;
- to review the Company's financial controls, internal control and risk management systems; and
- to review the Group's financial and accounting policies and practices.

The Audit Committee has met four times during the year ended 31 December 2007 and has reviewed the managements accounts, half-year, and annual financial results of the Group and its subsidiaries. Certain recommendations have been made to the internal control of the Company and its subsidiaries. Audit Committee had met the external auditors without the present of Executive Directors on reviewing the half year and annual financial results.

## DIRECTORS' SECURITIES TRANSACTION

The Company adopted its own code of conduct regarding Directors' dealing in securities on 23 September 2005 (the "Code of Conduct"). The term of the Code of Conduct are no less exacting than the required standard set out in the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Directors of the Company have complied with the Model Code and the Company's Code of Conduct.

## DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements which give a true and fair view of the state of affair of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 19 and 20.

# CORPORATE GOVERNANCE REPORT (cont'd)

## AUDITORS' REMUNERATION

During the year ended 31 December 2007, the Group had engaged external auditors to provide the following services.

	<b>Service fee</b> <i>HK\$'000</i>
Audit services	1,247
Tax advisory	64
Other services	249
	<hr/> <b>1,560</b> <hr/>

## ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at meetings of the Board and the above committee during the year 2007:

<b>Number of Meetings</b>	<b>Board</b> (5)	<b>Audit Committee</b> (4)	<b>Remuneration Committee</b> (1)
<i>Chairman</i>			
Lim Siam Kwee	5	N/A	N/A
<i>Executive Directors</i>			
Lim Kiah Meng	5	N/A	1
Lim Kia Hong	5	N/A	1
Lim Hwee Hai	5	N/A	N/A
Lim Hwee Noi	5	N/A	N/A
<i>Independent Non-Executive Directors</i>			
Lee Hiok Chuan	5	4	1
Woon Wee Teng	5	4	1
Ong Wui Leng	5	4	1

# CORPORATE GOVERNANCE REPORT (cont'd)

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## **INTERNAL CONTROLS**

System of internal controls is defined as a system of internal controls procedures which is used to help the achievement of business objectives, and safeguard the Group's assets; to ensure proper maintenance of accounting records and compliance with relevant legislation and regulations.

The management of the Group would evaluate the internal control system periodically and enhance the system when necessary. The Company established its internal audit functions during the year ended 31 December 2007. The internal auditors reviewed the internal controls system on an ongoing basis covering all major operations of the Group on a rotational basis, and reported directly to the Audit Committee and Board on a regular basis.

Through the internal control functions of the Group, the Directors conduct a review of the effectiveness of the system of the internal control of the Group during the year. The Directors considered that the internal control systems effective and adequate.

## **INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS**

To enhance the communication with investors, or shareholders, the Company has established different communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group; (d) meeting with investment fund manager; and (e) the Company's web-site providing an electronic means of communication.

The last shareholders' meeting was the annual general meeting held on 21 May 2007 at Kellett Room I, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong to receive and consider the audited financial statements for the year ended 31 December 2006; to re-elect directors; approve the general mandates for the issue and repurchase of the Company's share; and adoption of new share option scheme and termination of the then existing share option scheme.

# DIRECTORS' PROFILES

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## EXECUTIVE DIRECTORS

**LIM Siam Kwee**, aged 87, is the Chairman of the Company. Mr. Lim has over forty years' experience in trading, manufacturing and investment. He is the founder and chairman of Tung Sen Company Private Limited, an investment holding company engaged in trading and securities investment. He is also a director of Gold Sceptre Limited which holds 52% shareholdings in the Company as at 31 December 2007.

**LIM Kiah Meng**, aged 55, son of Mr. Lim Siam Kwee, joined the Group in 1986 and is responsible for the Group's operations in Hong Kong, Singapore and the PRC. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in International Management from the American Graduate School of International Management, US. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He is also a director of Gold Sceptre Limited which holds 52% shareholdings in the Company as at 31 December 2007.

**LIM Kia Hong**, aged 51, son of Mr. Lim Siam Kwee, is one of the co-founders of the Group. Mr. Lim graduated from University of Washington, US with a Bachelor's Degree in Business Administration and has twenty six years' experience in the computer industry. He is responsible for the corporate planning, development and public relation of the Group. He is also a director of Gold Sceptre Limited which holds 52% shareholdings in the Company as at 31 December 2007.

**LIM Hwee Hai**, aged 58, the son-in-law of Mr. Lim Siam Kwee, is one of the co-founders of the Group. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in Business Administration from the National University of Singapore. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He has twenty five years' experience in the computer industry and is responsible for the Group's operations in Malaysia and Thailand. He is also a director of Gold Sceptre Limited which holds 52% shareholdings in the Company as at 31 December 2007.

**LIM Hwee Noi**, aged 57, the daughter of Mr. Lim Siam Kwee, joined the Group in 1983 and is the Finance Director of the Group. Madam Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore. She has been a certified public accountant in Singapore for more than twenty nine years. She is also a director of Gold Sceptre Limited which holds 52% shareholdings in the Company as at 31 December 2007.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**LEE Hiok Chuan**, aged 73, joined the Group in 1992 and is an investment consultant in Hong Kong. Mr. Lee has more than forty years' experience in finance and banking in Hong Kong.

**WOON Wee Teng**, aged 51, joined the Group in 1994 and is a Barrister-at-Law (Middle Temple), Barrister & Solicitor, A.C.T., Australia and Advocate & Solicitor, Singapore. Mr. Woon has been a practising lawyer for not less than twenty years.

**ONG Wui Leng**, aged 47, joined the Group in 2004 and has more than ten years of experience in corporate banking and another fourteen years of experience in corporate finance and management.

# DIRECTORS' REPORT

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The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

## PRINCIPAL ACTIVITIES

The Company acts as an investment trading and investment holding company and provides corporate management services. The activities of its subsidiaries and associates are set out in notes 42 and 19, respectively, to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 21.

The directors now recommend the payment of a final dividend of 10.0 HK cents per share to the shareholders on the register of members on 13 May 2008, amounting to HK\$27,102,000. The distributable reserves of the Company available for distribution after the proposed dividend becomes HK\$221,906,000.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 70. The summary does not form part of the audited consolidated financial statements.

## INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the year, the Group spent HK\$34,703,000 and HK\$5,742,000 on acquisition of investment properties and property, plant and equipment respectively.

The Group has revalued all its investment properties at the year end date. The increase in fair value amounted to HK\$38,514,000, which had been credited to the consolidated income statement directly.

Particulars of investment properties of the Group at 31 December 2007 are set out on pages 71 and 72.

Details of these and other movements during the year in the investment properties, property, plant and equipment and prepaid lease payments of the Group are set out in notes 16, 17 and 18, respectively, to the consolidated financial statements.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 32 to the consolidated financial statements.

# DIRECTORS' REPORT (cont'd)

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2007 were as follows:

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Contributed surplus	<b>29,186</b>	29,186
Retained profits	<b>219,822</b>	250,899
	<b>249,008</b>	280,085

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.

## DIRECTORS

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

### Executive directors:

Mr. Lim Siam Kwee  
Mr. Lim Kiah Meng  
Mr. Lim Kia Hong  
Mr. Lim Hwee Hai  
Madam Lim Hwee Noi

### Independent non-executive directors:

Mr. Lee Hiok Chuan  
Mr. Woon Wee Teng  
Ms. Ong Wui Leng

In accordance with the provisions of the Company's Bye-Laws, Messrs. Lim Kiah Meng, Lim Hwee Hai and Ms. Ong Wui Leng retire from office and, being eligible, offer themselves for re-election.

The term of office of each of the non-executive directors is the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws.

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

# DIRECTORS' REPORT (cont'd)

## DIRECTORS' INTERESTS IN SHARES

At 31 December 2007, the interests of the directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Ordinary shares of HK\$0.1 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Siam Kwee	Beneficial owner	8,424,400	3.14%
Lim Kiah Meng	Beneficial owner	2,531,200	0.94%
	Held by controlled corporation (Note)	178,640,000	66.52%
		<u>181,171,200</u>	<u>67.46%</u>
Lim Kia Hong	Beneficial owner	2,531,200	0.94%
	Held by controlled corporation (Note)	178,640,000	66.52%
		<u>181,171,200</u>	<u>67.46%</u>
Lim Hwee Hai	Beneficial owner	2,531,200	0.94%
Lim Hwee Noi	Beneficial owner	2,276,000	0.85%

Note: Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 31 December 2007.

