



SiS International Holdings Limited
(Stock code : 529)



ANNUAL REPORT **2008**

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CORPORATE INFORMATION

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

STOCK CODE

529

INVESTOR RELATIONS

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

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

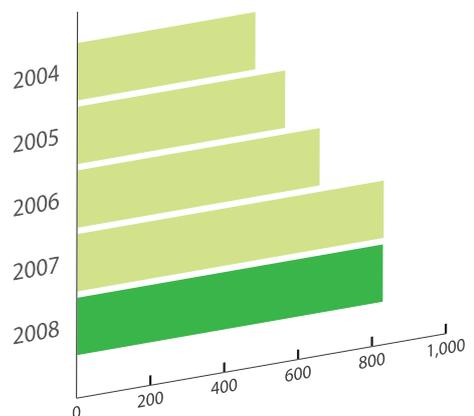
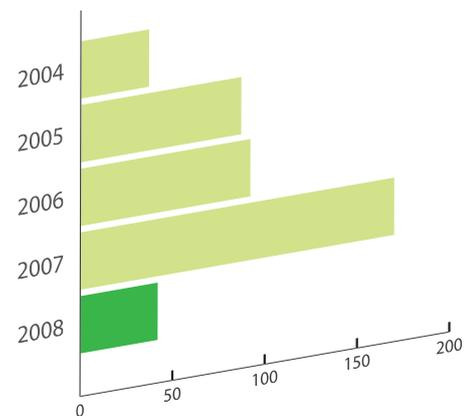
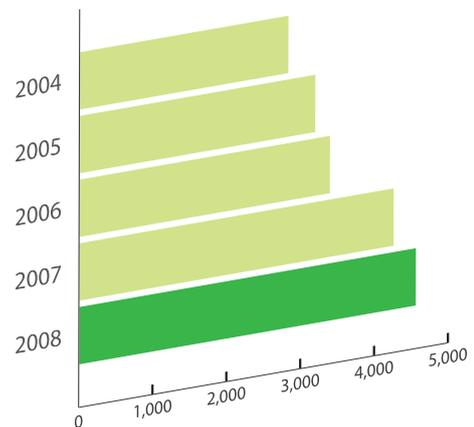
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08 Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

FINANCIAL HIGHLIGHTS

	2008 HK\$	2007 HK\$
Turnover	4,563 million	4,261 million
Profit attributable to equity holders	42 million	170 million
Shareholders' funds	829 million	831 million



CHAIRMAN'S STATEMENT

Dear Shareholders,

RESULTS

I am pleased to report to you that despite one of the worst global economy downturn, the Group's result for the year ended 31 December 2008 remained positive. Group sales turnover amounted to HK\$4,563,332,000, an increase of 7% from previous year. Net profit attribute to shareholders amounted to HK\$41,819,000. Basic earnings per share were 15.5 HK cents.

BUSINESS REVIEW

The year 2008 was unprecedented; we saw the collapse of global financial markets. Amid tough economic market conditions in year 2008, the Group continues to grow steadily and remains profitable.

(1) IT Distribution Business

Driving our success is our IT distribution business which remains our core business. IT distribution through distributors continues to be an integral part of the go-to-market strategy for IT manufacturers bringing products to market. SiS Group is one of the Top IT distributors in Asia representing some of the world's best renowned IT products.

With a strong management team who are experienced in IT distribution business, an extensive product range, a strong business partner relationships with resellers and vendors and a wide geographic coverage, the Group was able to maintain the momentum of previous years and achieved sales turnover growth of 7% to HK\$4,553 million from HK\$4,250 million in 2007, and operating profit amounted to HK\$79 million for the year 2008.

(2) Investment in IT Business

Our Group investment in IT business focused on investing in IT companies in the region. Results from these investments have proven to be successful in the year 2008. Despite the turbulent political climate in Thailand for the year 2008, the Group's investments in SiS Distribution (Thailand) Public Company Limited continue to perform well and grow steadily.

(3) Real Estate Investments Business

The weakening of the economy over the course of 2008 negatively impacted the Asian property market resulting in a fair valuation loss of HK\$24 million for the Group in year 2008 as compared with a gain of HK\$39 million in year 2007. The total fair value of these investment properties amounted to HK\$197 million at 31 December 2008.

AWARDS & ACCOLADES:

During the year, the Group was bestowed with several awards and accolades in recognition of its excellent performance

PROSPECT

The economic environment for coming year is full of uncertainties. We are facing a softer economic environment in the near term. Demand for IT products may continue to soften. 2009 will be a challenging year. However, the Directors are confident that the fundamentals of the Group are strong and will emerge stronger when the economy recovers. The Group has proven that it can excel during challenging times. With a strong balance sheet, an experienced management team, excellent relationships with vendors, a wide reseller network coupled with our industry leading position, the Group is well positioned to explore business opportunities, strengthen our position and pursue opportunities for profitable growth during this time.

FINAL DIVIDEND

To reward loyal shareholders, I am happy to announce that the Directors recommend a final dividend of 5.0 HK cents per share for 2008 payable to shareholders on the register of members on 11 June 2009. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable in cash on 8 July 2009

APPRECIATION

Our success would not have been possible without the dedication of our committed 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 outstanding **Execution** & business **Excellence**. Despite the current slow economy, the Directors looking ahead with confidence, we had achieved impressive records of continuous profitability for The Group and will emerge an even stronger company when the economy recovers and growth returns.

On behalf of the Board

LIM Siam Kwee
Chairman

LIM Kia Hong
Chief Executive Officer

Hong Kong, 9 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had total assets of HK\$1,406,338,000 which were financed by shareholders' funds of HK\$829,318,000 and total liabilities of HK\$577,020,000. The Group had a current ratio of approximately 1.89 as compared to that of approximately 1.77 at 31 December 2007.

As at 31 December 2008, the Group had HK\$151,465,000 bank balances and cash of which HK\$20,369,000 was pledged to banks to cover 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 2008, the Group had short term borrowings and bank overdraft and bills payable of total HK\$146,397,000. 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 maintain a positive liquidity position. At the end of December 2008, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank borrowings and bills payable) of HK\$5,068,000.

Gearing ratio, as defined by total bank loans, bills payables and overdrafts to shareholders' funds, as at 31 December 2008 was 17.7% compared to 18.9% as at 31 December 2007.

CHARGES ON GROUP ASSETS

At the balance sheet date, the Group had pledged bank deposits of HK\$20,369,000 (as at 31 December 2007: HK\$20,698,000) and an investment property of net book value of HK\$40,000,000 (as at 31 December 2007: HK\$44,800,000) 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 2008 was 308 and the salaries and other benefits paid to employees, including share-based payments expense but excluding Directors' emoluments amounted to HK\$75,644,000 (2007: HK\$77,535,000). 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 employee's 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 end date. During the second half of 2007, the Company granted share options to eligible persons including the Directors and staffs with exercise price of HK\$1.72 per share. Estimated total fair value of the share options granted amounts to HK\$5,621,000 in which HK\$2,623,000 (31 December 2007: HK\$1,915,000) has been recognized in the year of 2008. During the year 2008, a total of 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 the 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\$62,544,000 (2007: HK\$202,122,000).

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

On 23 September 2005, the Company has adopted its own corporate governance code (with subsequent amendments) 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 and spouse of Madam Lim Hwee Noi. 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 and Managing Directors 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.

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 2008, and the members had reviewed the remuneration policy and determined remuneration of Directors.

