



SiS International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 529)

ANNUAL REPORT
2009



The Company

Founded in 1983, SiS is one of the largest distributors of computer systems, software, peripherals and networking products in Asia.

Headquartered in Hong Kong, with regional offices in Singapore, Malaysia and Thailand, SiS Offers manufacturers an immediate access into Asia with a well established network consisting of more than 10,000 resellers, retailers, system integrators, software houses, value added resellers and OEMs strategically located throughout the region.

SiS represents and has earned its reputation as the Preferred Distributor by a number of the world's most renowned manufacturers.

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Lim Kia Hong (*Chief Executive Officer*)

Lim Kiah Meng (*Vice-chairman*)

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



OUR CHALLENGE

Progress of mankind will not take place,
Advancement of technology will not arrive,
The betterment of human life will not be attainable,
Unless one dares to challenge the unchangeable,
Unless one dares to challenge the impossible,
Only then does the unreal become real
and the best gets even better.

At SiS, every step forward is an achievement,
Every peak scaled is a conquest,
And every challenge faced is a triumph.
We continually challenge ourselves to find better ways
to service our customers, to provide innovative products,
And above all, to be the best company ever.

YOUR PREFERRED DISTRIBUTOR

CORPORATE PROFILE

OUR VISION

Every challenge need a vision. The personal computer industry was created by people who had a vision and turned it into a challenge. From Steve Jobs, the founder of Apple Computers, who took on the challenge of the mainframe with PCs to Bill Gates, the founder of Microsoft, who envisions the day when there will be a computer on every desk and in every home. SiS was founded in 1983 on this same Shared Vision.

The advancement of Technology would be futile unless one can bring it to the target user. The SiS Mission is to bring Technology closer to you. Innovation of Products will be redundant unless it can work for you. The SiS Mission is to help you and let Technology work for you. Improving the Quality of Life and products require constant communications between the creator, the manufacturer and the user. SiS's Position is to be that link. Our Market is the Asia Pacific region, the world's fastest growing region.

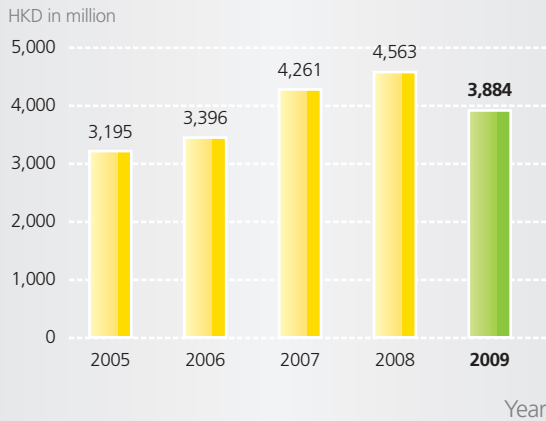
Our objective is to continue our leadership in the distribution of computer systems, software, networks, peripherals and smart phones by bringing the best returns on the investments for our shareholders; achieving maximum market share for our principals; giving the best value for our customers' investments; and the best company for our staff.

Every challenge has been a triumph, and every triumph brings with it an even greater challenge. SiS will continue to expand its vision for the betterment of human life and to be the best company ever.

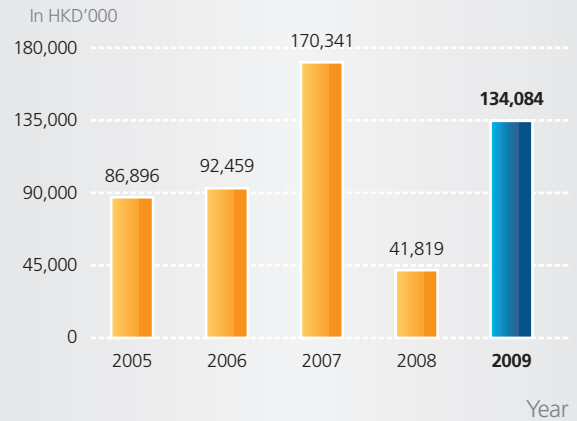


FINANCIAL HIGHLIGHTS

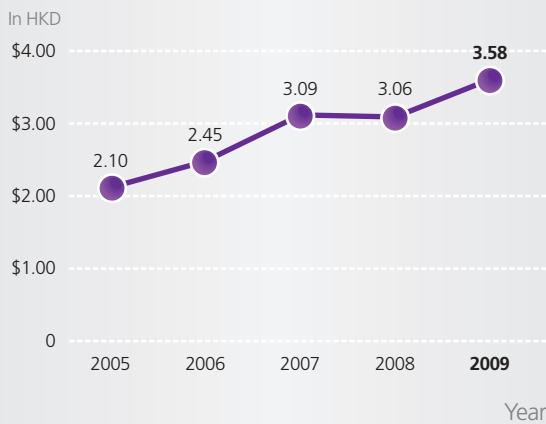
Revenue



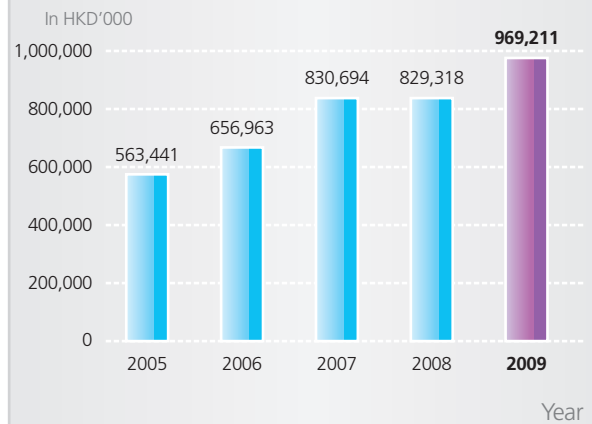
Net Profit attributable to owners of the Company



Net Asset Value per share



Shareholders' Equity



MESSAGE FROM THE CEO

Dear Shareholders,

I am pleased to present to the shareholders the results of the Group for the year ended 31 December 2009.

RESULTS

Despite the slowdown and overall challenging business environment which have impacted many companies around the world, the Group continued to perform; delivering results and profitability for the year ended 31 December 2009. Net profit attributable to shareholders increased from HK\$41,819,000 in 2008 to HK\$134,084,000 in 2009 an increase of 221% as compared to the previous year while sales revenue decreased by 15% to HK\$3,883,752,000. Basic earnings per share was 49.5 HK cents as compared to 15.5 HK cents at the year before, an increase of 219%. Net assets value increased to HK\$969,211,000 (HK\$3.6 per share), representing a 17% growth from year 2008.

BUSINESS REVIEW

(1) IT Distribution Business

Driving our success is our IT distribution business which remains one of our core businesses. Worldwide IT distribution through distributors continued to be an integral part of the go-to-market strategy for IT manufacturers bringing products to market. SiS Group is one of the Asia's top IT distributors is key go-to-market partner to many worlds' renowned IT manufacturers.

We continued to acquire innovative, leading edge technologies to expand into our extensive product portfolio. Our success in navigating through distribution complexities continued to deliver unparalleled value to our customers and vendor partners. With a strong management team who are experienced in IT distribution business, an extensive product range, excellent relationship with business partners spanning over a wide geographic coverage, the Group achieved sales revenue of HK\$3,873 million with operating segment profit from distribution business amounted to HK\$64 million for the year 2009.

(2) Investment in IT Business

Our Group investment in IT business focused on investing in IT companies in the region. Results from these investments continue to contribute positively in the year 2009. Despite the turbulent political climate in Thailand in the early 2009, the Group's investments in SiS Distribution (Thailand) Public Company Limited ("SiS Thailand") continue to perform and grow steadily.

On 18 June 2009, the Group announced the proposed disposal of one of its associated companies, ECS Pericomp Sdn Bhd, at a consideration of Malaysia Ringgit 6.9 million (equivalent to approximately HK\$15 million). Completion of the proposed transaction would be conditional upon satisfaction or waiver of certain stated conditions. It is expected that the transaction will be completed in the first half year of 2010.