## SHARE OPTIONS

A new share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 21 May 2007 by the Company to replace the then existing share option scheme for the primary purpose of providing incentives and awards to directors and eligible employees and persons, and will expire on 20 May 2017. Under the Scheme, the Company may grant options to qualified persons, including employees, directors of the Company and its subsidiaries and associates and third parties with a view to maintain business relationship with such persons, to subscribe for shares in the Company.

# DIRECTORS' REPORT (cont'd)

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 the date when the Scheme was adopted. The Company may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company 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 ten business days from the offer letter together with a payment of HK\$10 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. 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.

The following table discloses movements in the Company's share options during the year:

	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options			
					Outstanding at 1 January 2007	Granted and accepted during the year	Lapsed during the year	Outstanding at 31 December 2007
Directors	20 August 2007	21 August 2007- 18 February 2008	18 February 2008- 20 May 2017	1.72	-	1,583,329	-	1,583,329
	20 August 2007	21 August 2007- 18 February 2009	18 February 2009- 20 May 2017	1.72	-	1,583,334	-	1,583,334
	20 August 2007	21 August 2007- 18 February 2010	18 February 2010- 20 May 2017	1.72	-	1,583,337	-	1,583,337
Employees and others	20 August 2007	21 August 2007- 18 February 2008	18 February 2008- 20 May 2017	1.72	-	1,799,994	(66,666)	1,733,328
	20 August 2007	21 August 2007- 18 February 2009	18 February 2009- 20 May 2017	1.72	-	1,800,000	(66,667)	1,733,333
	20 August 2007	21 August 2007- 18 February 2010	18 February 2010- 20 May 2017	1.72	-	1,800,006	(66,667)	1,733,339
					-	10,150,000	(200,000)	9,950,000

The closing price of the Company's shares immediately before the date of grant of options was HK\$1.54. As at 31 December 2007, 16,905,000 share options remained available for issue under the Scheme.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its ultimate holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# DIRECTORS' REPORT (cont'd)

## DIRECTORS' INTERESTS IN CONTRACTS

The following transactions were entered into by the Group during the year ended 31 December 2007:

	<i>Notes</i>	<i>HK\$'000</i>
Operating lease rentals paid to:		
Ever Rich Technology Limited	(a)	2,660
SiS Realty Pte. Limited	(b)	3,678

*Notes:*

- (a) Mr. Lim Kiah Meng and his spouse own 80% of the issued share capital of Ever Rich Technology Limited.
- (b) All executive directors (and their respective associates) together hold a 56% indirect interest in the issued share capital of SiS Realty Pte. Limited.

In the opinion of those independent non-executive directors not having an interest in the above transactions, the transactions with the above-mentioned companies were carried out in the usual course of business of the Group and on normal commercial terms and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed above, no contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December 2007.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers was less than 30%. The five largest suppliers of the Group together accounted for approximately 70% by value of the Group's total purchases during the year, with the largest supplier accounting for 25%.

At no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest suppliers.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## EMOLUMENT POLICY

The Company has established the Remuneration Committee in September 2005.

# DIRECTORS' REPORT (cont'd)

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The emoluments of the directors of the Company are reviewed and approved by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market trends.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 38 to the consolidated financial statements.

## **DONATIONS**

During the year, the Group made charitable and other donations amounting to HK\$62,000.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **CORPORATE GOVERNANCE**

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2007, except for the Code A.4.1 and A.4.2 as disclosed in the Corporate Governance Report of the Company.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company during the year.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

## **SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

## **AUDITORS**

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**LIM Kiah Meng**

*DIRECTOR*

15 April 2008



## **TO THE MEMBERS OF SiS INTERNATIONAL HOLDINGS LIMITED**

**新龍國際集團有限公司**

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 69, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

# INDEPENDENT AUDITORS' REPORT (cont'd)

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

15 April 2008

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

		2007	2006
	NOTES	HK\$'000	HK\$'000
Revenue	4	4,260,503	3,396,237
Cost of sales		<b>(4,005,782)</b>	(3,208,111)
Gross profit		<b>254,721</b>	188,126
Other income	6	<b>42,573</b>	46,131
Distribution costs		<b>(80,702)</b>	(69,993)
Administrative expenses		<b>(63,473)</b>	(59,002)
Other expenses	7	<b>(125)</b>	(1,254)
Change in fair value of investment properties		<b>38,514</b>	754
Reversal of impairment loss on consideration receivable	8	–	5,773
Share of results of associates		<b>18,152</b>	7,970
Finance costs	9	<b>(5,403)</b>	(4,056)
Profit before taxation		<b>204,257</b>	114,449
Income tax expense	10	<b>(34,306)</b>	(22,188)
Profit for the year	11	<b>169,951</b>	92,261
Attributable to:			
Equity holders of the Company		<b>170,341</b>	92,459
Minority interests		<b>(390)</b>	(198)
		<b>169,951</b>	92,261
Dividends	14	<b>21,484</b>	12,085
EARNINGS PER SHARE	15		
Basic		<b>63.4 HK cents</b>	34.4 HK cents
Diluted		<b>63.4 HK cents</b>	34.4 HK cents

# CONSOLIDATED BALANCE SHEET

At 31 December 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
<b>Non-current assets</b>			
Investment properties	16	212,256	137,700
Property, plant and equipment	17	11,858	9,813
Prepaid lease payments	18	14,869	14,892
Interests in associates	19	103,022	73,809
Available-for-sale investments	20	10,492	8,214
Staff advances – due after one year	21	54	1,838
Deferred tax assets	31	224	272
		<b>352,775</b>	<b>246,538</b>
<b>Current assets</b>			
Inventories	22	315,010	267,454
Trade and other receivables, deposits and prepayments	23	584,758	514,928
Staff advances – due within one year	21	624	694
Tax recoverable		–	361
Prepaid lease payments	18	23	23
Investments held-for-trading	24	58,541	54,214
Pledged bank deposits	25	20,698	18,828
Bank balances and cash	26	157,182	152,128
		<b>1,136,836</b>	<b>1,008,630</b>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	27	461,805	457,503
Bills payable	28	57,130	83,810
Derivative financial instruments	29	1,361	1,510
Tax payable		21,071	10,421
Bank loans – due within one year	30	100,143	38,084
		<b>641,510</b>	<b>591,328</b>
Net current assets		<b>495,326</b>	<b>417,302</b>
Total assets less current liabilities		<b>848,101</b>	<b>663,840</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	31	17,407	6,085
		<b>830,694</b>	<b>657,755</b>

# CONSOLIDATED BALANCE SHEET (cont'd)

At 31 December 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
Capital and reserves			
Share capital	32	26,855	26,855
Share premium		52,834	52,834
Reserves		42,497	17,623
Retained profits		708,508	559,651
Equity attributable to equity holders of the Company		830,694	656,963
Minority interests		–	792
Total equity		830,694	657,755

The consolidated financial statements on pages 21 to 69 were approved and authorised for issue by the Board of Directors on 15 April 2008 and are signed on its behalf by:

**LIM Kiah Meng**  
DIRECTOR

**LIM Kia Hong**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to equity holders of the Company										
	Share capital	Share premium	Investments reserve	Translation reserve	Statutory reserve	Contributed surplus	Share options reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(note 33)	(note 33)					
At 1 January 2006	26,855	52,834	2,185	(1,489)	919	2,860	-	479,277	563,441	916	564,357
Gains on fair value changes of available-for-sale investments	-	-	739	-	-	-	-	-	739	-	739
Exchange realignment arising on translation of foreign operations	-	-	-	5,287	-	-	-	-	5,287	74	5,361
Share of exchange reserve of associates	-	-	-	7,122	-	-	-	-	7,122	-	7,122
Total expense and income recognised directly in equity	-	-	739	12,409	-	-	-	-	13,148	74	13,222
Profit for the year	-	-	-	-	-	-	-	92,459	92,459	(198)	92,261
Total recognised expense and income for the year	-	-	739	12,409	-	-	-	92,459	105,607	(124)	105,483
Dividend paid	-	-	-	-	-	-	-	(12,085)	(12,085)	-	(12,085)
At 31 December 2006	26,855	52,834	2,924	10,920	919	2,860	-	559,651	656,963	792	657,755
Gains on fair value changes of available-for-sale investments	-	-	2,276	-	-	-	-	-	2,276	-	2,276
Exchange realignment arising on translation of foreign operations	-	-	-	6,572	-	-	-	-	6,572	24	6,596
Share of exchange reserve of associates	-	-	-	14,357	-	-	-	-	14,357	-	14,357
Total expense and income recognised directly in equity	-	-	2,276	20,929	-	-	-	-	23,205	24	23,229
Profit for the year	-	-	-	-	-	-	-	170,341	170,341	(390)	169,951
Transfer to income statement on disposal of a subsidiary	-	-	-	(246)	-	-	-	-	(246)	(245)	(491)
Total recognised expense and income for the year	-	-	2,276	20,683	-	-	-	170,341	193,300	(611)	192,689
Recognition of equity-settled share-based payments	-	-	-	-	-	-	1,915	-	1,915	-	1,915
Decrease in minority interests as a result of acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	-	(181)	(181)
Dividend paid	-	-	-	-	-	-	-	(21,484)	(21,484)	-	(21,484)
At 31 December 2007	26,855	52,834	5,200	31,603	919	2,860	1,915	708,508	830,694	-	830,694

