

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2000

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company is Summertown Limited, incorporated in the British Virgin Islands.

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

2. Significant Accounting Policies

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

The principal accounting policies which have been adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to December 31 each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of an investment in a subsidiary and an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary and associate.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company, directly or indirectly, controls the composition of its board of directors or equivalent governing body.

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

Interests in associates

An associate is an enterprise, over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any decline in value of the associates that is other than temporary.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Club membership

Club membership is carried at cost less any impairment loss in value that is other than temporary.

Turnover

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

Revenue recognition

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

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation and amortisation are provided to write off the cost of assets over their estimated useful lives using the straight line method, at the following rates per annum:

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

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

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to retained profits.

No depreciation is provided for investment properties which are held on leases with an unexpired term including the renewable period of more than 20 years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Assets held under hire purchase contracts

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

Operating leases

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

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of overseas operations and subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Cash equivalents

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

Retirement benefits schemes

The pension costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme.

3. Segmental Information

The Group's turnover and contribution to profit from operations, analysed by principal activity and geographical market are as follows:

	Turnover		Contribution to profit from operations	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Distribution of computer products	3,499,498	254,792	45,243	9,831
Service fee income	11,219	1,147	(2,566)	(329)
Property rental income	1,298	-	833	-
Management fee income	-	4,685	-	1,204
	<u>3,512,015</u>	<u>260,624</u>	<u>43,510</u>	<u>10,706</u>
By geographical market:				
Hong Kong	1,736,308	138,389		
Singapore	742,905	58,551		
Malaysia	365,769	27,279		
PRC	352,860	30,737		
Thailand	291,652	-		
Others *	22,521	5,668		
	<u>3,512,015</u>	<u>260,624</u>		

* Others comprise sales to the Philippines and Indonesia.

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall Group ratio of profit to turnover.

4. Other Revenue

Included in other revenue is investment income, as follows:

	2000 HK\$'000	1999 HK\$'000
Interest earned on bank deposits	10,455	9,773
Interest earned on loan to an associate	-	2,130
<i>Interest income for the year</i>	<i>10,455</i>	<i>11,903</i>

5. Profit from Operations

	2000 HK\$'000	1999 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	813	384
Depreciation:		
Owned assets	6,174	470
Assets held under hire purchase contracts	105	18
	6,279	488
Loss on disposal of property, plant and equipment	134	2
Operating leases in respect of rental premises	9,528	889
Staff costs including directors' emoluments	73,885	12,963
and after crediting:		
Property rental income	1,298	975
Exchange gain, net	2,507	781

6. Finance Costs

	2000 HK\$'000	1999 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	3,748	700
Other borrowings wholly repayable within five years	4,590	257
Hire purchase contracts	48	5
	8,386	962

No interest was capitalised by the Group during the year.

7. Directors' Emoluments

	2000 HK\$'000	1999 HK\$'000
Directors' fees	1,165	850
Other emoluments - executive directors		
Salaries and other benefits	6,233	6,134
Performance incentive bonus	-	-
Contributions to retirement benefits scheme	202	425
<i>Total emoluments</i>	7,600	7,409

The amounts disclosed above include directors' fee of HK\$300,000 (1999: HK\$300,000) payable to independent non-executive directors.

Emoluments of the directors were within the following bands:

	2000 No. of Directors	1999 No. of Directors
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$1,500,001 to HK\$2,000,000	1	2

8. Employees' emoluments

The five highest paid individuals in the Group in 2000 include four directors (1999: five directors), details of whose emoluments are set out in note 7 above. The emoluments of the remaining highest paid individual for the year ended December 31, 2000 were as follows:

	HK\$'000
Salaries and other benefits	1,760
Retirement benefit scheme contribution	24
	<u>1,784</u>

9. Taxation

	2000	1999
	HK\$'000	HK\$'000
The charge comprises:		
Profits Tax for the year		
Hong Kong	3,936	669
Overseas	1,969	1,066
	5,905	1,735
Deferred taxation (note 26)	44	-
Taxation attributable to the Company and its subsidiaries	5,949	1,735
Share of tax on results of associates	244	468
<i>Taxation charge for the year</i>	<u>6,193</u>	<u>2,203</u>

Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profit for the year.

