

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment trading and investment holding company and provides corporate management services. The activities of its subsidiaries and associates are set out in notes 42 and 20, respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 19.

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 21 May 2007, amounting to HK\$21,484,000 and the retention of the remaining profit for the year of HK\$70,975,000.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities and minority interests of the Group for the past five financial years, as extracted from the audited consolidated financial statements and restated and reclassified as appropriate, is set out on page 59. 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\$3,581,000 on acquisition of property, plant and equipment.

The Group has revalued all its investment properties at the year end date. The increase in fair value amounted to HK\$754,000 which had been credited to the consolidated income statement directly.

Particulars of investment properties of the Group at 31 December 2006 are set out on page 60.

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 17, 18 and 19, respectively, to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2006 were as follows:

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---------------------|------------------|------------------|
| Contributed surplus | 29,186 | 29,186 |
| Retained profits | 250,899 | 206,358 |
| | <u>280,085</u> | <u>235,544</u> |

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

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

DIRECTORS

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

Executive directors:

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

Independent non-executive directors:

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

In accordance with the provisions of the Company's Bye-Laws, Messrs. Lim Hwee Noi, Lee Hiok Chuan and Woon Wee Teng retire from office and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES

At 31 December 2006, the interests of the directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Ordinary shares of HK\$0.1 each of the Company

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

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

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 31 December 2006.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 37 to the consolidated financial statements.

No options were outstanding at 1 January 2006 and no options have been granted under the share option scheme during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS

The following transactions were entered into by the Group during the year ended 31 December 2006:

| | Notes | HK\$'000 |
|----------------------------------|-------|----------|
| Sales to: | | |
| P.T. SiSTech Kharisma | (a) | 7,586 |
| Purchase from: | | |
| P.T. SiSTech Kharisma | (a) | 684 |
| Operating lease rentals paid to: | | |
| Ever Rich Technology Limited | (b) | 2,660 |
| SiS Realty Pte. Limited | (c) | 3,357 |

Notes:

- (a) The spouse of Mr. Lim Kiah Meng holds a 90% interest in P.T. SiSTech Kharisma which is engaged in the distribution of microcomputers and related hardware and software products in Indonesia.
- (b) Mr. Lim Kiah Meng and his spouse own 80% of the issued share capital of Ever Rich Technology Limited.
- (c) All executive directors (and their respective associates) together hold a 56% indirect interest in the issued share capital of SiS Realty Pte. Limited.

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

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

CONNECTED TRANSACTIONS

On 1 November 2004, the Company has entered into an agreement with P.T. SiSTech Kharisma for the long term supply of information technology and information technology related products. P.T. SiSTech Kharisma is 90% owned by the spouse of an executive director of the Company. The agreement has a fixed term of not exceeding three years until 31 December 2006 and the prices in respect of such transactions are comparable to those charged to other independent wholesale distributors of the Group. Further details are included in the press announcement and circular issued by the Company on 1 November 2004 and 22 November 2004 respectively.

During the year, the total sales by the Group to P.T. SiSTech Kharisma amounted to approximately HK\$7,586,000, which is included in note 41 to the consolidated financial statements. The transaction is regarded as connected transaction pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The independent non-executive directors confirm that the transaction has been entered into by the Company in the ordinary course of its business, 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.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December 2006.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers was less than 30%. The five largest suppliers of the Group together accounted for approximately 75% by value of the Group's total purchases during the year, with the largest supplier accounted for 23%.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

EMOLUMENT POLICY

The Company has established the Remuneration Committee in September 2005. Details contained in the Corporate Governance Report on page 8.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 37 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$11,000.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company has complied with the Code of Corporate Governance Practice (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year, 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 and all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company during the year.

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2006.

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

20 April 2007