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	<b>204,257</b>	114,449
Adjustments for:		
Share of results of associates	<b>(18,152)</b>	(7,970)
Loss on deemed disposal of an associate	–	109
Finance costs	<b>5,403</b>	4,056
Allowance for doubtful debts provided/bad debts written off	<b>5,348</b>	7,030
Inventories written down	<b>252</b>	2,681
Dividend income from equity investments	<b>(4,986)</b>	(3,432)
Interest income	<b>(4,266)</b>	(3,290)
Reversal of impairment loss on consideration receivable	–	(5,773)
Gain on disposal of a subsidiary	<b>(242)</b>	–
Goodwill written off on acquisition of additional interests in a subsidiary	<b>125</b>	–
Share-based payments expense	<b>1,915</b>	–
Gain on disposal of available-for-sale investments	<b>(537)</b>	(4,544)
Increase in fair value of investment properties	<b>(38,514)</b>	(754)
(Gain) loss on fair value changes on derivative financial instruments	<b>(184)</b>	1,145
Depreciation of property, plant and equipment	<b>3,977</b>	2,553
Amortisation of prepaid lease payments	<b>23</b>	23
Gain on disposal of property, plant and equipment	<b>(2)</b>	(210)
Operating cash flows before movements in working capital	<b>154,417</b>	106,073
Increase in inventories	<b>(41,024)</b>	(28,638)
Increase in trade and other receivables, deposits and prepayments	<b>(61,663)</b>	(61,785)
Increase in investments held-for-trading	<b>(4,035)</b>	(4,039)
(Decrease) increase in trade payables, other payables and accruals	<b>(4,929)</b>	58,205
(Decrease) increase in bills payable	<b>(32,530)</b>	37,311
Decrease in trade payable to a related company	–	(1,162)
<b>CASH FROM OPERATIONS</b>	<b>10,236</b>	105,965
Hong Kong profits tax paid	<b>(10,681)</b>	(14,940)
Overseas tax paid	<b>(2,554)</b>	(406)
Interest paid	<b>(5,403)</b>	(4,056)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(8,402)</b>	86,563

# CONSOLIDATED CASH FLOW STATEMENT (cont'd)

For the year ended 31 December 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Dividend received from associates		<b>3,296</b>	1,190
Dividend received from equity investments		<b>4,986</b>	3,432
Interest received		<b>4,266</b>	3,290
Increase in pledged bank deposits		<b>(501)</b>	(563)
Acquisition of additional interests in a subsidiary		<b>(306)</b>	–
Disposal of a subsidiary	34	<b>(712)</b>	–
Proceeds from disposal of available-for-sale investments		<b>537</b>	4,544
Purchase of property, plant and equipment		<b>(5,742)</b>	(3,581)
Acquisition of investment properties		<b>(34,703)</b>	–
Proceeds from disposal of property, plant and equipment		<b>4</b>	452
Advance to staff		<b>(694)</b>	(2,750)
Repayments of staff advances		<b>2,548</b>	709
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<b>(27,021)</b>	6,723
<b>FINANCING ACTIVITIES</b>			
Dividends paid		<b>(21,484)</b>	(12,085)
New bank loans raised		<b>422,440</b>	245,499
Repayment of bank loans		<b>(363,121)</b>	(268,320)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>		<b>37,835</b>	(34,906)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2,412</b>	58,380
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>152,128</b>	94,879
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>2,642</b>	(1,131)
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>157,182</b>	152,128

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

## 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 and its immediate holding company is Gold Sceptre Limited. Both of the holding companies are incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section to the annual report.

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 42.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the current year beginning from 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in current year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (cont'd)

The Group has not early adopted the following new standard, amendment, revisions or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standard, amendment, revisions or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>3</sup>
HK(IFRIC) – INT 12	Service Concession Arrangements <sup>4</sup>
HK(IFRIC) – INT 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investees but is not joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Interests in associates (cont'd)

Where a group entity transacts with an associate of the Group profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

### Property, plant and equipment

Property, plant and equipment, including building held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives, and after taking into account of their residual values, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

### Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire contract is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a Group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### *Financial assets*

The Group's financial assets are classified into one of the three categories, including "loans and receivables", "financial assets at fair value through profit or loss" and "available-for-sale financial assets". All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including trade and other receivables, staff advances, bank deposits and balances are carried at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss ("FVTPL") comprise financial assets held for trading. At each balance sheet date subsequent to initial recognition, FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial instruments (cont'd)

#### *Financial assets (cont'd)*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables or FVTPL. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

#### *Impairment of financial assets*

Financial assets other than those at FVTPL are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial instruments (cont'd)

#### **Financial assets (cont'd)**

##### *Impairment of financial assets (cont'd)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### **Financial liabilities and equity**

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities mainly include trade and other payables, bills payable and bank borrowings and are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial instruments (cont'd)

#### ***Derivative financial instruments***

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives of the Group do not qualify for hedge accounting and thus they are deemed as financial assets held for trading or financial liabilities held for trading.

#### ***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial assets, the difference between the carrying amount of the financial asset and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

#### **Impairment loss on assets**

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, except for available-for-sale investments (the policy of which is set out in financial instrument section), is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Service income is recognised when services are provided.

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

Income from trading/disposal of investments held-for-trading and available-for-sale investments is recognised on a trade date basis.

### 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 the profit as reported in the consolidated 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the consolidated 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Taxation (cont'd)

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 differences 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 is realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to 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.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

#### *The Group as lessee*

Rentals payable under operating leases are charged to consolidated income statement on a straight-line basis over the term of the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency, the currency of the primary economic environment in which the entity operates, at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Foreign currencies (cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### Share-based payment

For grants of share options which are conditional upon satisfying specific vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss with corresponding adjustment to share options reserve.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to employee share option reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

### Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

### Borrowings costs

All borrowings costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 4. REVENUE

Revenue represents the net amount received and receivable for goods sold, property renting, and provision of employment agencies services during the year and is analysed as follows:

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Distribution of Information Technology ("IT") products	<b>4,250,313</b>	3,385,316
Renting of investment properties	<b>8,537</b>	5,224
Provision of service	<b>1,653</b>	5,697
	<b>4,260,503</b>	3,396,237

## 5. SEGMENTAL INFORMATION

In the prior year, the primary reportable segment information of the Group is based on geographic location of customers. Information by business segment is not presented in view of the insignificant contribution of the property investment business to the Group's result. During the year, the management considered that the risks and returns of the Group is more affected predominantly the businesses in distribution of IT products as well as the property investment. As a result, the Group has presented its primary reportable segment information based on business segments for the current year with comparative information for the year ended 31 December 2006.

### Business segments

For management purposes, the Group is currently organised into three operating segments – distribution of IT products, property investment and others. These segments are the basis on which the Group reports its primary segment information.