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

10. Profit For The Year

Of the Group's profit for the year of HK\$22,098,000 (1999: HK\$25,863,000), a profit of HK\$7,022,000 (1999: HK\$5,635,000) has been dealt with in the financial statements of the Company.

11. Dividend

	2000 HK\$'000	1999 HK\$'000
<i>Final, proposed - 2 cents per share (1999: 2 cents)</i>	<u>5,361</u>	<u>5,361</u>

The final dividend of 2 cents (1999: 2 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

The amount of final dividend proposed has been calculated on the basis of 268,050,000 shares in issue on April 20, 2001.

12. Earnings Per Share

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

	2000 HK\$'000	1999 HK\$'000
Earnings for the purposes of basic earnings per share and diluted earnings per share	<u>22,098</u>	<u>25,863</u>

	Number of shares	
	2000 '000	1999 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	267,017	260,950
Effect of dilutive potential ordinary shares:		
Options	955	4,502
<i>Weighted average number of ordinary shares for the purposes of diluted earnings per share</i>	<u>267,972</u>	<u>265,452</u>

13. Investment Properties

	THE GROUP HK\$'000
At January 1, 2000	13,543
Exchange realignment	(486)
Additions	61,178
Revaluation surplus	3,622
<i>At December 31, 2000</i>	<u>77,857</u>

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

	2000	1999
	HK\$'000	HK\$'000
In Hong Kong on long-term leases	64,800	-
In Singapore on long-term leases	13,057	13,543
	77,857	13,543

The investment properties of the Group were revalued as at December 31, 2000 on an open market value basis by A. G. Wilkinson & Associates and Knight Frank Pte. Ltd., Chartered Surveyors for properties located in Hong Kong and Singapore, respectively. The surveyors are not connected with the Group. The valuation gave rise to a revaluation surplus of HK\$3,622,000 which has been credited to the investment property revaluation reserve (note 30).

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

14. Property, Plant And Equipment

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP					
COST					
At January 1, 2000	6,863	3,564	16,604	5,014	32,045
Exchange realignment	-	(218)	(992)	(125)	(1,335)
Additions	18,156	782	13,087	123	32,148
Acquisition of subsidiaries	-	1,108	4,346	680	6,134
Disposals	-	-	(354)	(48)	(402)
At December 31, 2000	25,019	5,236	32,691	5,644	68,590
DEPRECIATION					
At January 1, 2000	879	2,002	13,131	3,080	19,092
Exchange realignment	-	(67)	(516)	(42)	(625)
Provided for the year	113	717	4,533	916	6,279
Acquisition of subsidiaries	-	122	882	136	1,140
Eliminated on disposals	-	-	(23)	(40)	(63)
At December 31, 2000	992	2,774	18,007	4,050	25,823
NET BOOK VALUES					
At December 31, 2000	24,027	2,462	14,684	1,594	42,767
At December 31, 1999	5,984	1,562	3,473	1,934	12,953

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

	2000	1999
	HK\$'000	HK\$'000
Hong Kong	20,169	2,051
The People's Republic of China ("PRC")	3,858	3,933
	24,027	5,984

The net book value of property, plant and equipment includes furniture, fixtures and equipment of HK\$155,000 (1999: HK\$642,000) and motor vehicles of HK\$520,000 (1999: HK\$Nil) held under hire purchase contracts.