(3) Real Estate Investments Business

The recovery in the Asian property market resulted in a fair valuation gain of HK\$59 million for the Group's real estate investment business in year 2009 as compared with a loss of HK\$24 million in year 2008. The total fair value of these investment properties amounted to HK\$256 million at 31 December 2009. To strengthen our properties investment portfolio, the Group divested its investment in car parks at a consideration of HK\$70 million and acquired a commercial property located at 9 Queen's Road in Hong Kong for HK\$203 million prior to the 2009 year end closing. Both transactions were completed in first quarter of 2010.

PROSPECT

Leader emerged and delivered results during tough times. Great companies are made even stronger during such times. With a strong balance sheet, an experienced management team, excellent relationships with vendors and customers, the directors are looking ahead with confidence. The Group, having achieved impressive records of continuous profitability, will emerge an even stronger company when the global economy fully recovers.

FINAL DIVIDEND

To reward loyal shareholders, I am happy to announce that the Directors recommend a final dividend of 8.0 HK cents per share for 2009 payable to shareholders on the register of members on 25 June 2010. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable in cash on 8 July 2010.

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**.

I would like to take this opportunity to express our greatest appreciation to the late Mr. Lim Siam Kwee, Chairman of our board of directors for his contributions made to the Group since its inception.

On behalf of the Board

LIM Kia Hong

Chief Executive Officer

Hong Kong, 16 April 2010

FINANCIAL DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group had total assets of HK\$1,566,039,000 which were financed by shareholders' funds of HK\$969,211,000, and total liabilities of HK\$596,828,000. The Group had a current ratio of approximately 2.03 compared to that of approximately 1.89 at 31 December 2008.

As at 31 December 2009 the Group had HK\$238,435,000 bank balances and cash of which HK\$21,086,000 was pledged to banks to secure banking facilities in the ordinary course of business. The Group's working capital requirements were mainly financed by internal resources and short term borrowings. As at 31 December 2009, the Group had short term borrowings, bank overdraft and bills payable of total HK\$51,536,000. The Group's borrowings were mainly denominated in Singapore Dollar and Malaysia Ringgit and were charged by bank at floating interest rates.

The Group continued to sustain a good liquidity position. At the end of December 2009, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank borrowings and bills payable) of HK\$186,899,000 compared to HK\$5,068,000 as at 31 December 2008.

Gearing ratio, as defined by total bank loans, bills payable and bank overdrafts to shareholders' funds, as at 31 December 2009 was 5.3% compared to 17.7% as at 31 December 2008.

CHARGES ON GROUP ASSETS

At the balance sheet date, the Group had pledged bank deposits of HK\$21,086,000 (2008: HK\$20,369,000) and an investment property held for sale with carrying value of HK\$65,000,000 (2008: HK\$40,000,000) to banks to secure general banking facilities granted to subsidiaries. The pledge of investment properties held for sale was subsequently released upon the completion of the disposal on 8 March 2010.

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

The number of staff of the Group as at 31 December 2009 was 307 and the salaries and other benefits paid to employees, excluding Directors' emoluments, amounted to HK\$76,478,000 (2008: HK\$75,644,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

CURRENCY RISK MANAGEMENT

The Group maintains a conservative approach on foreign exchange exposure management by entering into foreign currency forward contracts. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date. At 31 December 2009, the Group had outstanding forward contracts denominated in United States dollars with total notional amount of HK\$254,379,000 (2008: HK\$229,487,000) which were measured at fair value at the reporting date.

CONTINGENT LIABILITIES

The Company's corporate guarantees extended to certain banks as security for banking facilities to the Group amounted to HK\$62,656,000 (2008: HK\$62,544,000).

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 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 brother and sister. Mr. Lim Hwee Hai is spouse of Madam Lim Hwee Noi. Biographical details of each Director are set out on page 13 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 currently there is no Chairman. 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. Mr. Lim Siam Kwee, Chairman of the Company deceased on 7 May 2009. The position of Chairman was not filled up thereafter and Mr. Lim Kiah Meng as the vice-chairman, 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. According to the Bye-Laws of the Company, the position of chairman and vice-chairman shall be elected after next Annual General Meeting to be held on 25 June 2010.

CORPORATE GOVERNANCE REPORT

The nomination, appointment and removal of Directors are considered by the Board. All Directors shall make 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 2009, 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 or dismissal of that auditors;
- to monitor integrity of half-year and annual financial statements before submission to the Board;
- to review the Company's financial controls, internal control and risk management systems; and
- to review the Group's financial and accounting policies and practices.

The Audit Committee has met four times during the year ended 31 December 2009 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 Independent Auditors' Report on page 23.

AUDITORS' REMUNERATION

During the year ended 31 December 2009, the Group had engaged external auditors to provide the following services.

	Service fee HK\$'000
Audit services	1,262
Tax advisory	69
Other services	336
	<hr/>
	1,667

ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at meetings of the Board and the above committee during the year 2009:

	Board	Audit Committee	Remuneration Committee
Number of meetings during the year	(7)	(4)	(1)
Chairman			
Lim Siam Kwee (<i>deceased on 7 May 2009</i>)	1	N/A	N/A
Executive Directors			
Lim Kiah Meng	7	N/A	1
Lim Kia Hong	7	N/A	1
Lim Hwee Hai	7	N/A	N/A
Lim Hwee Noi	6	N/A	N/A
Independent Non-Executive Directors			
Lee Hiok Chuan	7	4	1
Woon Wee Teng	7	4	1
Ong Wui Leng	7	4	1

CORPORATE GOVERNANCE REPORT

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 2009. 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 investors; and (e) the Company's web-site providing an electronic means of communication.

The last shareholders' meeting was the annual general meeting held on 11 June 2009 at Kellett Room I, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong to receive and consider the audited financial statements for the year ended 31 December 2008; to re-elect directors; and approve the general mandates for the issue and repurchase of the Company's share.

EXECUTIVE DIRECTORS

LIM Kiah Meng, aged 57, brother of Mr. Lim Kia Hong and Madam Lim Hwee Noi, 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 2009.

LIM Kia Hong, aged 53, brother of Mr. Lim Kiah Meng and Madam Lim Hwee Noi, 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 eight 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 2009.

LIM Hwee Hai, aged 60, the 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 seven 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 2009.

LIM Hwee Noi, aged 59, the sister of Mr. Lim Kiah Meng and Mr. Lim Kia Hong 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 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Hiok Chuan, aged 75, 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 53, 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 49, joined the Group in 2004 and has more than ten years of experience in corporate banking and another seventeen years of experience in corporate finance and management.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2009.

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 2009 are set out in the consolidated income statement on page 25.

The directors now recommend the payment of a final dividend of 8.0 HK cents per share to the shareholders on the register of members on 25 June 2010, amounting to HK\$21,681,000. The distributable reserves of the Company available for distribution after the proposed dividend becomes HK\$286,036,000.

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 82. 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\$20,323,000 (deposit), HK\$1,796,000 and HK\$4,580,000 on acquisition of investment properties, property, plant and equipment and prepaid lease payments respectively.

The Group has revalued all its investment properties at the year end date. The increase in fair value amounted to HK\$58,565,000, which had been credited to the consolidated income statement directly.

Particulars of investment properties of the Group at 31 December 2009 are set out on pages 83 and 84.

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 to the consolidated financial statements respectively.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2009 were as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Contributed surplus	29,186	29,186
Retained profits	278,531	242,125
	307,717	271,311

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 (deceased on 7 May 2009)
 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 Kiah Meng, Mr. Lim Hwee Hai and Mr. Lee Hiok Chuan 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' REPORT

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract 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 2009, 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	Joint interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Siam Kwee (deceased on 7 May 2009)	8,157,066	-	-	-	8,157,066	3.01%
Lim Kiah Meng	2,797,866	83,333	534,000	178,640,000	182,055,199	67.17%
Lim Kia Hong	2,797,866	83,333	-	178,640,000	181,521,199	66.98%
Lim Hwee Hai (Note 3)	2,797,866	2,542,666	-	-	5,340,532	1.97%
Lim Hwee Noi (Note 3)	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) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) 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.
- (3) 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 2009.