Principal activities of the segments are as follows:

Distribution of IT products	–	distribution of computer softwares and hardwares, and IT related products
Property investment	–	Properties investment
Others	–	mainly comprise provision of employment agencies services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 5. SEGMENTAL INFORMATION (cont'd)

### Business segments (cont'd)

An analysis of segment information by businesses are as follow:

	For the year ended 31 December 2007			
	Distribution of IT products HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
REVENUE	4,250,313	8,537	1,653	4,260,503
SEGMENT RESULT				
Operations	147,599	46,018	–	193,617
Other unallocated income				14,094
Other income from investments held-for-trading and available-for-sale investments				7,359
Gain on disposal of a subsidiary				242
Share of results of associates	18,152	–	–	18,152
Finance costs				(5,403)
Unallocated corporate expenses				(23,804)
Profit before taxation				204,257
Income tax expense				(34,306)
Profit for the year				169,951
	At 31 December 2007			
	Distribution of IT products HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	896,724	241,251	–	1,137,975
Interests in associates	103,022	–	–	103,022
Unallocated corporate assets				248,614
Consolidated total assets				1,489,611
LIABILITIES				
Segment liabilities	501,731	2,237	–	503,968
Unallocated corporate liabilities				154,949
Consolidated total liabilities				658,917
	For the year ended 31 December 2007			
	Distribution of IT products HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
OTHER INFORMATION				
Allowance for doubtful debts provided/ bad debts written off	5,348	–	–	5,348
Capital additions	5,404	35,031	10	40,445
Depreciation and amortisation	3,853	137	10	4,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 5. SEGMENTAL INFORMATION (CONT'D)

### Business segments (cont'd)

	For the year ended 31 December 2006			
	Distribution	Property	Others	Consolidated
	of IT products <i>HK\$'000</i>	investment <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	3,385,316	5,224	5,697	3,396,237
SEGMENT RESULT				
Operations	88,319	4,635	(614)	92,340
Other unallocated income				18,452
Other income from investments held-for-trading and available-for-sale investments				12,015
Reversal of impairment loss on consideration receivable				5,773
Loss on deemed disposal of an associate				(109)
Share of results of associates	7,970	–	–	7,970
Finance costs				(4,056)
Unallocated corporate expenses				(17,936)
Profit before taxation				114,449
Income tax expense				(22,188)
Profit for the year				92,261
	At 31 December 2006			
	Distribution	Property	Others	Consolidated
	of IT products <i>HK\$'000</i>	investment <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Segment assets	786,170	157,866	832	944,868
Interests in associates	73,809	–	–	73,809
Unallocated corporate assets				236,491
Consolidated total assets				1,255,168
LIABILITIES				
Segment liabilities	525,107	1,795	175	527,077
Unallocated corporate liabilities				70,336
Consolidated total liabilities				597,413
	For the year ended 31 December 2006			
	Distribution	Property	Others	Consolidated
	of IT products <i>HK\$'000</i>	investment <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OTHER INFORMATION				
Allowance for (reversal of) doubtful debts provided/bad debts written off	7,161	–	(131)	7,030
Capital additions	3,562	–	19	3,581
Depreciation and amortisation	2,428	105	43	2,576

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 5. SEGMENTAL INFORMATION (cont'd)

### Geographical segments

The Group's operation are mainly located in Hong Kong, Singapore and Malaysia. The following table provides an analysis of the Group's sales by geographical market based on location of customer, irrespective of the origin of the goods/services during the year.

	Revenue	
	Year ended 31 December 2007 HK\$'000	Year ended 31 December 2006 HK\$'000
Hong Kong	2,590,934	2,362,045
Singapore	1,352,985	838,223
Malaysia	271,258	159,385
Thailand	4,657	13,803
Others	40,669	22,781
	<b>4,260,503</b>	<b>3,396,237</b>

The following is an analysis of the carrying amount of segment assets, and capital additions analysed by the geographical area in which the assets are located:

	Segment assets		Capital additions	
	31 December 2007 HK\$'000	31 December 2006 HK\$'000	Year ended 31 December 2007 HK\$'000	Year ended 31 December 2006 HK\$'000
Hong Kong	772,978	644,119	25,627	2,160
Singapore	323,712	251,332	13,981	1,148
Malaysia	41,176	47,867	837	273
	<b>1,137,866</b>	<b>943,318</b>	<b>40,445</b>	<b>3,581</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 6. OTHER INCOME

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Other income comprises:		
Dividend income from available-for-sale investments	32	2
Dividend income from investments held-for-trading	4,954	3,430
Discount on early settlement to suppliers	15,296	11,592
Exchange gain, net	9,828	15,162
Changes in fair value of investments held-for-trading	1,836	4,039
Changes in fair value of derivative financial instruments	184	–
Interest on bank deposits	4,266	3,290
Gain on disposal of available-for-sale investments	537	4,544
Gain on disposal of a subsidiary	242	–

Net gain on financial assets, analysed by category of assets, is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Available-for-sale financial assets	569	4,544
Loans and receivables	4,266	3,290
Investments held-for-trading	6,790	7,471
Derivative financial instruments designated as FVTPL	184	–
	<b>11,809</b>	<b>15,305</b>

## 7. OTHER EXPENSES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Other expenses comprises:		
Goodwill written off on acquisition of additional interests in a subsidiary	125	–
Changes in fair value of derivative financial instruments	–	1,145
Loss on deemed disposal of an associate ( <i>note</i> )	–	109
	<b>125</b>	<b>1,254</b>

*Note:* The loss arised from dilution of the Group's interest in an associate, SiS Distribution (Thailand) Public Company Limited ("SiS Thailand") from 29.3% to 29.2% due to issuance of new shares by the associate to its warrant holders on exercise of their rights under the warrants.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 8. REVERSAL OF IMPAIRMENT LOSS ON CONSIDERATION RECEIVABLE

The amount represents partial recovery of the deferred consideration receivable on disposal of 26% interest in SiS Thailand on exercising the Group's right under the sale and purchase agreement to retrieve the sold shares upon default by the counterparty.

## 9. FINANCE COSTS

The finance costs represent interest on bank loans wholly repayable within five years.

## 10. INCOME TAX EXPENSE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong	15,690	12,547
Overseas	7,978	7,975
	<u>23,668</u>	<u>20,522</u>
(Over)underprovision in prior years		
Hong Kong	(263)	–
Overseas	7	(294)
	<u>(256)</u>	<u>(294)</u>
Deferred taxation ( <i>Note 31</i> )	<u>10,894</u>	1,960
Income tax expense for the year	<u>34,306</u>	<u>22,188</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 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 CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 10. INCOME TAX EXPENSE (cont'd)

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

	2007		2006	
	HK\$'000	%	HK\$'000	%
Profit before taxation	<b>204,257</b>		114,449	
Tax at the domestic income tax rate of 17.5% (2006: 17.5%) (note)	<b>35,745</b>	<b>17.5</b>	20,028	17.5
Tax effect of share of results of associates	<b>(3,177)</b>	<b>(1.6)</b>	(1,395)	(1.2)
Tax effect of expenses not deductible for tax purpose	<b>1,804</b>	<b>0.9</b>	1,674	1.5
Tax effect of income not taxable	<b>(5,099)</b>	<b>(2.5)</b>	(5,259)	(4.6)
Tax effect of deemed profit on disposal of associate to group companies	–	–	5,702	5.0
Tax effect of tax losses/deductible temporary differences not recognised	<b>1,564</b>	<b>0.8</b>	1,005	0.9
Utilisation of tax losses/deductible temporary differences previously not recognised	<b>(540)</b>	<b>(0.3)</b>	–	–
Overprovision of prior years' income tax	<b>(256)</b>	<b>(0.1)</b>	(294)	(0.3)
Effect of different tax rates of subsidiaries	<b>276</b>	<b>0.1</b>	290	0.2
Effect of change in tax rate	<b>(609)</b>	<b>(0.3)</b>	–	–
Withholding tax on share of result of an associate	<b>4,094</b>	<b>2.0</b>	–	–
Others	<b>504</b>	<b>0.3</b>	437	0.4
Tax charge and effective tax rate for the year	<b>34,306</b>	<b>16.8</b>	22,188	19.4

Note:

Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operation of the Group substantially based.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 11. PROFIT FOR THE YEAR

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Profit for the year has been arrived at after charging:		
Cost of inventories recognised as an expense	<b>4,003,566</b>	3,202,523
Staff costs ( <i>note</i> )	<b>91,158</b>	69,962
Auditors' remuneration	<b>1,247</b>	1,466
Allowance for doubtful debts provided	<b>4,653</b>	6,235
Bad debts written off	<b>695</b>	795
Depreciation of property, plant and equipment	<b>3,977</b>	2,553
Amortisation of prepaid lease payments	<b>23</b>	23
Total depreciation and amortisation	<b>4,000</b>	2,576
Operating lease rentals in respect of rented premises	<b>9,556</b>	8,679
and after crediting:		
Gross rental income from investment properties	<b>8,537</b>	5,224
Less: Direct operating expenses from investment properties that generated rental income during the year	<b>(1,033)</b>	(1,343)
Net rental income	<b>7,504</b>	3,881
Reversal of write-down of inventories, net	<b>8,957</b>	6,549
Gain on disposal of property, plant and equipment	<b>2</b>	210

*Note:*

Staff costs included an amount of HK\$4,923,000 (2006: HK\$3,655,000) and HK\$1,915,000 (2006: Nil) in respect of retirement benefit schemes contributions and share-based payments expense respectively. Emoluments to the directors set out in note 12 are also included in staff costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 12. DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the directors during the year are as follows:

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contributions to retirement benefit scheme <i>HK\$'000</i>	Share- based payments <i>HK\$'000</i>	2007 Total <i>HK\$'000</i>	2006 Total <i>HK\$'000</i>
<i>Executive directors:</i>						
Mr. Lim Siam Kwee	110	1,864	15	158	2,147	1,796
Mr. Lim Kiah Meng	110	2,675	38	158	2,981	2,561
Mr. Lim Kia Hong	110	2,688	34	158	2,990	2,431
Mr. Lim Hwee Hai	110	2,688	23	158	2,979	2,413
Madam Lim Hwee Noi	110	1,489	22	158	1,779	1,426
	<b>550</b>	<b>11,404</b>	<b>132</b>	<b>790</b>	<b>12,876</b>	10,627
<i>Independent non-executive directors:</i>						
Mr. Lee Hiok Chuan	200	-	-	49	249	188
Mr. Woon Wee Teng	200	-	-	49	249	188
Ms. Ong Wui Leng	200	-	-	49	249	188
	<b>600</b>	<b>-</b>	<b>-</b>	<b>147</b>	<b>747</b>	564
	<b>1,150</b>	<b>11,404</b>	<b>132</b>	<b>937</b>	<b>13,623</b>	11,191

No directors waived any emoluments during the two years ended 31 December 2006 and 31 December 2007.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2006: five) were directors of the Company whose emoluments are included in the disclosures in note 12 above. The emolument of the remaining one (2006: Nil) individual was as follows:

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>1,789</b>	–
Contributions to retirement benefit scheme	<b>20</b>	–
Share-based payment expense	<b>49</b>	–
	<b>1,858</b>	–

## 14. DIVIDENDS

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Dividend recognised as distribution during the year		
Final dividend, paid in respect of the year 2006 of 8.0 HK cents per share (2005: 4.5 HK cents per share)	<b>21,484</b>	12,085
Final dividend, proposed in respect of the year 2007 of 10.0 HK cents per share (2006: 8.0 HK cents per share)	<b>27,102</b>	21,484

The final dividend proposed by the directors is subject to approval by the shareholders in general meeting.

## 15. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$170,341,000 (2006: HK\$92,459,000) and 268,550,000 (2006: 268,550,000) ordinary shares in issue during the year.

The diluted earnings per share does not take into account share options as the effect of potential ordinary shares to be issued on the exercising share options granted from the date of grant to balance sheet date was anti-dilutive.

The effect of dilutive potential ordinary shares of an associate was considered to be insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 16. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 January 2006	136,145
Exchange realignment	801
Increase in fair value recognised in the income statement	754
At 1 January 2007	<b>137,700</b>
Exchange realignment	<b>1,339</b>
Additions	<b>34,703</b>
Increase in fair value recognised in the income statement	<b>38,514</b>
At 31 December 2007	<b>212,256</b>

An analysis of the investment properties of the Group by geographical location and lease term is as follows:

	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong		
under long lease	<b>155,800</b>	125,000
under medium-term lease	<b>20,860</b>	–
under short-term lease	<b>4,540</b>	–
Singapore		
freehold	<b>13,506</b>	–
under long lease	<b>14,650</b>	10,650
The People's Republic of China ("the PRC")		
under medium-term lease	<b>2,900</b>	2,050
	<b>212,256</b>	137,700

The fair values of the Group's investment properties in Hong Kong and PRC, and Singapore as at 31 December 2007 have been arrived at on the basis of valuation carried out on that date by Chartered Surveyors, Messrs. CB Richard Ellis Ltd. and Knight Frank Pte. Ltd. respectively, which are independent qualified professional valuers not connected with the Group and have recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar property.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 17. PROPERTY, PLANT AND EQUIPMENT

	Building in Hong Kong under long lease <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>
COST					
At 1 January 2006	3,820	6,020	17,462	5,006	32,308
Exchange realignment	–	335	893	159	1,387
Additions	–	27	2,722	832	3,581
Disposals	–	(89)	(352)	(1,967)	(2,408)
<b>At 31 December 2006</b>	<b>3,820</b>	<b>6,293</b>	<b>20,725</b>	<b>4,030</b>	<b>34,868</b>
Exchange realignment	–	310	965	105	1,380
Additions	–	343	4,388	1,011	5,742
Disposal of a subsidiary	–	–	(155)	–	(155)
Disposals	–	(41)	(53)	(1,441)	(1,535)
<b>At 31 December 2007</b>	<b>3,820</b>	<b>6,905</b>	<b>25,870</b>	<b>3,705</b>	<b>40,300</b>
DEPRECIATION					
At 1 January 2006	380	5,338	14,263	3,649	23,630
Exchange realignment	–	291	660	87	1,038
Provided for the year	6	192	1,848	507	2,553
Eliminated on disposals	–	(89)	(352)	(1,725)	(2,166)
<b>At 31 December 2006</b>	<b>386</b>	<b>5,732</b>	<b>16,419</b>	<b>2,518</b>	<b>25,055</b>
Exchange realignment	–	275	761	51	1,087
Provided for the year	76	158	3,051	692	3,977
Disposal of a subsidiary	–	–	(144)	–	(144)
Eliminated on disposals	–	(41)	(51)	(1,441)	(1,533)
<b>At 31 December 2007</b>	<b>462</b>	<b>6,124</b>	<b>20,036</b>	<b>1,820</b>	<b>28,442</b>
CARRYING VALUES					
<b>At 31 December 2007</b>	<b>3,358</b>	<b>781</b>	<b>5,834</b>	<b>1,885</b>	<b>11,858</b>
At 31 December 2006	3,434	561	4,306	1,512	9,813

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 17. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Building	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%

## 18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold land in Hong Kong under long lease.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Carrying amount analysed for reporting purposes as:		
Current asset	23	23
Non-current asset	<b>14,869</b>	14,892
	<b>14,892</b>	14,915

## 19. INTERESTS IN ASSOCIATES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cost of investment in associates		
Listed overseas	<b>29,850</b>	29,850
Unlisted	<b>280</b>	280
Share of post-acquisition reserves, net of dividend received	<b>72,892</b>	43,679
	<b>103,022</b>	73,809
Fair value of listed associate	<b>108,720</b>	51,375

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 19. INTERESTS IN ASSOCIATES (cont'd)

Details of the associates as at 31 December 2007 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 (listed in the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	49.5%	Distribution of IT products
ECS Pericomp Sdn. Bhd.	Limited company	Malaysia	Ordinary	20%	Distribution of computer products
Infinitiq Solution Pte. Limited	Limited company	Singapore	Ordinary	35.7%	Manufacture and design of IP communication solution
Havoq Research Pte. Limited	Limited company	Singapore	Ordinary	50%	Research and experimental development on information technology

The summarised financial information in respect of the Group's associates is set out below:

	2007 HK\$'000	2006 HK\$'000
Total assets	600,554	544,646
Total liabilities	(363,099)	(374,556)
Net assets	<u>237,445</u>	<u>170,090</u>
Group's share of net assets of associates	<u>102,117</u>	<u>72,930</u>
Revenue	<u>2,729,978</u>	<u>2,067,423</u>
Profit for the year	<u>41,679</u>	<u>18,163</u>
Group's share of results of associates for the year	<u>18,152</u>	<u>7,970</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 19. INTERESTS IN ASSOCIATES (cont'd)

The Group has discontinued recognition of its shares of losses of certain associates. The amounts of unrecognised shares of these associates, extracted from the management accounts of associates, both for the year and cumulatively, are as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Unrecognised share of losses of associates for the year	<u>26</u>	<u>681</u>
Accumulated unrecognised share of losses of associates	<u>905</u>	<u>879</u>

## 20. AVAILABLE-FOR-SALE INVESTMENTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Equity securities, listed overseas, at fair value	<u>8,192</u>	5,914
Club debentures, unlisted	<u>2,300</u>	<u>2,300</u>
	<u>10,492</u>	<u>8,214</u>

## 21. STAFF ADVANCES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The staff advances are analysed as follows:		
Current	<u>624</u>	694
Non-current	<u>54</u>	<u>1,838</u>
	<u>678</u>	<u>2,532</u>

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

## 22. INVENTORIES

Inventories of the Group comprise of trading merchandise.