AUDIT COMMITTEE

The Audit Committee is comprised of all INED, and 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 of 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 2008 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") with subsequent amendments thereafter. 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.

CORPORATE GOVERNANCE REPORT

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 Auditors' Report on page 23.

AUDITORS' REMUNERATION

During the year ended 31 December 2008, the Group had engaged external auditors to provide the following services.

	Service fee HK\$'000
Audit services	1,312
Tax advisory	74
Other services	1,359
	<hr/> 2,745 <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 2008:

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

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 2008. 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 on the web-site of the Company and the Stock Exchange of Hong Kong; (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 13 May 2008 at Kellett Room 1, 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 2007; to re-elect directors; and approve the general mandates for the issue and repurchase of the Company's share.

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

LIM Siam Kwee, aged 88, 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 2008.

LIM Kiah Meng, aged 56, son of Mr. Lim Siam Kwee, joined the Group in 1986. He has over twenty years' experience in the I.T. industry, 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 2008.

LIM Kia Hong, aged 52, 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 seven years' experience in the I.T. 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 2008.

LIM Hwee Hai, aged 59, the son-in-law of Mr. Lim Siam Kwee and spouse of Madam Lim Hwee Noi, 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 six years' experience in the I.T. 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 2008.

LIM Hwee Noi, aged 58, the daughter of Mr. Lim Siam Kwee and spouse of Mr. Lim Hwee Hai, 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 thirty years. She is also a director of Gold Sceptre Limited which holds 52% shareholdings in the Company as at 31 December 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Hiok Chuan, aged 74, 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 52, 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 had been a practising lawyer for not less than twenty years.

ONG Wui Leng, aged 48, joined the Group in 2004 and has more than ten years of experience in corporate banking and another fifteen years of experience in corporate finance and management.

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries and associates are set out in notes 41 and 18, respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 25.

The directors now recommend the payment of a final dividend of 5.0 HK cents per share to the shareholders on the register of members on 11 June 2009, amounting to HK\$13,551,000. The distributable reserves of the Company available for distribution after the proposed dividend becomes HK\$257,760,000.

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 78. 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\$9,227,000 and HK\$1,972,000 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 decrease in fair value amounted to HK\$24,402,000, which had been credited to the consolidated income statement directly.

Particulars of investment properties of the Group at 31 December 2008 are set out on pages 79 and 80.

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 15, 16 and 17, respectively, to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the consolidated financial statements.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2008 were as follows:

	2008 HK\$'000	2007 <i>HK\$'000</i>
Contributed surplus	29,186	29,186
Retained profits	242,125	219,822
	271,311	249,008

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 there are reasonable grounds for believing that:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's 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, Mr. Lim Kia Hong, Madam Lim Hwee Noi and Mr. Woon Wee Teng 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' INTERESTS IN SHARES

At 31 December 2008, 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 ("SFO"), 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:

Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Personal interests	Family interests	Corporate interests (Note 1)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Siam Kwee	8,691,066	–	–	8,691,066	3.21%
Lim Kiah Meng	2,797,866	83,333	178,640,000	181,521,199	66.98%
Lim Kia Hong	2,797,866	83,333	178,640,000	181,521,199	66.98%
Lim Hwee Hai (Note 2)	2,797,866	2,542,666	–	5,340,532	1.97%
Lim Hwee Noi (Note 2)	2,542,666	2,797,866	–	5,340,532	1.97%
Lee Hiok Chuan	83,333	–	–	83,333	0.03%
Woon Wee Teng	83,333	–	–	83,333	0.03%
Ong Wui Leng	83,333	–	–	83,333	0.03%

Notes:

- (1) 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.
- (2) 2,797,866 shares and 2,542,666 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out in "Share Option" below.

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 2008.

DIRECTORS' REPORT

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.

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 2008	Exercised during the year	Outstanding at 31 December 2008
Directors and their associates:						
Lim Siam Kwee						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	266,666	(266,666)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	266,667	–	266,667
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	266,667	–	266,667

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options		
				Outstanding at 1 January 2008	Exercised during the year	Outstanding at 31 December 2008
Lim Kiah Meng and spouse						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	349,999	(349,999)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	350,000	–	350,000
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	350,001	–	350,001
Lim Kia Hong and spouse						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	349,999	(349,999)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	350,000	–	350,000
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	350,001	–	350,001
Lim Hwee Hai						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	266,666	(266,666)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	266,667	–	266,667
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	266,667	–	266,667
Lim Hwee Noi						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	266,666	(266,666)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	266,667	–	266,667
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	266,667	–	266,667
Lee Hiok Chuan						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	83,333	(83,333)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333	–	83,333
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	83,334	–	83,334

DIRECTORS' REPORT

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options		
				Outstanding at 1 January 2008	Exercised during the year	Outstanding at 31 December 2008
Woon Wee Teng						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	83,333	(83,333)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333	–	83,333
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	83,334	–	83,334
Ong Wui Leng						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	83,333	(83,333)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333	–	83,333
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	83,334	–	83,334
Total directors and their associates				<u>5,250,000</u>	<u>(1,749,995)</u>	<u>3,500,005</u>
Employees and other qualified persons						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	1,566,662	(716,666)	849,996
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	1,566,667	–	1,566,667
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	1,566,671	–	1,566,671
Total employees and other qualified persons				<u>4,700,000</u>	<u>(716,666)</u>	<u>3,983,334</u>
Total number of share options				<u>9,950,000</u>	<u>(2,466,661)</u>	<u>7,483,339</u>

The following share options were exercised during the financial year:

Exercise date	Number of share exercised	Share price at the exercise date <i>HK\$</i>
3 March 2008	200,000	2.20
26 March 2008	733,332	1.96
27 March 2008	283,333	1.93
28 March 2008	1,249,996	1.93
	2,466,661	

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' INTERESTS IN CONTRACTS

The following transactions were entered into by the Group during the year ended 31 December 2008:

	<i>Notes</i>	<i>HK\$'000</i>
Operating lease rentals paid to:		
Ever Rich Technology Limited	(a)	3,670
SiS Realty Pte. Limited	(b)	6,392

Notes:

- (a) *Mr. Lim Kiah Meng and his spouse own 50%, and Mr. Lim Kia Hong owns 30% of the issued share capital of Ever Rich Technology Limited at 31 December 2008.*
- (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.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and the chief executive, the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Shareholder	Personal interests	Family interests	Corporate interests (Note 1)	Other interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeo Seng Chong	400,000	250,000	16,500,000	–	17,150,000	6.33%
Lim Mee Hwa	250,000	400,000	16,500,000	–	17,150,000	6.33%
Yeoman Capital Management Pte Ltd	–	–	–	16,500,000	16,500,000	6.09%

Notes:

- (1) Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 35.0% direct interest in Yeoman Capital Management Pte. Ltd.
- (2) Yeoman Capital Management Pte Ltd holds the shares of the Company as an investment manager.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2008.

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 66% by value of the Group's total purchases during the year, with the largest supplier accounting for 20%.

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.

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 37 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$99,000.

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 AND MODEL CODE

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 2008, 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 nonexecutive directors are independent.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

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

Hong Kong, 9 April 2009

**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 25 to 77, which comprise the consolidated balance sheet as at 31 December 2008, 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.