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 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 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.

DIRECTORS' REPORT

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 1.1.2009 and 31.12.2009
Directors and their associates:				
<i>Lim Siam Kwee (deceased on 7.5.2009)</i>				
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	266,667
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	266,667
Lim Kiah Meng and spouse				
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	350,000
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	350,001
Lim Kia Hong and spouse				
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	350,000
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	350,001
Lim Hwee Hai				
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	266,667
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	266,667
Lim Hwee Noi				
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	266,667
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	266,667
Lee Hiok Chuan				
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	83,333
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	83,334
Woon Wee Teng				
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	83,333
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	83,334
Ong Wui Leng				
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	83,333
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	83,334
Total directors and their associates				3,500,005

DIRECTORS' REPORT

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options
				Outstanding at 1.1.2009 and 31.12.2009
Employees and other qualified persons				
20.8.2007	21.8.2007 – 18.2.2008	18.2.2008 – 20.5.2017	1.72	849,996
20.8.2007	21.8.2007 – 18.2.2009	18.2.2009 – 20.5.2017	1.72	1,566,667
20.8.2007	21.8.2007 – 18.2.2010	18.2.2010 – 20.5.2017	1.72	1,566,671
Total employees and other qualified persons				3,983,334
Total number of share options				7,483,339

No share options were granted, exercised, forfeited or expired during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its ultimate holding company, or 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 OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

The following transactions were entered into by the Group during the year ended 31 December 2009:

	Notes	HK\$'000
Operating lease rentals paid to:		
Ever Rich Technology Limited ("Ever Rich")	(a)	3,670
SiS Realty Pte. Limited ("SiS Realty")	(b)	5,682

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 at 31 December 2009.
- (b) All executive directors (and their respective associates) together hold 56% indirect interest in the issued share capital of SiS Realty.

DIRECTORS' REPORT

In December 2007, two of the Company's indirectly wholly-owned subsidiaries, SiS International Ltd and SiS Technologies Pte Ltd have entered into two years tenancy agreements with Ever Rich and SiS Realty for leases of offices and/or warehouse space in Hong Kong and Singapore respectively. Further details are included in the announcement issued by the Company on 7 December 2007.

During the year, the rental paid to Ever Rich and SiS Realty amounted to HK\$3,670,000 and HK\$5,682,000 respectively, which is included in above. The transactions are regarded as connected transactions pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, 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	600,000	1,150,000	11,942,000	-	13,692,000	5.05%
Lim Mee Hwa	1,150,000	600,000	11,942,000	-	13,692,000	5.05%
Yeoman Capital Management Pte Ltd	-	-	200,000	13,228,000	13,428,000	4.95%

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 2009.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was less than 30%. The five largest suppliers of the Group together accounted for approximately 69% by value of the Group's total purchases during the year, with the largest supplier accounting for 22%.

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.

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 Group'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.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$19,000.

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 Listing Rules throughout the year ended 31 December 2009, except for the Code A.4.1 and A.4.2 as disclosed in the Corporate Governance Report of the Company.

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

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

DIRECTORS' REPORT

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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

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, 16 April 2010



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 81, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2009 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
16 April 2010

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	4	3,883,752	4,563,332
Cost of sales		<u>(3,719,803)</u>	<u>(4,365,942)</u>
Gross profit		163,949	197,390
Other income	6	45,552	31,688
Distribution costs		(78,671)	(77,759)
Administrative expenses		(65,835)	(75,499)
Other expenses	7	(2,254)	(1,397)
Change in fair value of investments held-for-trading		8,353	(21,081)
Change in fair value of investment properties		58,565	(24,402)
Share of results of associates		26,708	28,482
Finance costs	8	<u>(2,472)</u>	<u>(4,854)</u>
Profit before taxation		153,895	52,568
Income tax expense	9	<u>(19,811)</u>	<u>(10,749)</u>
Profit for the year attributable to owners of the Company	10	<u>134,084</u>	<u>41,819</u>
Earnings per share	14		
– basic		<u>49.5 HK cents</u>	<u>15.5 HK cents</u>
– diluted		<u>49.5 HK cents</u>	<u>15.5 HK cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit for the year	<u>134,084</u>	<u>41,819</u>
Other comprehensive income		
Gain (loss) on fair value changes of available-for-sale investments	7,762	(5,091)
Reclassification of the cumulative exchange difference attributable to disposed subsidiary to income statement	2,254	–
Exchange realignment arising on translation of foreign operations	3,256	(2,689)
Share of exchange reserve of associates	<u>5,130</u>	<u>(15,179)</u>
Other comprehensive income (expense) for the year attributable to owners of the Company	<u>18,402</u>	<u>(22,959)</u>
Total comprehensive income for the year attributable to owners of the Company	<u>152,486</u>	<u>18,860</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Investment properties	15	191,175	196,873
Property, plant and equipment	16	7,688	8,956
Prepaid lease payments	17	19,398	14,846
Interests in associates	18	133,459	109,372
Available-for-sale investments	19	28,382	12,610
Deposits for acquisition of investment properties	20	20,323	–
Deferred tax assets	31	459	351
		400,884	343,008
Current assets			
Inventories	21	236,115	297,567
Trade and other receivables, deposits and prepayments	22	582,379	578,729
Derivative financial instruments	29	697	–
Tax recoverable		–	1,864
Prepaid lease payments	17	28	23
Investments held-for-trading	23	42,501	33,682
Pledged bank deposits	24	21,086	20,369
Bank balances and cash	25	217,349	131,096
		1,100,155	1,063,330
Investment properties held for sale	26	65,000	–
		1,165,155	1,063,330
Current liabilities			
Trade payables, other payables and accruals	27	505,948	407,578
Bills payable	28	19,171	74,758
Deposits received for investment properties held for sale		3,500	–
Derivative financial instruments	29	–	1,938
Tax payable		11,139	6,873
Bank loans	30	32,365	71,639
		572,123	562,786
Liabilities associated with investment properties held for sale	26	684	–
		572,807	562,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Net current assets		592,348	500,544
Total assets less current liabilities		993,232	843,552
Non-current liabilities			
Deferred tax liabilities	<i>31</i>	24,021	14,234
Net assets		969,211	829,318
Capital and reserves			
Share capital	<i>32</i>	27,102	27,102
Share premium		58,238	58,238
Reserves		39,194	20,753
Retained profits		844,677	723,225
Total equity		969,211	829,318

The consolidated financial statements on pages 25 to 81 were approved and authorised for issue by the Board of Directors on 16 April 2010 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 2009

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Investments reserve HK\$'000	Translation reserve HK\$'000 (note 33)	Statutory reserve HK\$'000 (note 33)	Contributed surplus HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2008	26,855	52,834	5,200	31,603	919	2,860	1,915	708,508	830,694
Profit for the year	-	-	-	-	-	-	-	41,819	41,819
Other comprehensive income for the year	-	-	(5,091)	(17,868)	-	-	-	-	(22,959)
Total comprehensive income for the year	-	-	(5,091)	(17,868)	-	-	-	41,819	18,860
Recognition of equity-settled share based payments	-	-	-	-	-	-	2,623	-	2,623
Issue of ordinary shares	247	5,404	-	-	-	-	(1,408)	-	4,243
Dividend paid (Note 13)	-	-	-	-	-	-	-	(27,102)	(27,102)
At 31 December 2008	27,102	58,238	109	13,735	919	2,860	3,130	723,225	829,318
Profit for the year	-	-	-	-	-	-	-	134,084	134,084
Other comprehensive income for the year	-	-	7,762	10,640	-	-	-	-	18,402
Total comprehensive income for the year	-	-	7,762	10,640	-	-	-	134,084	152,486
Recognition of equity-settled share based payments	-	-	-	-	-	-	958	-	958
Transfer to retained profits upon disposal of a subsidiary	-	-	-	-	(919)	-	-	919	-
Dividend paid (Note 13)	-	-	-	-	-	-	-	(13,551)	(13,551)
At 31 December 2009	27,102	58,238	7,871	24,375	-	2,860	4,088	844,677	969,211