Inventories written down during the year amounted to HK\$252,000 (2006: HK\$2,681,000). Certain inventories previously written-down were sold during the year. As a result, a reversal of the write-down of inventories amounting to HK\$9,209,000 (2006: HK\$9,230,000) has been realised during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables	<b>580,677</b>	522,596
Less: allowance for doubtful debt	<b>(15,138)</b>	(27,719)
	<b>565,539</b>	494,877
Deposits, prepayments and other receivables	<b>19,219</b>	20,051
	<b>584,758</b>	514,928

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. No credit is granted to customers for provision of service and rental due. No interest is charged on overdue debts.

Other receivables are unsecured, interest free and repayable within 30 days.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	<b>339,720</b>	433,553
31 to 90 days	<b>190,322</b>	52,132
91 to 120 days	<b>27,810</b>	5,003
Over 120 days	<b>7,687</b>	4,189
	<b>565,539</b>	494,877

The average age of trade receivables is 49 days (2006: 53 days). Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically.

Included in the Group's trade receivable balance are debts with total carrying amount of HK\$204,674,000 (2006: HK\$166,609,000) which are past due at the reporting date for which the Group has not provided for impairment loss. For those past due but not impaired receivables, although no collateral is hold, the Group has assessed the creditworthiness, past payment history and substantial settlement after the balance sheet date, and considered that the default risk is low, so no impairment has been provided. Trade receivables which are neither overdue nor impaired are in good quality.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

The aging of these trade receivables which are past due but not impaired are as follows:

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Overdue:		
Within 30 days	<b>122,100</b>	110,268
31 to 90 days	<b>72,523</b>	47,149
91 to 120 days	<b>5,600</b>	5,003
Over 120 days	<b>4,451</b>	4,189
	<b>204,674</b>	166,609

Movement in the allowance for doubtful debts are as follows:

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Balance at beginning of the year	<b>27,719</b>	22,856
Exchange realignment	<b>1,939</b>	1,276
Impairment losses recognised on receivables	<b>6,626</b>	7,573
Amounts written off as uncollectible	<b>(19,173)</b>	(2,648)
Amounts recovered during the year	<b>(977)</b>	–
Impairment losses reversed	<b>(996)</b>	(1,338)
Balance at end of the year	<b>15,138</b>	27,719

## 24. INVESTMENTS HELD-FOR-TRADING

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Equity securities listed overseas, at fair value	<b>58,541</b>	54,214

The fair value of the above investments held-for-trading are determined based on the quoted market bid prices available on the relevant exchanges.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 25. PLEDGED BANK DEPOSITS

Pledged bank deposits which carry fixed interest rates ranging from 2.7% to 3.7% (2006: 2.6% to 3.0%) per annum with maturity date more than one month have been pledged to secure banking facilities granted to the Group.

## 26. BANK BALANCES AND CASH

Bank balances and cash comprise and short-term bank deposits which carry market rate ranging from 0.3% to 8.75% (2006: 1.95% to 7.54%) per annum with an original maturity of three months or less.

## 27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals is trade payables of HK\$331,762,000 (2006: HK\$330,180,000). The following is an aged analysis of trade payables at the balance sheet date:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	319,304	316,750
31 to 90 days	9,288	9,836
91 to 120 days	627	173
Over 120 days	2,543	3,421
Trade payables	<u>331,762</u>	<u>330,180</u>

Trade payables that are denominated in United States dollars, currency other the functional currencies of the relevant group entities amounted to HK\$222,114,000 (2006: HK\$201,100,000).

The average credit period on purchase of goods is 30 to 60 days. The Group has financial risks management policies in place to ensure that all payables are paid within the credit time frame.

## 28. BILLS PAYABLE

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	36,460	34,650
31 to 90 days	20,670	49,160
	<u>57,130</u>	<u>83,810</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 29. DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Group has entered foreign currency forward contracts to minimise its exposure to currency fluctuations risk of certain trade payables denominated in foreign currencies. These derivatives are not accounted for under hedge accounting.

At 31 December 2007, the Group had outstanding foreign currency forward contracts denominated in United States dollars with total notional amount of HK\$561,925,000 (2006: HK\$514,130,000). Most of these contracts are subject to monthly gross settlement and are measured at fair value at the balance sheet date. Their fair values are determined based on the quoted prices for equivalent instruments provided by banks. The major terms of these foreign currency forward contracts are as follows:

<b>Notional amount and terms</b>	<b>Maturity date</b>
Sell HK\$7,701,000 buy US\$1,000,000 if spot rate below HK\$7.701/US\$1, or sell HK\$3,850,500 buy US\$500,000 if spot rate at or above HK\$7.701/US\$1	17 January 2008 to 19 February 2008
Sell HK\$15,410,000 buy US\$2,000,000 if spot rate below HK\$7.705/US\$1, or sell HK\$7,705,000 buy US\$1,000,000 if spot rate at or above HK\$7.705/US\$1	24 January 2008 to 25 March 2008
Sell HK\$11,568,750 buy US\$1,500,000 if spot rate below HK\$7.7125/US\$1, or sell HK\$3,856,250 buy US\$500,000 if spot rate at or above HK\$7.7125/US\$1	31 January 2008 to 30 April 2009
Sell HK\$11,558,250 buy US\$1,500,000 if spot rate below HK\$7.7055/US\$1, or sell HK\$3,852,750 buy US\$500,000 if spot rate at or above HK\$7.7055/US\$1	30 May 2008 to 30 April 2009
Sell HK\$23,247,000 buy US\$3,000,000 if spot rate below HK\$7.749/US\$1, or sell HK\$7,749,000 buy US\$1,000,000 if spot rate at or above HK\$7.749/US\$1	5 March 2008 to 5 August 2009
Sell S\$437,490 buy US\$300,000, contract rate: S\$1.4583/US\$1	19 June 2008
Sell S\$434,250 buy US\$300,000, contract rate: S\$1.4475/US\$1	27 June 2008

As Hong Kong dollars is currently pegged to United States dollars, the management consider that the Group's exposure to fluctuation between Hong Kong dollars and United States dollars is limited.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 30. BANK LOANS

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Secured	<b>83,017</b>	38,084
Unsecured	<b>17,126</b>	–
	<b>100,143</b>	38,084

The bank loans carry variable rates at inter-bank borrowing rates plus 0.69% to 4.38% per annum, and the effective interest rates ranged from 1.90% to 7.75% (2006: 4.12% to 8.25%) per annum during the year.

## 31. DEFERRED TAXATION

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

	<b>Allowances</b>					
	<b>Accelerated</b>	<b>for doubtful</b>	<b>Revaluation</b>			
	<b>tax</b>	<b>debts/</b>	<b>of properties</b>	<b>Others</b>	<b>Tax losses</b>	<b>Total</b>
	<b>depreciation</b>	<b>inventories</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2006	203	4,368	(1,220)	(8,023)	1,202	(3,470)
Charge to income statement for the year	(1,531)	(429)	–	–	–	(1,960)
Exchange realignment	(25)	344	–	(702)	–	(383)
At 1 January 2007	<b>(1,353)</b>	<b>4,283</b>	<b>(1,220)</b>	<b>(8,725)</b>	<b>1,202</b>	<b>(5,813)</b>
Charge to income statement for the year	<b>(417)</b>	<b>(1,624)</b>	<b>(6,740)</b>	<b>(4,083)</b>	<b>1,360</b>	<b>(11,504)</b>
Effect of change in tax rate	<b>25</b>	<b>(307)</b>	–	<b>892</b>	–	<b>610</b>
Exchange realignment	<b>(116)</b>	<b>209</b>	–	<b>(569)</b>	–	<b>(476)</b>
At 31 December 2007	<b>(1,861)</b>	<b>2,561</b>	<b>(7,960)</b>	<b>(12,485)</b>	<b>2,562</b>	<b>(17,183)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 31. DEFERRED TAXATION (cont'd)

Others mainly represents deferred tax liabilities of approximately S\$1,719,000 recognised on the gain on partial disposal of a subsidiary (which has since become an associate of the Group) by a Singapore subsidiary in prior years. No tax liability was recognised in the year of disposal as the gain would not be subject to Singapore tax if the proceeds were not remitted to a Singapore entity. During the year ended 31 December 2005, the sale proceeds receivable was assigned to another Singapore subsidiary which may give rise to potential tax liability on the gain if the assignment of the receivable is deemed as equivalent to remittance of funds to the assignee. As a result, a deferred tax liability was recognised and will be transferred to current tax liability on settlement of the payable.