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

INDEPENDENT AUDITOR'S REPORT

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 2008 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

9 April 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Revenue	4	4,563,332	4,260,503
Cost of sales		(4,365,942)	(4,005,782)
Gross profit		197,390	254,721
Other income	6	31,688	40,737
Distribution costs		(77,759)	(80,702)
Administrative expenses		(75,499)	(63,473)
Other expenses	7	(1,397)	(125)
Change in fair value of investments held-for-trading		(21,081)	1,836
Change in fair value of investment properties		(24,402)	38,514
Share of results of associates		28,482	18,152
Finance costs	8	(4,854)	(5,403)
Profit before taxation		52,568	204,257
Income tax expense	9	(10,749)	(34,306)
Profit for the year	10	41,819	169,951
Attributable to:			
Equity holders of the Company		41,819	170,341
Minority interests		–	(390)
		41,819	169,951
Dividends paid	13	27,102	21,484
EARNINGS PER SHARE	14		
Basic		15.5 HK cents	63.4 HK cents
Diluted		15.5 HK cents	63.4 HK cents

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Investment properties	15	196,873	212,256
Property, plant and equipment	16	8,956	11,858
Prepaid lease payments	17	14,846	14,869
Interests in associates	18	109,372	103,022
Available-for-sale investments	19	12,610	10,492
Staff advances – due after one year	20	–	54
Deferred tax assets	30	351	224
		343,008	352,775
Current assets			
Inventories	21	297,567	315,010
Trade and other receivables, deposits and prepayments	22	578,238	584,758
Staff advances – due within one year	20	491	624
Tax recoverable		1,864	–
Prepaid lease payments	17	23	23
Investments held-for-trading	23	33,682	58,541
Pledged bank deposits	24	20,369	20,698
Bank balances and cash	25	131,096	157,182
		1,063,330	1,136,836
Current liabilities			
Trade payables, other payables and accruals	26	407,578	461,805
Bills payable	27	74,758	57,130
Derivative financial instruments	28	1,938	1,361
Tax payable		6,873	21,071
Bank loans – due within one year	29	71,639	100,143
		562,786	641,510
Net current assets		500,544	495,326
Total assets less current liabilities		843,552	848,101
Non-current liabilities			
Deferred tax liabilities	30	14,234	17,407
Net assets		829,318	830,694

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	<i>Notes</i>	2008 HK\$'000	2007 <i>HK\$'000</i>
Capital and reserves			
Share capital	31	27,102	26,855
Share premium		58,223	52,834
Reserves		20,768	42,497
Retained profits		723,225	708,508
Total equity		829,318	830,694

The consolidated financial statements on pages 25 to 77 were approved and authorised for issue by the Board of Directors on 9 April 2009 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 2008

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Investments reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000 (note 32)	Contributed surplus HK\$'000 (note 32)	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007	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	-	-	-	6,572	-	-	-	-	6,572	24	6,596
Share of exchange reserve of associates	-	-	-	14,357	-	-	-	-	14,357	-	14,357
Total 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
Loss on fair value changes of available-for-sale investments	-	-	(5,091)	-	-	-	-	-	(5,091)	-	(5,091)
Exchange realignment arising on translation	-	-	-	(2,689)	-	-	-	-	(2,689)	-	(2,689)
Share of exchange reserve of associates	-	-	-	(15,179)	-	-	-	-	(15,179)	-	(15,179)
Total expense recognised directly in equity	-	-	(5,091)	(17,868)	-	-	-	-	(22,959)	-	(22,959)
Profit for the year	-	-	-	-	-	-	-	41,819	41,819	-	41,819
Total recognised expense and income for the year	-	-	(5,091)	(17,868)	-	-	-	41,819	18,860	-	18,860
Recognition of equity-settled share based payments	-	-	-	-	-	-	2,623	-	2,623	-	2,623
Exercise of share options	247	5,404	-	-	-	-	(1,408)	-	4,243	-	4,243
Dividend paid	-	-	-	-	-	-	-	(27,102)	(27,102)	-	(27,102)
At 31 December 2008	27,102	58,238	109	13,735	919	2,860	3,130	723,225	829,318	-	829,318

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before taxation	52,568	204,257
Adjustments for:		
Share of results of associates	(28,482)	(18,152)
Loss on deemed disposal of an associate	819	–
Finance costs	4,854	5,403
Allowance for doubtful debts provided, net	1,306	5,348
Reversal of write-down of inventories, net	(37)	(8,957)
Dividend income from equity investments	(5,976)	(4,986)
Interest income	(2,653)	(4,266)
Gain on disposal of a subsidiary	–	(242)
Goodwill written off on acquisition of additional interests in a subsidiary	–	125
Share-based payments expense	2,623	1,915
Gain on disposal of available-for-sale investments	(43)	(537)
Decrease (increase) in fair value of investment properties	24,402	(38,514)
Loss (gain) on fair value changes on derivative financial instruments	578	(184)
Depreciation of property, plant and equipment	4,758	3,977
Amortisation of prepaid lease payments	23	23
Loss (gain) on disposal of property, plant and equipment	8	(2)
Operating cash flows before movements in working capital	54,748	145,208
Decrease (increase) in inventories	16,238	(31,815)
Decrease (increase) in trade and other receivables, deposits and prepayments	1,739	(61,663)
Decrease (increase) in investments held-for-trading	21,888	(4,035)
Decrease in trade payables, other payables and accruals	(52,037)	(4,929)
Increase (decrease) in bills payable	18,112	(32,530)
CASH GENERATED FROM OPERATIONS	60,688	10,236
Hong Kong Profits Tax paid	(21,259)	(10,681)
Overseas Tax paid	(8,268)	(2,554)
Interest paid	(4,840)	(5,403)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	26,321	(8,402)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 HK\$'000	2007 HK\$'000
INVESTING ACTIVITIES			
Dividend received from associates		6,134	3,296
Dividend received from equity investments		5,976	4,986
Interest received		2,653	4,266
Increase in pledged bank deposits		(723)	(501)
Acquisition of additional interests in a subsidiary		–	(306)
Disposal of a subsidiary	33	–	(712)
Proceeds from disposal of available-for-sale investments		43	537
Purchase of available-for-sale investments		(4,118)	–
Purchase of property, plant and equipment		(1,972)	(5,742)
Acquisition of investment properties		(9,227)	(34,703)
Proceeds from disposal of property, plant and equipment		3	4
Advance to staff		–	(694)
Repayments of staff advances		187	2,548
		<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES		(1,044)	(27,021)
		<hr/>	<hr/>
FINANCING ACTIVITIES			
Issue of shares upon exercise of share options		4,243	–
Dividends paid		(27,102)	(21,484)
New bank loans raised		478,043	422,440
Repayment of bank loans		(504,646)	(363,121)
		<hr/>	<hr/>
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(49,462)	37,835
		<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(24,185)	2,412
CASH AND CASH EQUIVALENTS AT 1 JANUARY		157,182	152,128
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,901)	2,642
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		131,096	157,182
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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 addresses 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 41.

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 OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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

The Group has not applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁷

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods ending on or after 30 June 2009

⁵ Effective for annual periods beginning on or after 1 July 2008

⁶ Effective for annual periods beginning on or after 1 October 2008

⁷ Effective for transfer on or after 1 July 2009

The application of HKAS 1 will result in a change in the presentation of primary statements of the financial statements and HKFRS 8 will result in a change in the basis of reporting of segment information.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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.