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 HK\$'000	2008 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	153,895	52,568
Adjustments for:		
Share of results of associates	(26,708)	(28,482)
Loss on deemed disposal of an associate	–	819
Finance costs	2,472	4,854
Allowance for doubtful debts provided, net	9,907	1,306
Reversal of write-down of inventories, net	(2,409)	(37)
Dividend income from equity investments	(5,229)	(5,976)
Interest income	(973)	(2,653)
Loss on disposal of a subsidiary	2,254	–
Share-based payments expense	958	2,623
Gain on disposal of available-for-sale investments	(679)	(43)
(Increase) decrease in fair value of investment properties	(58,565)	24,402
(Gain) loss on fair value changes		
on derivative financial instruments	(2,635)	578
Depreciation of property, plant and equipment	3,104	4,758
Amortisation of prepaid lease payments	23	23
Loss on disposal of property, plant and equipment	1	8
Operating cash flows before movements in working capital	75,416	54,748
Decrease in inventories	67,036	16,238
(Increase) decrease in trade and other receivables, deposits and prepayments	(7,339)	1,739
(Increase) decrease in investments held-for-trading	(8,819)	21,888
Dividend received from investments held-for-trading	4,141	5,003
Increase (decrease) in trade payables, other payables and accruals	94,780	(52,037)
(Decrease) increase in bills payable	(57,810)	18,112
CASH GENERATED FROM OPERATIONS	167,405	65,691
Hong Kong Profits Tax paid, net	(4,103)	(21,259)
Overseas Tax paid	(547)	(8,268)
Interest paid	(2,472)	(4,840)
NET CASH FROM OPERATING ACTIVITIES	160,283	31,324

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
INVESTING ACTIVITIES		
Dividend received from associates	7,751	6,134
Dividend received from available-for-sale investments	1,088	973
Interest received	973	2,653
Increase in pledged bank deposits	(535)	(723)
Proceeds from disposal of available-for-sale investments	679	43
Purchase of available-for-sale investments	(8,010)	(4,118)
Purchase of property, plant and equipment	(1,796)	(1,972)
Acquisition of prepaid lease payment	(4,580)	–
Acquisition of investment properties	–	(9,227)
Deposits received for sale of investment properties classified as held for sale	3,500	–
Deposits for acquisition of investment properties	(20,323)	–
Proceeds from disposal of property, plant and equipment	9	3
Repayments of staff advances	491	187
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(20,753)	(6,047)
FINANCING ACTIVITIES		
Issue of shares upon exercise of share options	–	4,243
Dividends paid	(13,551)	(27,102)
New bank loans raised	188,551	478,043
Repayment of bank loans	(228,739)	(504,646)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(53,739)	(49,462)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	85,791	(24,185)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	131,096	157,182
Effect of foreign exchange rate changes	462	(1,901)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	217,349	131,096
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Gold Sceptre Limited and its ultimate parent is Summertown Limited. Both of the holding companies were 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 also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities. Details are set out in note 5.

Improving Disclosures about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvement in HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁵
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKFRS 39 (Amendments)	Eligible Hedged Items ¹
HKFRS 1(Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁵
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HK (IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁵
HK (IFRIC) – INT 17	Distributions of Non-cash Assets to Owners ¹
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

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

² Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for annual periods beginning on or after 1 February 2010.

⁵ Effective for annual periods beginning on or after 1 January 2011.

⁶ Effective for annual periods beginning on or after 1 July 2010.

⁷ Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specially, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRS issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Directors of the Company anticipate that the adoption of other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition 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.

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

When the Group's share of losses of an associate equals or exceeds its interest in that associate (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 not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single assets. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, and after taking into account 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 profit or loss in the period in which the item is derecognised.

Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period 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 and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under fair value model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 ("FVTPL") and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise investments held for trading and derivative financial instruments.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified under any other categories of financial assets. Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investments reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in investments reserve is reclassified to profit or loss.

For available-for-sale entity 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 the end of the reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. 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 affected.

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

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 other comprehensive income and accumulated in investments reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL comprise derivative financial instruments.

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. Interest expense is included in net gains or losses.

Other financial liabilities

Financial liabilities including 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.

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial liabilities and equity (cont'd)

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. 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 asset, 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 in other comprehensive income is recognised in profit or loss.

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

Impairment loss on assets

At the end of the reporting period, 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 any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. 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. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of trade 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 as income on a straight-line basis over the relevant lease term.

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.

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 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 end of the reporting period.

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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured 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 end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the term of the relevant lease. 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 (i.e. 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies (cont'd)

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

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve). On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the translation reserve, will be classified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

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 reserves.

At the end of the reporting period, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

4. REVENUE

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Distribution of Information Technology ("IT") products	3,873,495	4,552,754
Renting of investment properties	10,257	10,578
	3,883,752	4,563,332

5. SEGMENTAL INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, executive directors, for the purpose of allocating resources to segments and to assessing their performance. In contrast, the predecessor Standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, segment information reported externally was analysed on the basis of types of business, i.e. distribution of IT products and property investment. However, information reported to the Group's chief operating decision marker, executive directors, in relation to distribution of IT products, is more specifically focuses on each of the geographical location, i.e. Hong Kong, Singapore and Malaysia.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

1. Distribution of IT products – Hong Kong
2. Distribution of IT products – Singapore
3. Distribution of IT products – Malaysia
4. Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

5. SEGMENTAL INFORMATION (cont'd)

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	For the year ended 31 December 2009					Consolidated HK\$'000
	Distribution of IT products				Property investment HK\$'000	
	Hong Kong HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Total HK\$'000		
SEGMENT REVENUE						
External sales	2,363,430	1,093,403	416,662	3,873,495	10,257	3,883,752
Segment profit	59,995	2,835	1,378	64,208	67,349	131,557
Income from investments held-for-trading and available-for-sale investments						14,261
Loss on disposal of a subsidiary						(2,254)
Other unallocated income						6,703
Share of results of associates						26,708
Finance costs						(2,472)
Unallocated corporate expenses						(20,608)
Profit before taxation						153,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

5. SEGMENTAL INFORMATION (cont'd)

Segment revenue and results (cont'd)

	For the year ended 31 December 2008					
	Distribution of IT products				Property investment	Consolidated
	Hong Kong	Singapore	Malaysia	Total		
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
SEGMENT REVENUE						
External sales	2,656,983	1,544,660	351,111	4,552,754	10,578	4,563,332
Segment profit (loss)	71,773	(16)	7,572	79,329	(15,116)	64,213
Net loss from investments held-for-trading and available-for-sale investments						(15,062)
Loss on deemed disposal of an associate						(819)
Other unallocated income						5,716
Share of results of associates						28,482
Finance costs						(4,854)
Unallocated corporate expenses						(25,108)
Profit before taxation						52,568

The accounting policies adopted in preparing the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/loss reported to the chief operating decision maker, executive directors, for the purposes of resource allocation and performance assessment has not allocated central administration costs, directors' emoluments, share of results of associates, loss on disposal of a subsidiary, investment income/loss, finance costs and other corporate expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

5. SEGMENTAL INFORMATION (cont'd)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	As at 31 December 2009					
	Distribution of IT products				Property investment	Consolidated
	Hong Kong	Singapore	Malaysia	Total		
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
ASSETS						
Segment assets	510,802	250,421	60,309	821,532	280,506	1,102,038
Interests in associates						133,459
Unallocated corporate assets						330,542
Consolidated total assets						<u>1,566,039</u>
LIABILITIES						
Segment liabilities	289,118	183,676	66,831	539,625	9,205	548,830
Unallocated corporate liabilities						47,998
Consolidated total liabilities						<u>596,828</u>

	As at 31 December 2008					
	Distribution of IT products				Property investment	Consolidated
	Hong Kong	Singapore	Malaysia	Total		
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
ASSETS						
Segment assets	498,533	314,895	65,740	879,168	197,704	1,076,872
Interests in associates						109,372
Unallocated corporate assets						220,094
Consolidated total assets						<u>1,406,338</u>
LIABILITIES						
Segment liabilities	239,310	229,078	67,873	536,261	4,121	540,382
Unallocated corporate liabilities						36,638
Consolidated total liabilities						<u>577,020</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

5. SEGMENTAL INFORMATION (cont'd)

Segment assets and liabilities (cont'd)

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than bank balances and deposits and other corporate assets, interest in associates, available-for-sale investments, investments held-for-trading and deferred tax assets.
- All liabilities are allocated to operating segments other than current and deferred tax liabilities and other corporate liabilities.