For the purpose of balance sheet presentation. Certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for financial reporting purposes:

	2007 HK\$'000	2006 HK\$'000
Deferred tax assets	224	272
Deferred tax liabilities	(17,407)	(6,085)
	<b>(17,183)</b>	(5,813)

At the balance sheet date, the Group has deductible temporary differences of HK\$15,934,000 (2006: HK\$15,934,000) and unutilised tax losses of HK\$43,318,000 (2006: HK\$29,694,000).

A deferred tax asset has been recognised in respect of the tax losses of HK\$14,643,000 (2006: HK\$6,871,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$28,675,000 (2006: HK\$22,823,000) and the deductible temporary differences due to the unpredictability of future profit streams. Tax losses of HK\$312,000 (2006: HK\$1,638,000) has been lapsed during the year. Tax losses of HK\$43,006,000 may be carried forward indefinitely.

## 32. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Share capital	
	2007 '000	2006 '000	2007 HK\$'000	2006 HK\$'000
Authorised	<b>350,000</b>	350,000	<b>35,000</b>	35,000
Issued and fully paid	<b>268,550</b>	268,550	<b>26,855</b>	26,855

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 33. RESERVES

Details of different categories and the movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 24.

Appropriations to the statutory reserve fund out of net profit after taxation each year of the Company's indirect PRC subsidiary is required under the PRC statutory requirements. The amount should not be less than 10% of the profit after taxation each year unless the aggregate amount exceeded 50% of registered capital of the subsidiary. The statutory reserve fund can be used to make up prior year losses, if any, and applied to paid-up capital of the subsidiary on approval by the relevant PRC authority.

Contributed surplus 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 of subsidiaries at the time of the Group reorganisation taken place in preparation for listing of the Company's shares in 1992.

## 34. DISPOSAL OF A SUBSIDIARY

On 29 December 2007, the Group disposed of its 75% interest in Metier Career Management Pte. Ltd. ("Metier Career"), a company registered in Singapore and its principal activities are provision of employment agencies services. The net assets of Metier Career disposed of were as follows:

	<i>HK\$'000</i>
Property and equipment	11
Trade and other receivables	307
Bank balances and cash	712
Trade and other payables	(48)
	<hr/>
	982
Minority interests	(245)
	<hr/>
Net assets disposed of	737
Exchange reserve realised	(246)
Gain on disposal	242
	<hr/>
Total consideration	733
	<hr/>
Satisfied by:	
Cash consideration and included in other receivables as at 31 December 2007	733
	<hr/>
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(712)
	<hr/>

The subsidiary disposed of contributed approximately HK\$1,653,000 to the Group's turnover and depleted the Group's profit from operations by approximately HK\$1,084,000 for the year ended 31 December 2007.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank borrowings and equity, comprising issued share capital, reserves and retained earnings.

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associates with the capital, and take appropriate actions to adjust the Group's capital structure.

## 36. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Financial assets</b>		
Available-for-sale investments	10,492	8,214
Investments at fair value through profit and loss		
– Investment held-for-trading	58,541	54,214
Loan and receivable (including cash and cash equivalents)	749,859	674,398
<b>Financial liabilities</b>		
Derivatives financial instruments	(1,361)	(1,510)
Financial liabilities stated at amortised cost	(561,985)	(533,238)

### b. Financial risk management objectives

The Group's major financial instruments include equity investments, derivatives, bank borrowings, trade and other receivables and trade and other payables. Details of the financial instruments are disclosed in respective notes.

The management monitors and manages the financial risk relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 36. FINANCIAL INSTRUMENTS (cont'd)

### b. Financial risk management objectives (cont'd)

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

The Group's activities expose it primarily to the financial risks of changes in foreign currency rates, interest rates and equity price.

#### (i) Currency risk

Certain equity investments, purchases and trade payables of the Group are denominated in United States dollars and Australian dollars. In order to reduce the risks associated with currency fluctuation, the Group has entered into foreign currency forward contracts to monitor against its exposures to changes of United State dollars exchange rate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
United States dollars	112,896	47,608	222,114	201,100
Australian dollars	60,848	55,389	–	–

#### Sensitivity analysis

The following table details the Group's sensitivity to a 0.64% increase and decrease in Hong Kong dollars against United States dollars and a 10% increase and decrease in Hong Kong dollars against Australian dollars. 0.64% and 10% are the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 0.64% and 10% change in foreign currency rates. A positive number below indicates an increase in profit where Hong Kong dollars strengthen 0.64% and 10% against the relevant currency. For a 0.64% and 10% weakening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Profit or loss	
	2007 HK\$'000	2006 HK\$'000
United States dollars	699	982
Australian dollars	(6,085)	(5,539)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 36. FINANCIAL INSTRUMENTS (cont'd)

### b. Financial risk management objectives (cont'd)

#### (ii) **Interest rate risk**

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank loans and bank balances (see Notes 25, 26 and 30 for details).

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. A 75 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 75 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would decrease/increase by HK\$751,000 (2006: decrease/increase by HK\$286,000).

#### (iii) **Price risk**

The Group is exposed to equity price risk through its investment in listed equity securities. The management closely keep watch of the price changes and to take appropriate action when necessary.

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If equity price had been 5% higher/lower and all other variables were held constant:

- the Group's profit for the year ended 31 December 2007 would increase/decrease by HK\$2,927,000 (2006: increase/decrease by HK\$2,711,000) as a result of the changes in fair value of held-for-trading investments; and
- the Group's investment reserve would increase/decrease by HK\$410,000 (2006: increase/decrease by HK\$296,000) for the Group as a result of the changes in fair value of available-for-sale investments.

## 36. FINANCIAL INSTRUMENTS (cont'd)

### b. Financial risk management objectives (cont'd)

#### ***Credit risk***

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated certain staff for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

#### ***Liquidity risk***

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management manages liquidity risk by maintaining adequate reserve and cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its financial assets and liabilities. For non-derivative financial assets and liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flow.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 36. FINANCIAL INSTRUMENTS (cont'd)

### b. Financial risk management objectives (cont'd)

#### Liquidity risk (cont'd)

	Interest rate at balance sheet date %	Less than 3 months HK\$'000	3 – 6 months HK\$'000	6 – 12 months HK\$'000	1 – 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2007 HK\$'000
<b>2007</b>							
<b>Non-derivative financial assets</b>							
Trade and other receivables	-	571,301	-	-	-	571,301	571,301
Staff advances	-	492	44	88	54	678	678
Bank balances and deposits	0.9	166,031	13,454	-	-	179,485	177,880
		<b>737,824</b>	<b>13,498</b>	<b>88</b>	<b>54</b>	<b>751,464</b>	<b>749,859</b>
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	(404,712)	-	-	-	(404,712)	(404,712)
Bills payable	3.8	(59,278)	-	-	-	(59,278)	(57,130)
Bank borrowings	3.9	(104,053)	-	-	-	(104,053)	(100,143)
		<b>(568,043)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(568,043)</b>	<b>(561,985)</b>
<b>Derivative-gross settlement</b>							
Foreign exchange forward contracts							
- inflow	-	65,632	93,745	185,736	216,812	561,925	561,925
- outflow	-	(66,146)	(93,970)	(186,210)	(216,960)	(563,286)	(563,286)
		<b>(514)</b>	<b>(225)</b>	<b>(474)</b>	<b>(148)</b>	<b>(1,361)</b>	<b>(1,361)</b>
<b>2006</b>							
<b>Non-derivative financial assets</b>							
Trade and other receivables	-	500,910	-	-	-	500,910	500,910
Staff advances	-	174	173	347	1,838	2,532	2,532
Bank balances and deposits	0.8	160,143	12,163	-	-	172,306	170,956
		<b>661,227</b>	<b>12,336</b>	<b>347</b>	<b>1,838</b>	<b>675,748</b>	<b>674,398</b>
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	(411,344)	-	-	-	(411,344)	(411,344)
Bills payable	5.0	(87,959)	-	-	-	(87,959)	(83,810)
Bank borrowings	5.3	(40,111)	-	-	-	(40,111)	(38,084)
		<b>(539,414)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(539,414)</b>	<b>(533,238)</b>
<b>Derivative-gross settlement</b>							
Foreign exchange forward contracts							
- inflow	-	102,890	133,702	215,906	61,632	514,130	514,130
- outflow	-	(103,091)	(134,131)	(216,548)	(61,870)	(515,640)	(515,640)
		<b>(201)</b>	<b>(429)</b>	<b>(642)</b>	<b>(238)</b>	<b>(1,510)</b>	<b>(1,510)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 36. FINANCIAL INSTRUMENTS (cont'd)

### c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions and dealer quote for similar instruments.

## 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:

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>12,617</b>	8,701
In the second to fifth year inclusive	<b>12,704</b>	4,041
	<b>25,321</b>	12,742

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.