15. Interests in Subsidiaries

	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	9,665	9,666
Amounts due from subsidiaries	182,642	43,977
	192,307	53,643

Details of the Company's subsidiaries at December 31, 2000 are as follows:

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

Name of subsidiary	Country of incorporation or registration/ operation	Class of shares held	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
SiS International Trading (Shanghai) Co., Ltd.	PRC	-	US\$200,000	-	100	Distribution of computer products and provision of technical consultancy services
Computer Zone Limited	Hong Kong	Ordinary	HK\$2	-	100	Retail trading of computer products
SiS HK Limited	Hong Kong	Ordinary	HK\$400,000	-	100	Properties investment
SiS Properties Limited	Hong Kong	Ordinary	HK\$2	-	100	Inactive
Einfoasia.com (S) Pte. Ltd.	Singapore	Ordinary	S\$10	-	70	Trading of computers and related accessories and providing consultancy and internet related services
SiS Asia Pte. Ltd.	Singapore	Ordinary	S\$2	-	100	Provision of hardware and software services and corporate management services
Tallgrass Technologies Sdn. Bhd.	Malaysia	Ordinary	M\$2	-	100	Inactive
SiS Netrepreneur Ventures Corp.	British Virgin Islands	Ordinary	US\$1	-	100	Investment holding
eservicesasia.com Corp.	British Virgin Islands	Ordinary	US\$1	-	100	Investment holding
einfoasia.com Corp.	British Virgin Islands	Ordinary	US\$1	-	100	Investment holding

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

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

16. Interests in Associates

	THE GROUP	
	2000	1999
	HK\$	HK\$
<i>Share of net assets</i>	3,292	1,603

The details of the associates as at December 31, 2000 are as follows:

Name of company	Form of business structure	Country of incorporation or registration/operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company	Principal activities
Pericomp SiSTech Sdn. Bhd.	Limited company	Malaysia	Ordinary	20%	Distribution of computer products
Inchone.com Pte. Ltd.	Limited company	Singapore	Ordinary	32.44%	Developing, providing and marketing e-learning services and facilities
Intuition Consulting Pte. Ltd.	Limited company	Singapore	Ordinary	20%	Providing and marketing e-learning services

17. Investments in Securities

THE GROUP

	Other securities	
	2000	1999
	HK\$'000	HK\$'000
Equity securities:		
Listed shares overseas	11,497	67,183
Unlisted shares overseas	2,724	531
	14,221	67,714
<i>Market value of listed shares</i>	11,497	67,183

Carrying amount analysed for reporting purposes as:

Current	-	67,159
Non-current	14,221	555
	14,221	67,714

18. Staff Advances

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
The repayment schedule of the staff advances is analysed as follows:		
Current	1,180	1,110
Non-current	2,203	4,437
	3,383	5,547

19. Inventories

Inventories comprise trading merchandise.

20. Trade and Other Receivables

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

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

	2000	1999
	HK\$'000	HK\$'000
Within 30 days	296,592	313,744
31 to 90 days	115,261	51,051
91 to 120 days	15,290	-
Over 120 days	1,776	-
Trade receivables	428,919	364,795
Deposits, prepayments and other receivables	35,479	34,851
	464,398	399,646

21. Amounts Due from Related Companies

THE GROUP

Name of company	Term	Balance	Balance	Maximum
		at 12.31.2000 HK\$'000	at 1.1.2000 HK\$'000	amount outstanding during the year HK\$'000
P.T. SiSTech Kharisma	Unsecured, interest free and repayable on demand	2,766	185	7,305
Netband Technologies Far East Limited	Unsecured, interest free and repayable on demand	3,403	1,837	4,400
Regent Pacific Media (S) Pte. Ltd.	Unsecured, interest free and repayable on demand	87	-	87
		6,256	2,022	

The executive directors of the Company in aggregate hold a 90% indirect interest in P.T. SiSTech Kharisma.