Other segment information

	For the year ended 31 December 2009						
	Distribution of IT products				Property		Consolidated
	Hong Kong	Singapore	Malaysia	Total	Investment	Unallocated	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Information included in segment results/segment assets:							
Allowance for doubtful debts provided	94	3,028	6,785	9,907	-	-	9,907
Capital additions	35	336	922	1,293	-	5,083	6,376
Depreciation and amortisation	591	1,157	899	2,647	181	299	3,127
Increase in fair value of investment properties	-	-	-	-	58,565	-	58,565
Allowance for (reversal of) write-down of inventories	(278)	(2,885)	754	(2,409)	-	-	(2,409)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

5. SEGMENTAL INFORMATION (cont'd)

Other segment information (cont'd)

	For the year ended 31 December 2008						
	Distribution of IT products				Property		Consolidated
	Hong Kong	Singapore	Malaysia	Total	Investment	Unallocated	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Information included in segment results/segment assets:							
Allowance for doubtful debts provided	3,847	442	1,576	5,865	-	-	5,865
Reversal of doubtful debts provided	-	(4,559)	-	(4,559)	-	-	(4,559)
Capital additions	195	378	1,343	1,916	9,283	-	11,199
Depreciation and amortisation	1,777	1,157	1,341	4,275	180	326	4,781
Decrease in fair value of investment properties	-	-	-	-	24,402	-	24,402
Allowance for (reversal of) write-down of inventories	2,391	(1,910)	(444)	37	-	-	37
Loss on deemed disposal of an associate	-	-	-	-	-	819	819

Geographical information

The majority of the Group's revenue from external customers by geographical location of the customers are attributed to the group entities' countries of domiciles (i.e. Hong Kong, Singapore and Malaysia).

Information about the Group's non-current assets by geographical location of assets (excluding available-for-sale investments, interests in associates and deferred tax assets) are set out below:

	2009	2008
	HK\$'000	HK\$'000
Hong Kong	202,770	187,060
Singapore	30,850	28,521
Malaysia	1,943	1,902
The People's Republic of China ("PRC")	3,021	3,192
	238,584	220,675

Information about major customers

There are no major customers contributing over 10% of the Group's revenue in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

6. OTHER INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Other income comprises:		
Dividend income from available-for-sale investments	1,088	973
Dividend income from investments held-for-trading	4,141	5,003
Discount on early settlement to suppliers	13,958	14,096
Exchange gain, net	19,163	2,874
Gain on fair value changes on derivative financial instruments	2,635	–
Interest on bank deposits	973	2,653
Gain on disposal of available-for-sale investments	679	43
	<hr/>	<hr/>

7. OTHER EXPENSES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Other expenses comprises:		
Loss on fair value changes on derivative financial instruments	–	578
Loss on deemed disposal of an associate (<i>note</i>)	–	819
Loss on disposal of a subsidiary	2,254	–
	<hr/>	<hr/>
	2,254	1,397
	<hr/>	<hr/>

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.

8. FINANCE COSTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

9. INCOME TAX EXPENSE

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax		
Hong Kong	9,962	12,916
Overseas	676	392
	<u>10,638</u>	<u>13,308</u>
(Over)under provision in prior years		
Hong Kong	(13)	5
Overseas	(44)	85
	<u>(57)</u>	<u>90</u>
Deferred taxation (<i>Note 31</i>)		
Current year	9,600	(2,340)
Attributable to a change in tax rate	(370)	(309)
	<u>9,230</u>	<u>(2,649)</u>
Income tax expense for the year	<u>19,811</u>	<u>10,749</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions. Singapore Corporate Income Tax rate reduced from 18% to 17% during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit before taxation	<u>153,895</u>	<u>52,568</u>
Tax at the domestic income tax rate of 16.5% (<i>note</i>)	25,393	8,674
Tax effect of share of results of associates	(4,407)	(4,700)
Tax effect of expenses not deductible for tax purpose	2,515	5,773
Tax effect of income not taxable for tax purpose	(5,480)	(1,630)
Tax effect of tax losses/deductible temporary differences not recognised	968	1,584
Utilisation of tax losses/deductible temporary differences previously not recognised	(198)	(1,090)
(Over)underprovision in prior years	(57)	90
Effect of different tax rates of subsidiaries	190	(207)
Effect of change in tax rate	(370)	(309)
Withholding tax on share of result of an associate	1,893	1,682
Others	(636)	882
Tax charge for the year	<u>19,811</u>	<u>10,749</u>

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 2009

10. PROFIT FOR THE YEAR

	2009 HK\$'000	2008 HK\$'000
Profit for the year has been arrived at after charging:		
Cost of inventories recognised as an expense	3,712,257	4,364,687
Staff costs (<i>note</i>)	88,611	88,346
Auditor's remuneration	1,367	1,500
Allowance for doubtful debts provided	9,907	5,865
Write-down of inventories	1,983	3,132
Depreciation of property, plant and equipment	3,104	4,758
Amortisation of prepaid lease payments	23	23
Total depreciation and amortisation	3,127	4,781
Operating lease rentals in respect of rented premises	13,674	13,691
Loss on disposal of property, plant and equipment	1	8
Share of tax of associates (included in share of results of associates)	12,338	4,700
and after crediting:		
Gross rental income from investment properties	10,257	10,578
Less: Direct operating expenses from investment properties	(1,285)	(1,292)
Net rental income	8,972	9,286
Amounts recovered during the year/reversal of allowance for doubtful debts	–	4,559
Reversal of write-down of inventories	4,392	3,169

Note:

Staff costs included an amount of HK\$4,827,000 (2008: HK\$4,500,000) and HK\$958,000 (2008: HK\$2,623,000) 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 2009

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	2009 Total HK\$'000
<i>Executive directors:</i>					
Mr. Lim Siam Kwee (deceased on 7 May 2009)	–	226	5	79	310
Mr. Lim Kiah Meng	110	2,877	32	79	3,098
Mr. Lim Kia Hong	110	2,877	36	79	3,102
Mr. Lim Hwee Hai	110	2,887	26	79	3,102
Madam Lim Hwee Noi	110	1,587	25	79	1,801
	<u>440</u>	<u>10,454</u>	<u>124</u>	<u>395</u>	<u>11,413</u>
<i>Independent non-executive directors:</i>					
Mr. Lee Hiok Chuan	215	–	–	25	240
Mr. Woon Wee Teng	215	–	–	25	240
Ms. Ong Wui Leng	215	–	–	25	240
	<u>645</u>	<u>–</u>	<u>–</u>	<u>75</u>	<u>720</u>
	<u>1,085</u>	<u>10,454</u>	<u>124</u>	<u>470</u>	<u>12,133</u>
	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>

No directors waived any of their emoluments during the two years ended 31 December 2008 and 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2008: four) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2008: one) individual were as follow:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Salaries and other benefits	3,947	1,805
Contributions to retirement benefit scheme	31	11
Share-based payment expense	99	153
	<u>4,077</u>	<u>1,969</u>
	2009 <i>No. of employees</i>	2008 <i>No. of employees</i>
Their emoluments were within the following bands:		
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	–
	<u>1</u>	<u>–</u>

13. DIVIDENDS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year 2008 of 5.0 HK cents per share (2008: 10.0 HK cents per share in respect of the year 2007)	<u>13,551</u>	<u>27,102</u>
Final dividend, proposed in respect of the year 2009 of 8.0 HK cents per share (2008: 5.0 HK cents per share)	<u>21,681</u>	<u>13,551</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

14. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK\$134,084,000 (2008: HK\$41,819,000) and the weighted average number of ordinary shares of 271,016,661 during the year (2008: 270,448,766 shares).