### The Group as lessor

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

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>7,583</b>	7,447
In the second to fifth year inclusive	<b>4,021</b>	7,859
	<b>11,604</b>	15,306

## 38. SHARE OPTION SCHEME

The Company has adopted a new share option scheme (the "New Scheme") on 21 May 2007 and the share option scheme adopted on 31 May 2002 was terminated on the same date. Pursuant to the New Scheme, the Company may grant options to qualified persons, including employees, and directors of the Company and its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 38. SHARE OPTION SCHEME (cont'd)

On 20 August 2007, 4,750,000, 5,000,000 and 400,000 numbers of share options were granted to certain directors, employees and others, and directors of an associate respectively, pursuant to the New Scheme at an exercise price of HK\$1.72 per share and at a cash consideration of HK\$10.00 per grantee. 200,000 numbers of share options granted were lapsed during the year. The vesting period of the share options granted is determinable at the entire discretion of the board of directors.

Details of the options are as follows:

### Number of share

### options outstanding

at 31 December 2007	Vesting period	Exercise period
3,316,657	21 August 2007-18 February 2008	18 February 2008- 20 May 2017
3,316,667	21 August 2007-18 February 2009	18 February 2009- 20 May 2017
3,316,676	21 August 2007-18 February 2010	18 February 2010- 20 May 2017

No options were exercised, expired nor cancelled during the year.

The fair values of these share options granted to the directors, employees and others at the date of grant ranged from HK\$0.548 per share to HK\$0.580 per shares with an estimated total fair value of the options of HK\$5,621,000. Options were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effect of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years.

The fair values of options granted were calculated using the following inputs:

Grant date share price	HK\$1.62
Exercise price	HK\$1.72
Expected volatility	48.36% – 50.27%
Option life	3.9 – 4.9 years
Dividend yield	2.78%
Risk-free interest rate	4.113% – 4.210%

## 39. RETIREMENT BENEFIT 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 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes the lower of 5% of relevant payroll costs or HK\$1,000 to the MPF Scheme monthly, which contribution is matched by the employee.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 39. RETIREMENT BENEFIT SCHEMES (cont'd)

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 Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Employees of the Group's subsidiaries incorporated in Singapore and Malaysia are members of pension schemes operated by the local governments. 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.

## 40. PLEDGE OF ASSETS

At 31 December 2007, certain of the Group's assets with a carrying values of HK\$65,498,000 (2006: HK\$58,828,000) were pledged to secure general banking facilities granted to the Group. The carrying values of these assets are analysed as follows:

	2007 HK\$'000	2006 HK\$'000
Investment properties	44,800	40,000
Bank deposits	20,698	18,828
	<b>65,498</b>	58,828

## 41. RELATED PARTY TRANSACTIONS

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

	Associates		Related companies	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Sales of goods	3,078	7,486	–	7,586
Purchase of goods	3,115	1,156	–	684
Income from management service	1,578	1,176	–	–
Operating lease rentals expense	–	–	6,338	6,017
Amount due from related parties at 31 December included in trade receivables	<b>104</b>	71	–	–

A director and/or his spouse has/have controlling interest in the related companies.

Apart from the above, remunerations paid and payable to the executive directors of the Company who are considered to be the key management personnels are disclosed in note 12. The remuneration of directors are determined by the Remuneration Committee having regard to the Company's operating results, performance of individuals and market trends.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 42. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2007 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 %	
Computer Zone Limited	Hong Kong	Ordinary	HK\$2	–	100	Properties investment
Faith Prosper Ltd.	British Virgin Islands	Ordinary	US\$1	–	100	Inactive
Maxima Technology Limited	British Virgin Islands	Ordinary	US\$1	–	100	Inactive
Qool Labs Pte. Ltd.	Singapore	Ordinary	S\$2	–	100	Distribution of IT products
SiS Asia Pte. Ltd.	Singapore	Ordinary	S\$2	–	100	Provision of hardware and software services and corporate management services
SiS China Limited	Hong Kong	Ordinary	HK\$2	–	100	Properties investment
SiS Distribution Limited	British Virgin Islands	Ordinary	US\$45,001	100	–	Investment holding
SiS Distribution (M) Sdn. Bhd.	Malaysia	Ordinary	RM\$7,500,000	–	100	Distribution of IT products
SiS HK Limited	Hong Kong	Ordinary	HK\$400,000	–	100	Investment holding
SiS International Limited	Hong Kong	Ordinary	HK\$100,000	–	100	Distribution of IT products
SiS International Trading (Shanghai) Co., Ltd. (note a)	PRC	Registered capital	US\$200,000	–	100	Inactive

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2007

## 42. PRINCIPAL SUBSIDIARIES (cont'd)

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 Macau Limited	Macau	Ordinary	MOP25,000	–	100	Distribution of IT products
SiS Nentrepreneur Ventures Corp.	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
SiS TechVentures Corp.	British Virgin Islands	Ordinary	US\$1	100	–	Investment holding
SiS Technologies Pte. Ltd.	Singapore	Ordinary	S\$1,000,000	–	100	Distribution of IT products
SiS Technologies (Thailand) Pte. Ltd.	Singapore	Ordinary	S\$2	–	100	Investment holding
SiSNetwork Sdn. Bhd.	Malaysia	Ordinary	RM\$2	–	100	Inactive
Tallgrass Technologies Sdn. Bhd.	Malaysia	Ordinary	RM\$2	–	100	Inactive

*Notes:*

- (a) Wholly-owned foreign enterprises registered in the PRC.
- (b) None of the subsidiaries had issued any debt securities at the end of the year.

## 43. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	<b>345,371</b>	373,052
Total liabilities	<b>14,759</b>	13,278

At 31 December 2007, the Company's reserves available for distribution to shareholders amounted to HK\$249,008,000 (2006: HK\$280,085,000).

# FINANCIAL SUMMARY

## RESULTS

	For the year ended 31 December				
	2007	2006	2005	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<b>4,260,503</b>	3,396,237	3,194,899	2,828,800	3,469,364
Profit before taxation	<b>204,257</b>	114,449	103,609	42,363	47,225
Income tax expense	<b>(34,306)</b>	(22,188)	(16,569)	(4,771)	(9,096)
Profit for the year	<b>169,951</b>	92,261	87,040	37,592	38,129
Net profit attributable to:					
Equity holders of the Company	<b>170,341</b>	92,459	86,896	37,451	36,151
Minority interests	<b>(390)</b>	(198)	144	141	1,978
	<b>169,951</b>	92,261	87,040	37,592	38,129

## ASSETS AND LIABILITIES

	At 31 December				
	2007	2006	2005	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	<b>1,489,611</b>	1,255,168	1,061,353	1,027,191	884,918
Total liabilities	<b>(658,917)</b>	(597,413)	(496,996)	(544,018)	(436,248)
	<b>830,694</b>	657,755	564,357	483,173	448,670
Equity attributable to:					
Equity holders of the Company	<b>830,694</b>	656,963	563,441	482,391	448,056
Minority interests	<b>–</b>	792	916	782	614
	<b>830,694</b>	657,755	564,357	483,173	448,670

# PARTICULARS OF INVESTMENT PROPERTIES

At 31 December 2007

<b>Name of property and location</b>	<b>Lease terms</b>	<b>Use</b>
Maxwell House 20 Maxwell Road #11-07/23 Singapore	Long-term lease	Commercial
23 Dalvey Estate #01-08 Singapore	Freehold	Residential
23 Dalvey Estate #03-07 Singapore	Freehold	Residential
8th Floor Far East Finance Centre No. 16 Harcourt Road Hong Kong	Long-term lease	Commercial
Carpark Nos. 1-64 7th Floor United Centre No. 95 Queensway Hong Kong	Long-term lease	Commercial
Unit 1, 11th Floor Eastern Harbour Centre No. 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 5, 17th Floor Eastern Harbour Centre No. 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 6, 17th Floor Eastern Harbour Centre No. 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office

# PARTICULARS OF INVESTMENT PROPERTIES (cont'd)

At 31 December 2007

<b>Name of property and location</b>	<b>Lease terms</b>	<b>Use</b>
Workshop No. 7, 3rd Floor Hewlett Centure No. 54 Hoi Yuen Road Hong Kong	Short-term lease	Industrial/Office
Units 2611 and 2612 26th Level Metro Plaza Nos. 183-187 Tian He Bei Road Tian He District Guangzhou The PRC	Medium-term lease	Commercial