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

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

22. Trade and Other Payables

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

	2000 HK\$'000	1999 HK\$'000
Within 30 days	300,409	145,306
31 to 90 days	100,670	90,324
91 to 120 days	8,654	5,956
Over 120 days	7,197	7,461
Trade payables	416,930	249,047
Accruals and other payables	144,123	107,215
	561,053	356,262

23. Bills Payable

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

	2000	1999
	HK\$'000	HK\$'000
Within 90 days	18,508	14,292
91 to 120 days	7,463	10,510
	25,971	24,802

24. Obligations Under Hire Purchase Contracts

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
The maturity of obligations under hire purchase contracts is as follows:		
Within one year	366	169
More than one year, but not exceeding two years	309	164
More than two years, but not exceeding five years	-	110
	675	443
Less: Amount due within one year	366	169
<i>Amount due after one year</i>	309	274

25. Bank Borrowings

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts	16,272	13,081	-	-
Bank loans	58,762	99,094	-	29,409
	75,034	112,175	-	29,409
Secured	31,461	69,685	-	-
Unsecured	43,573	42,490	-	29,409
	75,034	112,175	-	29,409

The above overdrafts and loans are repayable within one year.

26. Deferred Taxation

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
At beginning of year	-	-
Charge for the year (note 9)	44	-
<i>At end of year</i>	<i>44</i>	-

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

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
<i>Tax effect of timing differences because of excess of tax allowances over depreciation</i>	<i>44</i>	-

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

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

27. Advances From Minority Shareholders

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

28. Share Capital

	Number of shares		Share capital	
	2000 '000	1999 '000	2000 HK\$'000	1999 HK\$'000
<i>Shares of HK\$0.10 each Authorised</i>	<i>350,000</i>	<i>350,000</i>	<i>35,000</i>	<i>35,000</i>
Issued and fully paid:				
At beginning of year	260,950	260,950	26,095	26,095
Exercise of share options	7,100	-	710	-
<i>At end of year</i>	<i>268,050</i>	<i>260,950</i>	<i>26,805</i>	<i>26,095</i>

28. Share option scheme

Pursuant to the Share Option Scheme for employees which was adopted on July 29, 1992, the directors of the Company may, at their discretion, grant options to eligible employees, including directors of the Company, to subscribe for ordinary shares in the Company at a price being not less than 80% of the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange's quotation sheets for the five trading days immediately preceding the date of grant of the options or the nominal value of the shares whichever is the higher. The maximum number of ordinary shares in respect of which options may be granted under the share option scheme shall not exceed 10% of the issued share capital of the Company from time to time.

A summary of the movement of options during the year is as follows:

Date of grant	Exercisable period	Number of share options				
		Exercise price HK\$	Balance at 1.1.2000	Granted during the year	Exercised during the year	Balance at 12.31.2000
February 23, 1998	August 31, 1998 to August 30, 2000	0.3	7,100,000	-	(7,100,000)	-
February 21, 2000	August 20, 2000 to July 28, 2002	0.94	-	5,000,000	-	5,000,000

29. Share Premium and Reserves

	Share premium HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Reserve on consolidation HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP							
At January 1, 1999	51,274	(1,425)	-	2,262	2,860	162,691	217,662
Shares issued	-	-	-	113,710	-	-	113,710
Profit for the year	-	-	-	-	-	25,863	25,863
Transfer during the year	-	-	919	-	-	(919)	-
Dividend	-	-	-	-	-	(5,361)	(5,361)
At December 31, 1999	51,274	(1,425)	919	115,972	2,860	182,274	351,874
Exchange realignment	-	(2,891)	-	-	-	-	(2,891)
Shares issued	1,420	-	-	-	-	-	1,420
Reserve on acquisition of							
- subsidiaries	-	-	-	1,969	-	-	1,969
- associates	-	-	-	(1,774)	-	-	(1,774)
Profit for the year	-	-	-	-	-	22,098	22,098
Dividend	-	-	-	-	-	(5,361)	(5,361)
At December 31, 2000	52,694	(4,316)	919	116,167	2,860	199,011	367,335

	Share premium HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Reserve on consolidation HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY							
At January 1, 1999	51,274	-	-	-	29,186	112,213	192,673
Profit for the year	-	-	-	-	-	5,635	5,635
Dividend	-	-	-	-	-	(5,361)	(5,361)
At December 31, 1999	51,274	-	-	-	29,186	112,487	192,947
Shares issued	1,420	-	-	-	-	-	1,420
Profit for the year	-	-	-	-	-	7,022	7,022
Dividend	-	-	-	-	-	(5,361)	(5,361)
At December 31, 2000	52,694	-	-	-	29,186	114,148	196,028

The retained profits of the Group include HK\$671,000 (1999: HK\$1,323,000) retained by associates.

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

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

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

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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

	2000	1999
	HK\$'000	HK\$'000
Contributed surplus	29,186	29,186
Retained earnings	114,148	112,487
	143,334	141,673

30. Revaluation Reserves

	Investment property HK\$'000	Investments HK\$'000	Total HK\$'000
THE GROUP			
At January 1, 1999	8,633	-	8,633
Revaluation	(1,027)	48,971	47,944
At December 31, 1999	7,606	48,971	56,577
Revaluation	3,622	(71,750)	(68,128)
Realised on impairment of investments in securities	-	2,313	2,313
Realised on disposals	-	(4,308)	(4,308)
<i>At December 31, 2000</i>	11,228	(24,774)	(13,546)

31. Reconciliation Of Profit Before Taxation To Net Cash Inflow (Outflow) From Operating Activities

	2000	1999
	HK\$'000	HK\$'000
Profit before taxation	28,314	27,965
Share of results of associates	408	(5,205)
Staff advances written off	2,794	-
Impairment losses recognised on investment in securities	7,129	-
Gain on disposal of investments in securities	(727)	(13,016)
Interest income	(10,455)	(11,903)
Interest expenses	8,338	957
Interest on obligations under hire purchase contracts	48	5
Depreciation	6,279	488
Loss on disposal of property, plant and equipment	134	2
Increase in inventories	(70,679)	(15,450)
Decrease in trade and other receivables	2,252	16,176
Decrease in amount due from an associate	-	107
Increase in amounts due from related companies	(4,234)	(1,969)
Increase in trade and other payables	127,995	22,084
Increase (decrease) in bills payable	1,169	(2,926)
Increase (decrease) in amounts due to related companies	-	(29,405)
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	98,765	(12,090)

32. Purchase Of Subsidiaries

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

	2000 HK\$'000	1999 HK\$'000
NET ASSETS ACQUIRED		
Property, plant and equipment	4,994	10,650
Investments in securities	-	22
Inventories	21,117	130,464
Trade and other receivables	67,004	415,275
Staff advances	-	5,566
Amounts due from related companies	-	53
Tax recoverable	-	5,335
Bank balances and cash	5,435	28,740
Trade and other payables	(74,614)	(323,694)
Bills payable	-	(27,728)
Obligations under hire purchase contracts	(459)	(458)
Tax payable	(547)	(234)
Amounts due to related companies	-	(29,378)
Bank overdrafts	-	(17,344)
Bank loans	(7,869)	(53,879)
Minority interest	(3,938)	(465)
	11,123	142,925
Reserve on consolidation	(1,969)	(113,710)
	9,154	29,215
Satisfied by:		
Cash consideration	9,154	700
Reclassification from interests in associates	-	28,515
	9,154	29,215

Net cash (outflow) inflow arising on acquisition:

	2000 HK\$'000	1999 HK\$'000
Cash consideration	(9,154)	(700)
Bank balances and cash acquired	5,435	28,740
Bank overdrafts acquired	-	(17,344)
<i>Net (outflow) inflow of cash and cash equivalents in respect of the purchase of subsidiaries</i>	(3,719)	10,696

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

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

33. Analysis of Changes in Financing During the Year

	Advances from minority shareholders HK\$'000	Share capital and share premium HK\$'000	Bank loans HK\$'000	Obligations under hire purchase contracts HK\$'000
At January 1, 1999	-	77,369	-	-
Acquisition of subsidiaries			53,879	458
Cash inflow	-	-	45,215	-
Repayments	-	-	-	(15)
At December 31, 1999	-	77,369	99,094	443
Exchange realignment	-	-	-	(55)
Purchase of subsidiaries	-	-	7,869	459
Inception of hire purchase contracts	-	-	-	313
Cash inflow	203	2,130	4,608	-
Repayments	-	-	(52,809)	(485)
<i>At December 31, 2000</i>	203	79,499	58,762	675

34. Non-cash Transaction

During the year, the Group entered into hire purchase arrangements in respects of assets with a total capital value at the inception of the contracts of HK\$313,000.

35. Lease Commitments

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Operating leases which expire:		
Within one year	40	4,604
In the second to fifth years inclusive	9,165	297
	9,205	4,901

At the balance sheet date, the Company had no commitments under non-cancellable operating leases (1999: HK\$Nil).

36. Commitments

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	584	-

At the balance sheet date, the Company had no capital commitment (1999: HK\$Nil).

37. Retirement Benefits Schemes

The Group operates defined contribution retirement benefits schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

With effect from December 1, 2000, the employees can, at their discretion, switch to other defined contribution schemes newly set up in accordance with Mandatory Provident Fund Schemes Ordinance. Contributions to these new schemes are made by both the employer and the employees' each at 5 per cent. of the employees monthly basic salary.

The retirement benefits cost charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contribution payable by the Group are reduced by the amount of forfeited contributions.

During the year, retirement benefit contributions charged to income statement, net of forfeited contribution of HK\$40,000 (1999: HK\$44,000) are approximately of HK\$478,000 (1999: HK\$320,000).

At the balance sheet date, there are no (1999: HK\$28,000) forfeited contributions which arose upon employees leaving the retirement benefits schemes and which are available to reduce the contributions payable in the future years.

38. Contingent Liabilities

	THE COMPANY	
	2000 HK\$'000	1999 HK\$'000
<i>Guarantees given to bankers for banking facilities utilised by subsidiaries</i>	<i>103,505</i>	<i>9,880</i>
<i>Guarantees given to suppliers for goods supplied to subsidiaries of the Company</i>	<i>48,750</i>	<i>-</i>

At the balance sheet date, the Group had no contingent liabilities (1999: HK\$Nil).

39. Pledge of Assets

At the balance sheet date, the Group has pledged bank deposits and certain of its property, plant and equipment amounting to approximately HK\$11,300,000 (1999: HK\$8,405,000) and HK\$Nil (1999: HK\$934,000) respectively, to banks to secure general banking facilities granted to the Group.

In 1998, the Company had pledged certain shares in a subsidiary, SiS Distribution Limited ("SiS Distribution"), to a third party under an agreement relating to the sale of certain shares in SiS Distribution. The Company was in the process of releasing the charge on the above shares at the balance sheet date.

40. Related Party Transactions

- (i) During the year, the Group entered into the following transactions with related parties:

	Notes	Related companies		Associates	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Sales to	1	54,161	6,398	-	-
Purchases from	1	227	-	-	-
Operating lease rentals paid to	2	5,811	458	-	-
Interest income received from	3	-	-	-	2,130
Management fee received from	4	-	-	-	4,685
Advertising fee paid to	5	30	-	-	-

Notes:

1. Trade sales and purchases were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.
2. Operating lease rentals were determined on the basis of estimated market value.
3. Interest expenses and income were determined by the prevailing market rates.
4. Management fee was determined by reference to the Group's usual scale charges.
5. Advertising fee was charged based on actual expenses incurred.

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

Outstanding balance arising from the above transactions with related parties are set out in note 21.

- (ii) During the year, the Group acquired the entire share capital of Maxima Technology Limited for a consideration of US\$1,000,000 from Swan River Limited, a wholly-owned subsidiary of Summertown Limited. The executive directors hold beneficial interests in Summertown Limited.