The diluted earnings per share does not take into account outstanding share options at the end of the reporting period as the effect of potential ordinary shares to be issued on exercising the share options was anti-dilutive for both year ended 31 December 2008 and 2009.

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

15. INVESTMENT PROPERTIES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
At 1 January	196,873	212,256
Exchange realignment	737	(208)
Additions	–	9,227
Reclassify to investment properties held for sale (<i>note 26</i>)	(65,000)	–
Increase (decrease) in fair value recognised in income statement	58,565	(24,402)
At 31 December	191,175	196,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

15. INVESTMENT PROPERTIES (cont'd)

An analysis of the investment properties which are stated at fair value by geographical location and lease term is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong		
under long lease	125,000	137,000
under medium-term lease	34,900	32,050
Singapore		
freehold	14,127	11,352
under long lease	14,127	13,450
The PRC		
under medium-term lease	3,021	3,021
	<u>191,175</u>	<u>196,873</u>

All of the Group's property interests held under operating leases to earn rentals 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 investment properties in Hong Kong and the PRC, and Singapore as at the end of the reporting date have been arrived at on the basis of valuation carried out on that date by DTZ Debenham Tie Leung Ltd. and Knight Frank Pte. Ltd. (2008: 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 2009

16. PROPERTY, PLANT AND EQUIPMENT

	Building in Hong Kong under long lease <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 January 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 1 January 2009	3,820	7,346	26,720	3,688	41,574
Exchange realignment	-	113	361	59	533
Additions	503	368	925	-	1,796
Disposals	-	-	(47)	-	(47)
At 31 December 2009	4,323	7,827	27,959	3,747	43,856
DEPRECIATION					
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 1 January 2009	538	6,256	23,274	2,550	32,618
Exchange realignment	-	111	320	52	483
Provided for the year	78	814	1,694	518	3,104
Eliminated on disposals	-	-	(37)	-	(37)
At 31 December 2009	616	7,181	25,251	3,120	36,168
CARRYING VALUES					
At 31 December 2009	3,707	646	2,708	627	7,688
At 31 December 2008	3,282	1,090	3,446	1,138	8,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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% – 50%
Motor vehicles	20%

17. PREPAID LEASE PAYMENTS

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Carrying amount analysed for reporting purposes as:		
Current asset	28	23
Non-current asset	19,398	14,846
	<u>19,426</u>	<u>14,869</u>

18. INTERESTS IN ASSOCIATES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Cost of investment in associates		
Listed overseas	29,850	29,850
Unlisted	280	280
Share of post-acquisition profits, net of dividend received	103,329	79,242
	<u>133,459</u>	<u>109,372</u>
Fair value of listed associate	<u>182,448</u>	<u>83,193</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

18. INTERESTS IN ASSOCIATES (cont'd)

Details of the associates as at 31 December 2008 and 2009 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
				2009	2008	
SiS Distribution (Thailand) Public Company Limited (listed on the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	49.1%	49.1%	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%	Dormant

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Total assets	864,280	635,812
Total liabilities	(551,900)	(379,067)
Net assets	312,380	256,745
Group's share of net assets of associates	133,459	109,372
Revenue	3,419,209	3,153,096
Profit for the year	60,589	64,446
Group's share of profits of associates for the year	26,708	28,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Unrecognised share of gain (losses) of associates for the year	71	(42)
Accumulated unrecognised share of losses of associates	(876)	(947)

19. AVAILABLE-FOR-SALE INVESTMENTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Equity securities, listed overseas, at fair value	19,072	10,310
Equity securities, unlisted at cost less impairment	8,010	–
Club debentures, unlisted at cost less impairment	1,300	2,300
	28,382	12,610

The fair values of listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges. The above unlisted investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so broad that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. DEPOSITS FOR ACQUISITION OF INVESTMENT PROPERTIES

The deposits were paid for acquisition of investment properties at a consideration of HK\$203,000,000. The acquisition was completed on 19 January 2010.

21. INVENTORIES

Inventories written down during the year amounted to HK\$1,983,000 (2008: HK\$3,132,000). A reversal of the previously written-down inventories which were sold during the year amounting to HK\$4,392,000 (2008: HK\$3,169,000) were made during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	596,432	572,042
Less: allowance for doubtful debts	(25,855)	(15,789)
	<u>570,577</u>	<u>556,253</u>
Staff advances	–	491
Deposits, prepayments and other receivables	11,802	21,985
	<u>582,379</u>	<u>578,729</u>

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 granted 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 renting of properties. No interest is charged on overdue debts.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 30 days	322,772	273,983
31 to 90 days	211,889	222,190
91 to 120 days	25,781	36,923
Over 120 days	10,135	23,157
	<u>570,577</u>	<u>556,253</u>

Included in the Group's trade receivable balance are debts with total carrying amount of HK\$225,222,000 (2008: HK\$183,275,000) 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 reporting date. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are in good quality.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Overdue:		
Within 30 days	164,442	103,687
31 to 90 days	52,381	70,291
91 to 120 days	933	6,745
Over 120 days	7,466	2,552
	<u>225,222</u>	<u>183,275</u>

Movement in the allowance for doubtful debts are as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Balance at beginning of the year	15,789	15,138
Exchange realignment	197	(197)
Impairment losses recognised on receivables	9,907	5,865
Amounts written off as uncollectible	(38)	(458)
Amounts recovered during the year	–	(4,559)
	<u>25,855</u>	<u>15,789</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$25,855,000 (2008: HK\$15,789,000) which have either been in severe financial difficulties or with default payments. The Group does not hold any collateral over these balances.

23. INVESTMENTS HELD-FOR-TRADING

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Equity securities, listed overseas, at fair value	42,152	33,682
Equity securities, listed in Hong Kong, at fair value	349	–
	<u>42,501</u>	<u>33,682</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 2009

24. PLEDGED BANK DEPOSITS

Pledged bank deposits which carry fixed interest rates ranging from 1.5% to 3.7% (2008: 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 interest at market rates ranging from 0.001% to 4.55% (2008: 0.1% to 8.6%) 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\$40,923,000 (2008: HK\$79,343,000).

26. INVESTMENT PROPERTIES HELD FOR SALE

On 29 December 2009, a subsidiary of the Group entered into a provisional sales and purchase agreement for the disposal of investment properties, Carpark Nos. 1-64 at the seventh floor of United Centre, 95 Queensway in Hong Kong, at consideration of HK\$70,000,000 of which deposit of HK\$3,500,000 had been received. The transaction was completed on 8 March 2010.

Investment properties held for sale is stated at fair value which have been arrived at on the basis of valuation carried out on that date by DTZ Debenham Tie Leung Ltd., which is independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties.

As at 31 December 2009, the liabilities associated with the investment properties to be disposed of represent rental deposits of HK\$684,000.

27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accrual are trade payables of HK\$400,101,000 (2008: HK\$305,259,000). The following is an aged analysis of the trade payables at the end of the reporting period presented based on the invoice date:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 30 days	298,151	240,777
31 to 90 days	91,295	61,316
91 to 120 days	2,421	512
Over 120 days	8,234	2,654
Trade payables	<u>400,101</u>	<u>305,259</u>

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\$320,390,000 (2008: HK\$170,589,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

28. BILLS PAYABLE

The following is an aged analysis of bill payable at the end of the reporting period:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 30 days	16,544	65,199
31 to 90 days	2,627	9,559
	<u>19,171</u>	<u>74,758</u>

The bills were repayable within 90 days (2008: within 90 days). The effective interest rate of the bills was 2.7% (2008: 2.7%) per annum.

29. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into 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 2009, the Group had outstanding foreign currency forward contracts to buy United States dollars ("US\$") in accordance with the terms of the respective contracts. The major terms of these outstanding foreign currency forward contracts are as follows:

- i) Sell HK\$6,170,400 buy US\$800,000 if spot rate is above HK\$7.713/US\$1 or sell HK\$18,511,200 buy US\$2,400,000 if spot rate is at or below HK\$7.713/US\$1 on specified dates at monthly intervals up to maturity on 18 June 2010.
- ii) Sell HK\$3,840,000 buy US\$500,000 if spot rate is at or above HK\$7.68/US\$1, or sell HK\$11,520,000 buy US\$1,500,000 if spot rate is below HK\$7.68/US\$1 or no settlement by both parties if the spot rate is at or above HK\$7.82/US\$1, on specified dates at monthly intervals up to maturity on 27 September 2010.
- iii) Sell HK\$3,840,000 buy US\$500,000 if spot rate is at or above HK\$7.68/US\$1, or sell HK\$11,520,000 buy US\$1,500,000 if spot rate is below HK\$7.68/US\$1 or no settlement by both parties if the spot rate is at or above HK\$7.822/US\$1, on specified dates at monthly intervals up to maturity on 27 September 2010.
- iv) Sell HK\$3,852,500 buy US\$500,000 if spot rate is above HK\$7.705/US\$1 or sell HK\$11,557,500 buy US\$1,500,000 if spot rate is at or below HK\$7.705/US\$1 on specified dates at monthly intervals up to maturity on 27 January 2011.
- v) Sell HK\$3,852,500 buy US\$500,000 if spot rate is at or above HK\$7.705/US\$1, or sell HK\$11,557,500 buy US\$1,500,000 if spot rate is below HK\$7.705/US\$1 or no settlement by both parties if the spot rate is at or above HK\$7.82/US\$1, on specified dates at monthly intervals up to maturity on 31 January 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

29. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

- vi) Remaining contract value of US\$502,556 to buy US\$ and sell Singapore dollars (“S\$”) at the contract rates ranging from S\$1.3865/US\$1 to S\$1.3960/US\$1 on specified period up to maturity on 11 March 2010.
- vii) Remaining contract value of US\$6,720,000 to buy US\$ and sell S\$ at the contract rates ranging from S\$1.3828/US\$1 to S\$1.4090/US\$1 on specified period up to maturity on 5 April 2010.

In addition, the following contracts were outstanding at 31 December 2008 but completed during the year:

- i) Sell HK\$3,856,250 buy US\$500,000 if spot rate is at or above HK\$7.7125/US\$1 or sell HK\$11,568,750 buy US\$1,500,000 if spot rate is below HK\$7.7125/US\$1 on specified dates at monthly intervals up to maturity on 30 April 2009.
- ii) Sell HK\$3,852,750 buy US\$500,000 if spot rate is at or above HK\$7.7055/US\$1 or sell HK\$11,558,250 buy US\$1,500,000 if spot rate is below HK\$7.7055/US\$1 on specified dates at monthly intervals up to maturity on 30 April 2009.
- iii) Sell HK\$7,749,000 buy US\$1,000,000 if spot rate is at or above HK\$7.749/US\$1 or sell HK\$23,247,000 buy US\$3,000,000 if spot rate is below HK\$7.749/US\$1 or no settlement by both parties if the spot rate is at or above HK\$7.835/US\$1, on specified dates at monthly intervals up to maturity on 5 August 2009.
- iv) Remaining contract value of US\$3,181,343 to buy US\$ and sell S\$ at the contract rates ranging from S\$1.4073/US\$1 to S\$1.5169/US\$1 on specified period up to maturity on 12 June 2009.

The fair values of the foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

30. BANK LOANS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Secured	32,365	27,203
Unsecured	–	44,436
	<u>32,365</u>	<u>71,639</u>

The bank loans carry variable interest rates which ranged from 3.8% to 5.6% (2008: 1.6% 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\$nil (2008: HK\$21,840,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. 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 2008	(1,861)	2,561	(7,960)	2,562	(4,094)	(8,391)	(17,183)
Credit (charge) to income statement	(572)	411	3,335	859	(1,682)	(11)	2,340
Effect of change in tax rate	-	-	455	(146)	-	-	309
Exchange realignment	9	(32)	-	(8)	610	72	651
At 1 January 2009	(2,424)	2,940	(4,170)	3,267	(5,166)	(8,330)	(13,883)
Credit (charge) to income statement	178	(394)	(8,967)	1,483	(1,893)	(7)	(9,600)
Effect of change in tax rate	14	(87)	-	(16)	-	459	370
Exchange realignment	(2)	29	-	44	(290)	(230)	(449)
At 31 December 2009	(2,234)	2,488	(13,137)	4,778	(7,349)	(8,108)	(23,562)

Others mainly represents deferred tax liabilities of approximately S\$1,461,000 (equivalent to HK\$8,097,000) (2008: 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 presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for financial reporting purposes:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Deferred tax assets	459	351
Deferred tax liabilities	(24,021)	(14,234)
	(23,562)	(13,883)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

31. DEFERRED TAXATION (cont'd)

At the end of the reporting period, the Group has unrecognised deductible temporary differences of HK\$20,197,000 (2008: HK\$21,397,000) and unutilised tax losses of HK\$60,844,000 (2008: HK\$45,907,000).

A deferred tax asset has been recognised in respect of the tax losses of HK\$28,702,000 (2008: HK\$19,656,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$32,142,000 (2008: HK\$26,251,000) and the deductible temporary differences due to the unpredictability of future profit streams.

32. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Amount	
	2009 '000	2008 '000	2009 HK\$'000	2008 HK\$'000
Authorised	<u>350,000</u>	<u>350,000</u>	<u>35,000</u>	<u>35,000</u>
Issued and fully paid				
At beginning of year	271,017	268,550	27,102	26,855
Shares issued upon exercise of share options	<u>-</u>	<u>2,467</u>	<u>-</u>	<u>247</u>
At end of year	<u>271,017</u>	<u>271,017</u>	<u>27,102</u>	<u>27,102</u>

33. RESERVES

Details of different categories of and the movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 29.

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 excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition of the subsidiaries upon the Group reorganisation in preparation for the listing of the Company's shares in the year 1992.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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 Group's overall strategy remains unchanged for both years.

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

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes 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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<i>Financial assets</i>		
Derivative financial instruments	697	–
Available-for-sale investments	28,382	12,610
Fair value through profit and loss		
– Investments held-for-trading	42,501	33,682
Loans and receivables (including cash and cash equivalents)	810,259	709,796
<i>Financial liabilities</i>		
Derivative financial instruments	–	1,938
Financial liabilities stated at amortised cost	484,152	490,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

35. FINANCIAL INSTRUMENTS (cont'd)

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, derivative financial instruments, 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.

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*

Majority of the purchase of goods of the Group are denominated in United States dollars. Certain bank balances 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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
United States dollars	43,735	81,127	320,390	192,429
Australian dollars	60,048	43,817	–	–
Singapore dollars	509	26,270	–	–
New Zealand dollars	1,929	1,505	–	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

35. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk (cont'd)

(i) *Currency risk (cont'd)*

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 end of the reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period 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.

	2009		2008	
	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 dollars	1.5 (1.5)	(3,465) 3,465	1.5 (1.5)	(1,394) 1,394
Australian dollars	10.0 (10.0)	6,005 (6,005)	10.0 (10.0)	4,382 (4,382)
Singapore dollars	10.0 (10.0)	51 (51)	10.0 (10.0)	2,627 (2,627)
New Zealand dollars	10.0 (10.0)	193 (193)	10.0 (10.0)	150 (150)

Since Hong Kong dollars are pegged to United States dollars, sensitivity analysis of the derivative financial instruments denominated in United States dollars has not been presented as the impact of the fluctuation of United States dollars against Hong Kong dollars is insignificant.