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 and 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 investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interests in associates (cont'd)

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 consolidated 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, except for those that are classified and accounted for as investment properties under fair value model.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets (cont'd)

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, pledged bank deposits and bank 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 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 to the net carrying amount on initial recognition.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Impairment of financial assets (cont'd)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

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 at FVTPL including financial liabilities held for trading. At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Financial liabilities at amortised cost mainly include trade and other payables, bills payable and bank loans 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 to the net carrying amount on initial recognition.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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 with the exception of available-for-sale investment (details of which are stated above). 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.

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.

Rentals receivable under operating leases are recognised and credited to the consolidated 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.

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 on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leasing (cont'd)

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.

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 exchange 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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 share options 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 consolidated income statement in the period in which they are incurred.

4. REVENUE

Revenue represents the net amount received and receivable for goods sold and property rented during the year and is analysed as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Distribution of Information Technology ("IT") products	4,552,754	4,250,313
Renting of investment properties	10,578	8,537
Provision of service	–	1,653
	<u>4,563,332</u>	<u>4,260,503</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

5. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating segments – distribution of IT products and property investment. IT products include computer softwares, hardwares and IT related products. Last year's operating segment also include provision of employment agencies services of which the Group had disposed of on 29 December 2007. These segments are the basis on which the Group reports its primary segment information.

An analysis of segment information by businesses are as follow:

	For the year ended 31 December 2008		
	Distribution of IT products HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
EXTERNAL REVENUE	<u>4,552,754</u>	<u>10,578</u>	<u>4,563,332</u>
SEGMENT RESULT			
Operations	<u>79,329</u>	<u>(15,116)</u>	64,213
Other unallocated income			5,716
Net loss from investments held-for-trading and available-for-sale investments			(15,062)
Loss on deemed disposal of an associate	(819)	–	(819)
Share of results of associates	28,482	–	28,482
Finance costs			(4,854)
Unallocated corporate expenses			<u>(25,108)</u>
Profit before taxation			52,568
Income tax expense			<u>(10,749)</u>
Profit for the year			<u>41,819</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

5. SEGMENTAL INFORMATION (cont'd)

Business segments (cont'd)

	At 31 December 2008		
	Distribution of IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	879,168	197,704	1,076,872
Interests in associates	109,372	–	109,372
Unallocated corporate assets			220,094
Consolidated total assets			1,406,338
LIABILITIES			
Segment liabilities	464,622	4,121	468,743
Unallocated corporate liabilities			108,277
Consolidated total liabilities			577,020

	For the year ended 31 December 2008			
	Distribution of IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OTHER INFORMATION				
Allowance for doubtful debts provided, net	1,306	–	–	1,306
Capital additions	1,916	9,283	–	11,199
Depreciation and amortisation	4,275	80	426	4,781
Decrease in fair value of investment properties	–	24,402	–	24,402
Reversal of write-down of inventories, net	37	–	–	37
Loss on deemed disposal of an associate	819	–	–	819

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

5. SEGMENTAL INFORMATION (cont'd)

Business segments (cont'd)

	For the year ended 31 December 2007			
	Distribution of IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
EXTERNAL 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
Gain 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

5. SEGMENTAL INFORMATION (cont'd)

Business segments (cont'd)

	At 31 December 2007			
	Distribution of IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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 <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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
Increase in fair value of investment properties	–	38,514	–	38,514
Reversal of write-down of inventories, net	8,957	–	–	8,957

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

5. SEGMENTAL INFORMATION (cont'd)

Geographical segments

The Group's operations 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 customers, irrespective of the origin of the goods/services during the year.

	Revenue	
	Year ended	Year ended
	31 December	31 December
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,664,373	2,590,934
Singapore	1,517,455	1,352,985
Malaysia	353,024	271,258
Others	28,480	45,326
	4,563,332	4,260,503

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:

	Carrying amount of segment assets		Capital additions	
	At	At	Year ended	Year ended
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	668,097	772,978	9,478	25,627
Singapore	340,207	323,712	378	13,981
Malaysia	65,740	41,176	1,343	837
Others	2,828	109	-	-
	1,076,872	1,137,975	11,199	40,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

6. OTHER INCOME

	2008 HK\$'000	2007 HK\$'000
Other income comprises:		
Dividend income from available-for-sale investments	973	32
Dividend income from investments held-for-trading	5,003	4,954
Discount on early settlement to suppliers	14,096	15,296
Exchange gain, net	2,874	9,828
Gain on fair value changes on derivative financial instruments	–	184
Interest on bank deposits	2,653	4,266
Gain on disposal of available-for-sale investments	43	537
Gain on disposal of a subsidiary	–	242
	<u> </u>	<u> </u>

Income earned on financial assets, analysed by category of asset, is as follows:

	2008 HK\$'000	2007 HK\$'000
Available-for-sale financial assets	1,016	569
Loans and receivables	2,653	4,266
Investments held-for-trading	5,003	4,954
Derivative financial instruments designated as FVTPL	–	184
	<u> </u>	<u> </u>
	8,672	9,973
	<u> </u>	<u> </u>

7. OTHER EXPENSES

	2008 HK\$'000	2007 HK\$'000
Other expenses comprises:		
Loss on fair value changes on derivative financial instruments	578	–
Loss on deemed disposal of an associate (note)	819	–
Goodwill written off on acquisition of additional interests in a subsidiary	–	125
	<u> </u>	<u> </u>
	1,397	125
	<u> </u>	<u> </u>

Note: The loss arose from dilution of the Group's interest in an associate, SiS Distribution (Thailand) Public Company Limited ("SiS Thailand") from 49.5% to 49.1% due to issuance of new shares by SiS Thailand to its warrant holders on exercise of their rights under the warrants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

8. FINANCE COSTS

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

9. INCOME TAX EXPENSE

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax		
Hong Kong	12,916	15,690
Overseas	392	7,978
	13,308	23,668
Under(over)provision in prior years		
Hong Kong	5	(263)
Overseas	85	7
	90	(256)
Deferred taxation (<i>Note 30</i>)		
Current year	(2,340)	11,504
Attributable to a change in tax rate	(309)	(610)
	(2,649)	10,894
Income tax expense for the year	10,749	34,306

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 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

FOR THE YEAR ENDED 31 DECEMBER 2008

9. 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:

	2008 HK\$'000	2007 <i>HK\$'000</i>
Profit before taxation	52,568	204,257
Tax at the domestic income tax rate of 16.5% (2007: 17.5%) (<i>note</i>)	8,674	35,745
Tax effect of share of results of associates	(4,700)	(3,177)
Tax effect of expenses not deductible for tax purpose	5,773	1,804
Tax effect of income not taxable for tax purpose	(1,630)	(5,099)
Tax effect of tax losses/deductible temporary differences not recognised	1,584	1,564
Utilisation of tax losses/deductible temporary differences previously not recognised	(1,090)	(540)
Under(over)provision of prior years' income tax	90	(256)
Effect of different tax rates of subsidiaries	(207)	276
Effect of change in tax rate	(309)	(610)
Withholding tax on share of result of an associate	1,682	4,094
Others	882	505
Tax charge for the year	10,749	34,306

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

FOR THE YEAR ENDED 31 DECEMBER 2008

10. PROFIT FOR THE YEAR

	2008	2007
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging:		
Cost of inventories recognised as an expense	4,364,687	4,003,566
Staff costs (<i>note</i>)	88,346	91,158
Auditor's remuneration	1,500	1,247
Allowance for doubtful debts provided	5,865	6,626
Bad debts written off	–	695
Write-down of inventories	3,132	252
Depreciation of property, plant and equipment	4,758	3,977
Amortisation of prepaid lease payments	23	23
Total depreciation and amortisation	4,781	4,000
Operating lease rentals in respect of rented premises	13,691	9,556
Loss on disposal of property, plant and equipment	8	–
Share of tax of associates (included in share of results of associates)	4,700	3,177
and after crediting:		
Gross rental income from investment properties	10,578	8,537
Less: Direct operating expenses from investment properties that generated rental income during the year	(1,292)	(1,033)
Net rental income	9,286	7,504
Amounts recovered during the year/reversal of allowance for doubtful debts	4,559	1,973
Reversal of write-down of inventories	3,169	9,209
Gain on disposal of property, plant and equipment	–	2

Note:

Staff costs included an amount of HK\$4,500,000 (2007: HK\$4,923,000) and HK\$2,623,000 (2007: HK\$1,915,000) in respect of retirement benefit schemes contributions and share-based payments expense respectively. Emoluments to the directors set out in note 11 are also included in staff costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

11. DIRECTORS' EMOLUMENTS

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

	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to retirement benefit scheme HK\$'000	Share- based payments HK\$'000	2008 Total HK\$'000
<i>Executive directors:</i>					
Mr. Lim Siam Kwee	100	1,670	17	217	2,004
Mr. Lim Kiah Meng	100	2,405	36	217	2,758
Mr. Lim Kia Hong	100	2,411	37	217	2,765
Mr. Lim Hwee Hai	100	2,411	27	217	2,755
Madam Lim Hwee Noi	100	1,333	26	217	1,676
	<u>500</u>	<u>10,230</u>	<u>143</u>	<u>1,085</u>	<u>11,958</u>
<i>Independent non-executive directors:</i>					
Mr. Lee Hiok Chuan	180	-	-	68	248
Mr. Woon Wee Teng	180	-	-	68	248
Ms. Ong Wui Leng	180	-	-	68	248
	<u>540</u>	<u>-</u>	<u>-</u>	<u>204</u>	<u>744</u>
	<u>1,040</u>	<u>10,230</u>	<u>143</u>	<u>1,289</u>	<u>12,702</u>
	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to retirement benefit scheme HK\$'000	Share- based payments HK\$'000	2007 Total HK\$'000
<i>Executive directors:</i>					
Mr. Lim Siam Kwee	110	1,864	15	158	2,147
Mr. Lim Kiah Meng	110	2,675	38	158	2,981
Mr. Lim Kia Hong	110	2,688	34	158	2,990
Mr. Lim Hwee Hai	110	2,688	23	158	2,979
Madam Lim Hwee Noi	110	1,489	22	158	1,779
	<u>550</u>	<u>11,404</u>	<u>132</u>	<u>790</u>	<u>12,876</u>
<i>Independent non-executive directors:</i>					
Mr. Lee Hiok Chuan	200	-	-	49	249
Mr. Woon Wee Teng	200	-	-	49	249
Ms. Ong Wui Leng	200	-	-	49	249
	<u>600</u>	<u>-</u>	<u>-</u>	<u>147</u>	<u>747</u>
	<u>1,150</u>	<u>11,404</u>	<u>132</u>	<u>937</u>	<u>13,623</u>

No directors waived any of their emoluments during the two years ended 31 December 2007 and 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2007: four) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emolument of the remaining one (2007: one) individual was as follows:

	2008	2007
	HK\$'000	HK\$'000
Salaries and other benefits	1,805	1,789
Contributions to retirement benefit scheme	11	20
Share-based payment expense	153	49
	1,969	1,858

13. DIVIDENDS

	2008	2007
	HK\$'000	HK\$'000
Dividend recognised as distribution during the year		
Final dividend, paid in respect of the year 2007 of 10.0 HK cents per share (2007: 8.0 HK cents per share in respect of the year 2006)	27,102	21,484
Final dividend, proposed in respect of the year 2008 of 5.0 HK cents per share (2007: 10.0 HK cents per share)	13,551	27,102

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

14. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$41,819,000 (2007: HK\$170,341,000) and the weighted average number of ordinary shares of 270,448,766 during the year (2007: 268,550,000 shares).

The diluted earnings per share does not take into account outstanding share options as at balance sheet date as the effect of potential ordinary shares to be issued on exercising the share options was anti-dilutive for both year ended 31 December 2007 and 2008.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

15. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 January 2007	137,700
Exchange realignment	1,339
Additions	34,703
Increase in fair value recognised in the income statement	38,514
At 1 January 2008	212,256
Exchange realignment	(208)
Additions	9,227
Decrease in fair value recognised in the income statement	(24,402)
At 31 December 2008	196,873

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong		
under long lease	137,000	155,800
under medium-term lease	32,050	25,400
Singapore		
freehold	11,352	13,506
under long lease	13,450	14,650
The People's Republic of China ("PRC")		
under medium-term lease	3,021	2,900
	196,873	212,256

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

The fair values of the Group's investment properties in Hong Kong and the PRC, and Singapore as at 31 December 2007 and 2008 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. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

16. PROPERTY, PLANT AND EQUIPMENT

	Building in Hong Kong under long lease HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 January 2007	3,820	6,293	20,725	4,030	34,868
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)
At 1 January 2008	3,820	6,905	25,870	3,705	40,300
Exchange realignment	–	(142)	(476)	(17)	(635)
Additions	–	583	1,389	–	1,972
Disposals	–	–	(63)	–	(63)
At 31 December 2008	3,820	7,346	26,720	3,688	41,574
DEPRECIATION					
At 1 January 2007	386	5,732	16,419	2,518	25,055
Exchange realignment	–	275	761	51	1,087
Provided for the year	76	158	3,051	692	3,977
Eliminated on disposal of a subsidiary	–	–	(144)	–	(144)
Eliminated on disposals	–	(41)	(51)	(1,441)	(1,533)
At 1 January 2008	462	6,124	20,036	1,820	28,442
Exchange realignment	–	(113)	(399)	(18)	(530)
Provided for the year	76	245	3,689	748	4,758
Eliminated on disposals	–	–	(52)	–	(52)
At 31 December 2008	538	6,256	23,274	2,550	32,618
CARRYING VALUES					
At 31 December 2008	3,282	1,090	3,446	1,138	8,956
At 31 December 2007	3,358	781	5,834	1,885	11,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

16. 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%

17. PREPAID LEASE PAYMENTS

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Carrying amount analysed for reporting purposes as:		
Current asset	23	23
Non-current asset	14,846	14,869
	14,869	14,892

18. INTERESTS IN ASSOCIATES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cost of investment in associates		
Listed overseas	29,850	29,850
Unlisted	280	280
Share of post-acquisition reserves, net of dividend received	79,242	72,892
	109,372	103,022
Fair value of listed associate	83,193	108,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

18. INTERESTS IN ASSOCIATES (cont'd)

Details of the associates as at 31 December 2007 and 2008 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
				2008	2007	
SIS Distribution (Thailand) Public Company Limited (listed on the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	49.1%	49.5%	Distribution of IT products
ECS Pericomp Sdn. Bhd.	Limited company	Malaysia	Ordinary	20%	20%	Marketing of microcomputers, peripherals, software and the provision of computer maintenance services
Infinitiq Solution Pte. Limited	Limited company	Singapore	Ordinary	35.7%	35.7%	Manufacture and design of IP communication solution
Havoq Research Pte. Limited	Limited company	Singapore	Ordinary	50%	50%	Research and experimental development on information technology

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Total assets	635,812	600,554
Total liabilities	(379,067)	(363,099)
Net assets	256,745	237,455
Group's share of net assets of associates	109,372	102,117
Revenue	3,153,096	2,729,978
Profit for the year	64,446	41,679
Group's share of results of associates for the year	28,482	18,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

18. 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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Unrecognised share of losses of associates for the year	<u>42</u>	<u>26</u>
Accumulated unrecognised share of losses of associates	<u>947</u>	<u>905</u>

19. AVAILABLE-FOR-SALE INVESTMENTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Equity securities, listed overseas, at fair value	10,310	8,192
Club debentures, unlisted, at cost less impairment	<u>2,300</u>	<u>2,300</u>
	<u>12,610</u>	<u>10,492</u>

The fair values of equity securities are determined based on the quoted market bid prices available on the relevant exchanges.

20. STAFF ADVANCES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The staff advances are analysed as follows:		
Current	491	624
Non-current	<u>–</u>	<u>54</u>
	<u>491</u>	<u>678</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

21. INVENTORIES

Inventories of the Group comprise of trading merchandise.

Inventories written down during the year amounted to HK\$3,132,000 (2007: HK\$252,000). Certain inventories previously written-down were sold during the year. As a result, a reversal of the write-down of inventories amounting to HK\$3,169,000 (2007: HK\$9,209,000) has been realised during the year.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2008	2007
	HK\$'000	HK\$'000
Trade receivables	572,042	580,677
Less: allowance for doubtful debts	(15,789)	(15,138)
	556,253	565,539
Deposits, prepayments and other receivables	21,985	19,219
	578,238	584,758

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. For sales of goods, the Group allows an average credit period of 30 – 60 days to its trade customers. No credit period is granted to customers for provision of service and renting of properties. No interest is charged on overdue debts.

Other receivables are unsecured, interest free and repayable on demand.

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

	2008	2007
	HK\$'000	HK\$'000
Within 30 days	273,983	339,720
31 to 90 days	222,190	190,322
91 to 120 days	36,923	27,810
Over 120 days	23,157	7,687
	556,253	565,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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

Included in the Group's trade receivable balance are debts with total carrying amount of HK\$183,275,000 (2007: HK\$204,674,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the Group considered that the default risk is low after assessing the creditworthiness, past payment history of the debtors and settlement after the balance sheet date. No collateral is held on the receivable. Trade receivables which are neither overdue nor impaired are in good quality.

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

	2008 HK\$'000	2007 HK\$'000
Overdue:		
Within 30 days	103,687	122,100
31 to 90 days	70,291	72,523
91 to 120 days	6,745	5,600
Over 120 days	2,552	4,451
	<u>183,275</u>	<u>204,674</u>

Movement in the allowance for doubtful debts are as follows:

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	15,138	27,719
Exchange realignment	(197)	1,939
Impairment losses recognised on receivables	5,865	6,626
Amounts written off as uncollectible	(458)	(19,173)
Amounts recovered during the year	(4,559)	(977)
Impairment losses reversal	–	(996)
	<u>15,789</u>	<u>15,138</u>

23. INVESTMENTS HELD-FOR-TRADING

	2008 HK\$'000	2007 HK\$'000
Equity securities, listed overseas, at fair value	<u>33,682</u>	<u>58,541</u>

The fair values are determined based on the quoted market bid prices available on the relevant exchanges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

24. PLEDGED BANK DEPOSITS

Pledged bank deposits which carry fixed interest rates ranging from 2.7% to 3.7% (2007: 2.7% to 3.7%) per annum with maturity date less than six months have been pledged to secure banking facilities granted to the Group.

25. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits which carry market rates ranging from 0.1% to 8.6% (2007: 0.3% to 8.8%) per annum with an original maturity of three months or less.

Bank balances that are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amounted to HK\$79,343,000 (2007: HK\$100,402,000).

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accrual are trade payables of HK\$305,259,000 (2007: HK\$331,762,000). The following is an aged analysis of trade payables at the balance sheet date:

	2008	2007
	HK\$'000	HK\$'000
Within 30 days	240,777	319,304
31 to 90 days	61,316	9,288
91 to 120 days	512	627
Over 120 days	2,654	2,543
Trade payables	305,259	331,762

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

Trade payables that are denominated in United States dollars, currency other than the functional currencies of the relevant group entities, amounted to HK\$170,589,000 (2007: HK\$222,114,000).

27. BILLS PAYABLE

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

	2008	2007
	HK\$'000	HK\$'000
Within 30 days	65,199	36,460
31 to 90 days	9,559	20,670
	74,758	57,130

The bills payable bear effective interest at 2.7% (2007: 3.8%) per annum and are repayable within 90 days (2007: within 90 days).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

28. DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Group has entered foreign currency forward contracts to manage 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 2008, the Group had outstanding foreign currency forward contracts denominated in United States dollars ("US\$") with total notional amount of HK\$229,487,000 (2007: HK\$561,925,000) which are measured at fair value at the balance sheet date. The Group has obligation, in accordance with the terms of the respective contracts, to buy US\$ until maturity. The fair values of the contracts are determined based on the valuation provided by counterparties at the balance sheet date. The major terms of these outstanding foreign currency forward contracts are as follows:

Notional amount and terms	Maturity
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 2009 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 January 2009 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 or no settlement by both parties if the spot rate is at or above HK\$7.835/US\$1	7 January 2009 to 5 August 2009
Sell HK\$18,511,200 buy US\$2,400,000 if spot rate below HK\$7.713/US\$1, or sell HK\$6,170,400 buy US\$800,000 if spot rate at or above HK\$7.713/US\$1	20 January 2009 to 18 June 2010
Sell S\$505,582 buy US\$335,000 at the rate of S\$1.5092/US\$1	6 February 2009
Sell S\$205,948 buy US\$146,343 at the rate of S\$1.4073/US\$1	20 March 2009
Sell S\$733,300 buy US\$500,000 at the rate of S\$1.4666/US\$1	30 April 2009
Sell S\$758,450 buy US\$500,000 at the rate of S\$1.5169/US\$1	22 May 2009
Sell S\$301,720 buy US\$200,000 at the rate of S\$1.5086/US\$1	28 May 2009
Sell S\$752,400 buy US\$500,000 at the rate of S\$1.5048/US\$1	12 June 2009
Sell S\$751,600 buy US\$500,000 at the rate of S\$1.5032/US\$1	12 June 2009
Sell S\$449,250 buy US\$300,000 at the rate of S\$1.4975/US\$1	12 June 2009
Sell S\$298,700 buy US\$200,000 at the rate of S\$1.4935/US\$1	12 June 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

29. BANK LOANS

	2008 HK\$'000	2007 <i>HK\$'000</i>
Secured	27,203	83,017
Unsecured	44,436	17,126
	71,639	100,143

The bank loans carry variable interest rates ranged from 1.6% to 7.8% (2007: 1.9% to 7.8%) per annum.

Bank loans that are denominated in United States dollars, currency other than the functional currencies of the relevant group entities, amounted to HK\$21,840,000 (2007: nil).

30. DEFERRED TAXATION

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

	Accelerated tax depreciation <i>HK\$'000</i>	Allowances for doubtful debts/inventories <i>HK\$'000</i>	Revaluation of investment properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Undistributed earnings of an associate <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007	(1,353)	4,283	(1,220)	1,202	–	(8,725)	(5,813)
Exchange realignment	(116)	209	–	–	–	(569)	(476)
(Credit) charge to income statement for the year	(417)	(1,624)	(6,740)	1,360	(4,094)	11	(11,504)
Effect of change in tax rate	25	(307)	–	–	–	892	610
At 1 January 2008	(1,861)	2,561	(7,960)	2,562	(4,094)	(8,391)	(17,183)
Exchange realignment	9	(32)	–	(8)	610	72	651
(Credit) charge to income statement for the year	(572)	411	3,335	859	(1,682)	(11)	2,340
Effect of change in tax rate	–	–	455	(146)	–	–	309
At 31 December 2008	(2,424)	2,940	(4,170)	3,267	(5,166)	(8,330)	(13,883)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

30. DEFERRED TAXATION (cont'd)

Others mainly represents deferred tax liabilities of approximately S\$1,548,000 (equivalent to HK\$8,328,000) 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 another Singapore entity. During the year ended 31 December 2005, the sale proceeds receivable was assigned to another Singapore subsidiary. Such transfer 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 determination of the taxability of the gain.

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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Deferred tax assets	351	224
Deferred tax liabilities	(14,234)	(17,407)
	(13,883)	(17,183)

At the balance sheet date, the Group has deductible temporary differences of HK\$21,397,000 (2007: HK\$15,934,000) and unutilised tax losses of HK\$45,907,000 (2007: HK\$43,006,000).

A deferred tax asset has been recognised in respect of the tax losses of HK\$19,656,000 (2007: HK\$14,643,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$26,251,000 (2007: HK\$28,363,000) and the deductible temporary differences due to the unpredictability of future profit streams.

31. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Amount	
	2008 <i>'000</i>	2007 <i>'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Authorised	350,000	350,000	35,000	35,000
Issued and fully paid				
At beginning of year	268,550	268,550	26,855	26,855
Shares issued upon exercise of share options	2,467	–	247	–
At end of year	271,017	268,550	27,102	26,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

32. 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 28.

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 in preparation for listing of the Company's shares in year 1992.

33. 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

FOR THE YEAR ENDED 31 DECEMBER 2008

34. 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 loans and equity, comprising issued share capital, reserves and retained earnings. The Group's overall strategy remains unchanged for both years.

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 associated with the capital, and take appropriate actions to adjust the Group's capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

35. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<i>Financial assets</i>		
Available-for-sale investments	12,610	10,492
Investments at fair value through profit and loss		
– Investments held-for-trading	33,682	58,541
Loan and receivable (including cash and cash equivalents)	709,796	749,859
<i>Financial liabilities</i>		
Derivatives financial instruments	1,938	1,361
Financial liabilities stated at amortised cost	490,820	506,194

b. Financial risk management objectives

The Group's financial instruments include available-for-sale investments, investments held-for-trading, trade and other receivables, pledged bank deposits, bank balances, trade and other payables, derivatives, bank loans and bills payable. Details of the financial instruments are disclosed in the respective notes.

The management monitors and manages the financial risk of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. 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

FOR THE YEAR ENDED 31 DECEMBER 2008

35. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk

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

(i) *Currency risk*

Certain bank balances, bank loans and purchase of goods of the Group are denominated in United States dollars, Australian dollars, Singapore dollars and New Zealand dollars, the currencies other than the functional currencies of the relevant group entities.

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

	Assets		Liabilities	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
United States dollar	81,127	112,896	192,429	222,114
Australian dollar	10,134	5,976	–	–
Singapore dollar	26,270	1,215	–	–
New Zealand dollar	1,505	1,889	–	–

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 States dollars exchange rate.

Sensitivity analysis

The following analysis indicates the change in the Group's post-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments at that date, and all other variables are held constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

35. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk (cont'd)

(i) Currency risk (cont'd)

Sensitivity analysis (cont'd)

	2008		2007	
	Increase (decrease) in foreign exchange rates %	Increase (decrease) in post-tax profit HK\$'000	Increase (decrease) in foreign exchange rates %	Increase (decrease) in post-tax profit HK\$'000
United States dollar	1.50 (1.50)	(1,394) 1,394	0.64 (0.64)	(699) 699
Australian dollar	10.00 (10.00)	1,013 (1,013)	10.00 (10.00)	598 (598)
Singapore dollar	10.00 (10.00)	2,627 (2,627)	10.00 (10.00)	122 (122)
New Zealand dollar	10.00 (10.00)	150 (150)	10.00 (10.00)	189 (189)

Sensitivity analysis of the derivative financial instruments has not been presented as the impact of the fluctuation of United States dollar, in which majority of the contracts are denominated, against Hong Kong dollar is insignificant.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the floating-rate bank loans and bills payable.

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 analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating-rate bank loans and bills payable, the analysis is prepared assuming the amounts outstanding at the balance sheet date were outstanding for the whole year. A 100 basis points (2007: 75 basis points) 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 100 basis points (2007: 75 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by HK\$1,182,000 (2007: decrease/increase by HK\$949,000).

35. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk (cont'd)*(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 the price of the respective listed equity securities classified as held-for-trading investments had been 10% (2007: 5%) higher/lower and all other variables were held constant the Group's post-tax profit for the year would increase/decrease by HK\$3,368,000 (2007: increase/decrease by HK\$2,927,000) as a result of the changes in fair value of held-for-trading investments.

If the price of the respective listed equity securities classified as available-for-sale investments had been 10% (2007: 5%) higher, the Group's available-for-sale investments and investment reserve would increase by HK\$1,031,000 (2007: HK\$410,000). If the price had been 10% lower, the available-for-sale investments and the investment reserve would decrease by HK\$1,031,000 (2007: HK\$410,000). However, any significant or prolonged decrease in the fair value of available-for-sale investments below the Group's cost may indicate an impairment on those investments.

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-standings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

35. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

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 monitors the utilisation of bank loans and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial 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.

	Interest rate at balance sheet date %	Less than 3 months HK\$'000	3-6 months HK\$'000	7-12 months HK\$'000	1-2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31/12/2008 HK\$'000
2008							
Non-derivative financial liabilities							
Trade and other payables	N/A	(344,212)	(211)	-	-	(344,423)	(344,423)
Bills payables	2.7	(76,806)	-	-	-	(76,806)	(74,758)
Bank loans	1.6 – 7.8	(72,293)	-	-	-	(72,293)	(71,639)
		<u>(493,311)</u>	<u>(211)</u>	<u>-</u>	<u>-</u>	<u>(493,522)</u>	<u>(490,820)</u>
Derivative financial liabilities							
Foreign exchange forward contracts							
– cash inflows		68,298	69,979	52,292	36,912	227,481	
– cash outflows		(68,713)	(71,232)	(52,520)	(37,022)	(229,487)	
		<u>(415)</u>	<u>(1,253)</u>	<u>(228)</u>	<u>(110)</u>	<u>(2,006)</u>	<u>(1,938)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

35. 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	7-12 months HK\$'000	1-2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31/12/2007 HK\$'000
2007							
Non-derivative financial liabilities							
Trade and other payables	N/A	(348,921)	-	-	-	(348,921)	(348,921)
Bills payables	3.8	(59,278)	-	-	-	(59,278)	(57,130)
Bank borrowings	3.9	(104,053)	-	-	-	(104,053)	(100,143)
		<u>(512,252)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(512,252)</u>	<u>(506,194)</u>
Derivative financial liabilities							
Foreign exchange forward contacts							
- cash inflow		65,632	93,745	185,736	216,812	561,925	
- cash outflow		(66,146)	(93,970)	(186,210)	(216,960)	(563,286)	
		<u>(514)</u>	<u>(225)</u>	<u>(474)</u>	<u>(148)</u>	<u>(1,361)</u>	<u>(1,361)</u>

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 quotes for similar instruments.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

36. 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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within one year	13,447	12,617
In the second to fifth year inclusive	1,922	12,704
	15,369	25,321

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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within one year	9,232	7,583
In the second to fifth year inclusive	1,939	4,021
	11,171	11,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

37. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 21 May 2007. Pursuant to the 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.

On 20 August 2007, 4,750,000, 5,000,000 and 400,000 numbers of share options were granted to certain directors, employees and directors of an associate respectively, pursuant to the Scheme at an exercise price of HK\$1.72 per share and at a cash consideration of HK\$10.00 per grantee. Details of the options are as follows:

Number of share options outstanding at 31 December 2008	Vesting period	Exercise period
849,996	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

The movements in the options are as follows:

Grantee	At 1 January 2007	Granted during the year	Forfeited during the year	At 31 December 2007	Exercised during the year	At 31 December 2008
Directors	–	4,750,000	–	4,750,000	(1,583,329)	3,166,671
Employees and others	–	5,400,000	(200,000)	5,200,000	(883,332)	4,316,668
	–	10,150,000	(200,000)	9,950,000	(2,466,661)	7,483,339

The weighted average share price at the date of exercise of the share options during the year was HK\$1.96.

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 share 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

37. SHARE OPTION SCHEME (cont'd)

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%

38. 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 Scheme monthly, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary. Where there are employees who leave the ORSO 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.

39. PLEDGE OF ASSETS

At 31 December 2008, certain of the Group's investment properties and bank deposits with carrying values of HK\$40,000,000 (2007: HK\$44,800,000) and HK\$20,369,000 (2007: HK\$20,698,000) respectively were pledged to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

40. RELATED PARTY TRANSACTIONS

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

	Associates		Related companies	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Sales of goods	–	3,078	–	–
Purchase of goods	258	3,115	–	–
Income from management service	1,759	1,578	–	–
Operating lease rentals expense	–	–	10,062	6,338
Amount due from related parties at 31 December included in trade receivables	60	104	–	–

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 11. The remuneration of directors are determined by the Remuneration Committee having regard to the Company's operating result, performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

41. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2007 and 2008 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			
				2008	2007	2008	2007		
				%	%	%	%		
Direct subsidiaries:									
SIS Distribution Limited	British Virgin Islands	Ordinary	US\$45,001	100	100	-	-	Investment holding	
SIS Investment Holdings Limited	British Virgin Islands	Ordinary	US\$1	100	100	-	-	Investment holding	
SIS TechVentures Corp.	British Virgin Islands	Ordinary	US\$1	100	100	-	-	Investment holding	
Indirect subsidiaries:									
Computer Zone Limited	Hong Kong	Ordinary	HK\$2	-	-	100	100	Property investment	
Ever Wealthy Limited	Hong Kong	Ordinary	HK\$1	-	-	100	-	Inactive	
Faith Prosper Ltd.	British Virgin Islands	Ordinary	US\$1	-	-	100	100	Inactive	
Gold Kite Limited	Hong Kong	Ordinary	HK\$1	-	-	100	-	Investment holding	
Maxima Technology Limited	British Virgin Islands	Ordinary	US\$1	-	-	100	100	Inactive	
Qool Labs Pte. Ltd.	Singapore	Ordinary	S\$2	-	-	100	100	Distribution of IT products	
SIS Asia Pte. Ltd.	Singapore	Ordinary	S\$2	-	-	100	100	Provision of hardware and software services and corporate management services	
SIS Capital Limited	Hong Kong	Ordinary	HK\$1	-	-	100	-	Inactive	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

41. 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		
				2008	2007	2008	2007	
				%	%	%	%	
Indirect subsidiaries (cont'd):								
SiS China Limited	Hong Kong	Ordinary	HK\$2	-	-	100	100	Property investment
SiS Distribution (M) Sdn. Bhd.	Malaysia	Ordinary	RM\$7,500,000	-	-	100	100	Distribution of IT products
SiS HK Limited	Hong Kong	Ordinary	HK\$400,000	-	-	100	100	Investment holding
SiS International Limited	Hong Kong	Ordinary	HK\$100,000	-	-	100	100	Distribution of IT products
SiS International Trading (Shanghai) Co., Ltd. (note)	PRC	Registered capital	US\$200,000	-	-	100	100	Inactive
SiS Macau Limited	Macau	Ordinary	MOP25,000	-	-	100	100	Distribution of IT products
SiS Nentrepreneur Ventures Corp.	British Virgin Islands	Ordinary	US\$1	-	-	100	100	Investment holding
SiS Technologies Pte. Ltd.	Singapore	Ordinary	S\$1,000,000	-	-	100	100	Distribution of IT products
SiS Technologies (Thailand) Pte. Ltd.	Singapore	Ordinary	S\$2	-	-	100	100	Investment holding
SiS Network Sdn. Bhd.	Malaysia	Ordinary	RM\$2	-	-	-	100	Inactive
Tallgrass Technologies Sdn. Bhd.	Malaysia	Ordinary	RM\$2	-	-	-	100	Inactive

Note: Wholly-owned foreign enterprise registered in the PRC

None of the subsidiaries had issued any debt securities during nor held at the end of the year.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Revenue	4,563,332	4,260,503	3,396,237	3,194,899	2,828,800
Profit before taxation	52,568	204,257	114,449	103,609	42,363
Income tax expense	(10,749)	(34,306)	(22,188)	(16,569)	(4,771)
Profit for the year	41,819	169,951	92,261	87,040	37,592
Net profit attributable to:					
Equity holders of the Company	41,819	170,341	92,459	86,896	37,451
Minority interests	–	(390)	(198)	144	141
	41,819	169,951	92,261	87,040	37,592

ASSETS AND LIABILITIES

	At 31 December				
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Total assets	1,406,338	1,489,611	1,255,168	1,061,353	1,027,191
Total liabilities	(577,020)	(658,917)	(597,413)	(496,996)	(544,018)
	829,318	830,694	657,755	564,357	483,173
Equity attributable to:					
Equity holders of the Company	829,318	830,694	656,963	563,441	482,391
Minority interests	–	–	792	916	782
	829,318	830,694	657,755	564,357	483,173

PARTICULARS OF INVESTMENT PROPERTIES

AT 31 DECEMBER 2008

Name of property and location	Lease terms	Use
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
Unit 5, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office

PARTICULARS OF INVESTMENT PROPERTIES

AT 31 DECEMBER 2008

Name of property and location	Lease terms	Use
Unit 6, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Unit 7, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Workshop No. 7, 3rd Floor Hewlett Centre No. 54 Hoi Yuen Road Hong Kong	Medium-term lease	Industrial/Office
Units 2611 and 2612 26th Level Metro Plaza Nos. 183-187 Tian He Bei Road Tian He District Guangzhou	Medium-term lease	Commercial