The sensitivity analyse below have been determined based on the exposure to the Group's forward exchange rate risk for contracts of United States dollars against Singapore dollars at the reporting date.

If the forward exchange rate of Singapore dollars against United States dollars had been 5% higher/lower while all other input variables of the valuation models were held constant, the Group's post-tax profit for the year would decrease/increase by HK\$2,333,000 (2008: HK\$1,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

35. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk (cont'd)

(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 the financial liabilities which are non-derivative instruments at the end of the reporting period. For floating-rate bank loans and bills payable, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2008: 100 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 (2008: 100 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\$402,000 (2008: decrease/increase by HK\$1,182,000).

(iii) *Price risk*

The Group is exposed to equity price risk through its investment in listed equity securities. The management closely keeps watch of the price changes and takes 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% (2008: 10%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by HK\$4,250,000 (2008: increase/decrease by HK\$3,368,000) as a result of the changes in fair value of held-for-trading investments.

35. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk (cont'd)

(iii) Price risk (cont'd)

Sensitivity analysis (cont'd)

If the price of the respective listed equity securities classified as available-for-sale investments had been 10% (2008: 10%) higher/lower, the Group's available-for-sale investments and investment reserve would increase/decrease by HK\$1,907,000 (2008: HK\$1,031,000). 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 statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated certain staff for 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 the end of each reporting period 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 2009

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.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross cash (inflows) and outflows on those derivatives that require gross cash settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate %	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 31/12/2009 HK\$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	N/A	(432,616)	-	-	-	(432,616)	(432,616)
Bills payables	2.7	(19,300)	-	-	-	(19,300)	(19,171)
Bank loans	4.7	(32,747)	-	-	-	(32,747)	(32,365)
		(484,663)	-	-	-	(484,663)	(484,152)
Derivative financial instruments							
Foreign exchange forward contracts							
- cash inflows		109,235	68,720	69,416	7,722	255,093	
- cash outflows		(108,839)	(68,565)	(69,270)	(7,705)	(254,379)	
		396	155	146	17	714	697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

35. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Liquidity risk (cont'd)

	Weighted average interest rate %	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 instruments							
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>

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 in 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.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

35. FINANCIAL INSTRUMENTS (cont'd)

c. Fair value (cont'd)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2009			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at FVTPL				
Derivative financial assets	–	697	–	697
Non-derivative financial assets held for trading	42,501	–	–	42,501
Available-for-sale financial assets				
Listed equity securities	19,072	–	–	19,072
Total	61,573	697	–	62,270

There were no transfers between Level 1 and 2 in the current year.

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 HK\$'000	2008 HK\$'000
Within one year	13,105	13,447
In the second to fifth year inclusive	12,965	1,922
	26,070	15,369

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

36. OPERATING LEASE COMMITMENTS (cont'd)

The Group as lessor

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease payments:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	8,359	9,232
In the second to fifth year inclusive	9,654	1,939
	<u>18,013</u>	<u>11,171</u>

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 2009	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

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FOR THE YEAR ENDED 31 DECEMBER 2009

37. SHARE OPTION SCHEME (cont'd)

The movements in the options are as follows:

Grantee	At 1.1.2008	Exercised during 2008	At 31.12.2008 and 2009
Directors	4,750,000	(1,583,329)	3,166,671
Employees and others	5,200,000	(883,332)	4,316,668
	<u>9,950,000</u>	<u>(2,466,661)</u>	<u>7,483,339</u>

In 2008, 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.

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.

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FOR THE YEAR ENDED 31 DECEMBER 2009

38. RETIREMENT BENEFIT SCHEMES (cont'd)

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Employees of the Group's subsidiaries incorporated in Singapore and Malaysia are members of pension schemes operated by the local governments. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

39. PLEDGE OF ASSETS

At 31 December 2009, the Group's investment properties held for sale and bank deposits with carrying values of HK\$65,000,000 (2008: HK\$40,000,000) and HK\$21,086,000 (2008: HK\$20,369,000) respectively were pledged to secure general banking facilities granted to the Group. The pledge of investment properties held for sale was subsequently released upon the completion of the disposal on 8 March 2010 as mentioned in note 26.

40. RELATED PARTY TRANSACTIONS

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

	Associates		Related companies	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Purchase of goods	437	258	-	-
Income from management service	1,957	1,759	-	-
Operating lease rentals expense	-	-	9,352	10,062

Amounts due from the associates outstanding at 31 December 2009 included in other receivables amount to HK\$171,000 (2008: HK\$60,000). The amounts are unsecured, interest free and repayable on demand.

Two directors have controlling interest in one of the related companies. All executive directors (and their associates) together hold 56% indirect interest in another related company.

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 Group's operating result, performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

41. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2008 and 2009 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		
				2009	2008	2009	2008	
				%	%	%	%	
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	100	Inactive
Faith Prosper Ltd.	British Virgin Islands	Ordinary	US\$1	-	-	100	100	Inactive
Gold Kite Limited	Hong Kong	Ordinary	HK\$1	-	-	100	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 and communication products
SIS Asia Pte. Ltd.	Singapore	Ordinary	S\$2	-	-	100	100	Investment holding, provision of hardware, software and corporate management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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		
				2009 %	2008 %	2009 %	2008 %	
Indirect subsidiaries (cont'd):								
SiS Capital Limited	Hong Kong	Ordinary	HK\$1	-	-	100	100	Property investment
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 and provision of computer training services
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, investment trading and property investment
SiS International Trading (Shanghai) Co., Ltd. <i>(note)</i>	PRC	Registered capital	US\$200,000	-	-	-	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 and provision of training and consultancy services
SiS Technologies (Thailand) Pte. Ltd.	Singapore	Ordinary	S\$2	-	-	100	100	Investment holding

Note: This subsidiary had been disposed of during the year.

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

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue	3,883,752	4,563,332	4,260,503	3,396,237	3,194,899
Profit before taxation	153,895	52,568	204,257	114,449	103,609
Income tax expense	(19,811)	(10,749)	(34,306)	(22,188)	(16,569)
Profit for the year	134,084	41,819	169,951	92,261	87,040
Net profit attributable to:					
Owners of the Company	134,084	41,819	170,341	92,459	86,896
Minority interests	–	–	(390)	(198)	144
	134,084	41,819	169,951	92,261	87,040

ASSETS AND LIABILITIES

	At 31 December				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Total assets	1,566,039	1,406,338	1,489,611	1,255,168	1,061,353
Total liabilities	(596,828)	(577,020)	(658,917)	(597,413)	(496,996)
	969,211	829,318	830,694	657,755	564,357
Equity attributable to:					
Owners of the Company	969,211	829,318	830,694	656,963	563,441
Minority interests	–	–	–	792	916
	969,211	829,318	830,694	657,755	564,357

PARTICULARS OF INVESTMENT PROPERTIES

AT 31 DECEMBER 2009

Name of property and location	Lease terms	Use
Investment properties		
#11-07/23 Maxwell House 20 Maxwell Road Singapore	Long-term lease	Commercial
#01-08 23 Dalvey Estate Singapore	Freehold	Residential
#03-07 23 Dalvey Estate Singapore	Freehold	Residential
8th Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long-term lease	Commercial
Unit 1, 11th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 5, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 6, 17th Floor Eastern Harbour Centre 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
Unit 6, 7th Floor New Treasure Centre 10 Ng Fong Street, Hong Kong	Medium-term lease	Industrial/office

PARTICULARS OF INVESTMENT PROPERTIES

AT 31 DECEMBER 2009

Name of property and location	Lease terms	Use
Investment properties (cont'd)		
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 54 Hoi Yuen Road Hong Kong	Medium-term lease	Industrial/Office
Units 2611 and 2612 26th Level Metro Plaza 183-187 Tian He Bei Road Tian He District Guangzhou	Medium-term lease	Commercial
Investment properties held for sale		
Carpark Nos. 1 – 64 7th Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial