1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Summertown Limited and its immediate holding company is Gold Sceptre Limited. Both of these companies are incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section to the annual report.

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

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

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no effect on how the results and financial position for the current or prior accounting years are prepared and presented. Accordingly, no prior periods adjustment has been required.

The Group has not early adopted the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC)-Int 8	Scope of HKFRS 2[4]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC)-Int 12	Service Concession Arrangements[8]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 March 2006
4 Effective for annual periods beginning on or after 1 May 2006
5 Effective for annual periods beginning on or after 1 June 2006
6 Effective for annual periods beginning on or after 1 November 2006
7 Effective for annual periods beginning on or after 1 March 2007
8 Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

Interests in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interests in associates (cont'd)

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

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

Investment properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leasehold land

Interest in leasehold land is amortised over the lease term on a straight-line basis.

Financial instruments

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

Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including trade and other receivables, staff advances, bank deposits and balances are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Financial assets at fair value through profit or loss

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

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 as any of the above categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. 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.

Available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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 instruments is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities comprise other financial liabilities. The accounting policies adopted for financial liabilities and equity instruments are set out below.

Financial liabilities

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Derivative financial instruments

The Group uses derivative financial instruments (primarily forward currency contracts) to reduce its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value regardless of whether they are designated as effective hedging instruments.

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. Changes in fair values of such derivatives are recognised directly in profit or loss for the year.

Derecognition

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

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

Impairment loss

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

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

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

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

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

Service fee income are recognised when the services are provided.

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

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

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss 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 its functional currency, the currency of the primary economic environment in which the entity operates, at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies (cont'd)

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 Company at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

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

Borrowings costs

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

4. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments mainly include investments in equity and debt securities, trade receivables, bank balances, trade and bills payable and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and 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.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligation as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to trade receivables. In order to minimise the credit risk, the management has delegated personnel responsible to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management review the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

4. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

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

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Market risk

Foreign currency risk

Certain trade payables of the Group are denominated in United States dollars. In order to reduce the risks associated with foreign currency fluctuations, the Group has entered into foreign currency forward contracts to hedge against its exposures to changes of foreign exchange rate. However, as these foreign currency forward contracts do not qualify for hedge accounting, they are deemed as financial assets or liabilities held for trading.

Cash flow interest rate risk

The Group's cash flow interest rate risk mainly relates to variable-rate borrowings. The Group currently does not have an interest rate swap hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Price risk

Certain of the Group's available-for-sale investments and held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid and ask 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 the relevant prevailing market rates.

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

5. REVENUE

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

	2006	2005
	HK$'000	*HK$'000*
Sales of goods	**3,385,316**	3,181,479
Renting of investment properties	**5,224**	4,426
Provision of service	**5,697**	8,994
	3,396,237	3,194,899

6. SEGMENTAL INFORMATION

Over 99% of Group's principal activity is the distribution of computer products. Accordingly, no business segment analysis is presented. An analysis of segment information by geographical market of customers and assets is as follow:

	For the year ended 31 December 2006					
	Hong Kong	**Singapore**	**Malaysia**	**Thailand**	**Others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE	**2,362,045**	**838,223**	**159,385**	**13,803**	**22,781**	**3,396,237**
SEGMENT RESULT						
Operations	**75,171**	**18,335**	**(526)**	**(930)**	**(716)**	**91,334**
Increase in fair value of investment properties	**-**	**754**	**-**	**-**	**-**	**754**
	75,171	**19,089**	**(526)**	**(930)**	**(716)**	**92,088**
Other unallocated income						**15,305**
Reversal of impairment loss on consideration receivables	**-**	**-**	**-**	**5,773**	**-**	**5,773**
Loss on deemed disposal of an associate	**-**	**-**	**-**	**(109)**	**-**	**(109)**
Share of profit of associates	**-**	**-**	**918**	**7,052**	**-**	**7,970**
Finance costs						**(4,056)**
Unallocated corporate expenses						**(2,522)**
Profit before taxation						**114,449**
Income tax expense						**(22,188)**
Profit for the year						**92,261**

6. SEGMENTAL INFORMATION (cont'd)

	At 31 December 2006				
	Hong Kong HK$'000	Singapore HK$'000	Malaysia HK$'000	Thailand HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	700,383	307,727	68,839	-	1,076,949
Interests in associates	-	-	7,533	66,276	73,809
Unallocated corporate assets					104,410
Consolidated total assets					1,255,168
LIABILITIES					
Segment liabilities	306,009	191,890	28,781	-	526,680
Unallocated corporate liabilities					70,733
Consolidated total liabilities					597,413
OTHER INFORMATION					
Allowance for doubtful debts provided	193	3,787	3,050	-	7,030
Capital additions	2,160	1,148	273	-	3,581
Depreciation and amortisation	1,045	996	535	-	2,576
(Reversal of write-down) write-down of inventories, net	1,419	(5,463)	(2,505)	-	(6,549)

	For the year ended 31 December 2005					
	Hong Kong HK$'000	Singapore HK$'000	Malaysia HK$'000	Thailand HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE	2,032,015	958,080	186,295	6,665	11,844	3,194,899
SEGMENT RESULT						
Operations	72,371	21,195	(271)	50	317	93,662
Increase in fair value of investment properties	16,890	233	-	-	-	17,123
	89,261	21,428	(271)	50	317	110,785
Other unallocated income						11,153
Impairment loss on consideration receivables	-	-	-	(15,408)	-	(15,408)
Impairment loss recognised in respect of interests in associates	-	(795)	-	-	-	(795)
Loss on deemed disposal of an associate	-	-	-	(125)	-	(125)
Share of (loss) profits of associates	-	(36)	954	5,200	-	6,118
Finance costs						(3,657)
Unallocated corporate expenses						(4,462)
Profit before taxation						103,609
Income tax expense						(16,569)
Profit for the year						87,040

6. SEGMENTAL INFORMATION (cont'd)

	At 31 December 2005				
	Hong Kong	Singapore	Malaysia	Thailand	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	553,606	324,539	65,984	–	944,129
Interests in associates	–	–	6,132	29,022	35,154
Unallocated corporate assets					82,070
Consolidated total assets					1,061,353
LIABILITIES					
Segment liabilities	228,242	157,772	32,171	–	418,185
Unallocated corporate liabilities					78,811
Consolidated total liabilities					496,996
OTHER INFORMATION					
Allowance for doubtful debts (written back) provided	(10,974)	(2,885)	119	–	(13,740)
Capital additions	481	532	640	–	1,653
Depreciation and amortisation	900	1,021	512	–	2,433
(Reversal of write-down) write-down of inventories, net	(2,051)	7,286	3,304	–	8,539

7. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Other income comprises:		
Dividend income from equity investments	**3,432**	2
Discount on early settlement to suppliers	**11,592**	9,842
Exchange gain, net	**15,162**	4,567
Gain on disposal of available-for-sale investments	**4,544**	7,161
Gain on fair value change on derivative financial instruments	**–**	365
Gain on fair value changes on investments held-for-trading	**4,039**	–
Interest on bank deposits	**3,290**	3,963

8. OTHER EXPENSES

	2006 HK$'000	2005 HK$'000
Loss on fair value changes on investments held-for-trading	–	2,836
Loss on fair value changes on derivative financial instruments	1,145	–
Loss on deemed disposal of an associate *(note)*	109	125
Impairment loss recognised in respect of available-for-sale investments	–	2,656
Impairment loss recognised in respect of interests in associates	–	795
	1,254	6,412

Note: During the year, the Group's interest in an associate, SiS Distribution (Thailand) Public Company Limited ("SiS Thailand") had been diluted from 29.3% to 29.2% (2005: from 29.5% to 29.3%) due to issuance of new shares by the associate to its warrant holders on exercise of their rights under the warrants. A loss of HK$109,000 (2005: HK$125,000) was recognised as a result of the dilution.

9. REVERSAL OF (ALLOWANCE FOR) IMPAIRMENT LOSS ON CONSIDERATION RECEIVABLES

In prior years, the Group disposed of 26% interest in SiS Thailand, which has since become an associate of the Group. Payment of part of the consideration on the disposal of HK$32,647,000 was deferred. As the directors of the Company were uncertain as to its recoverability, a cumulative allowance for impairment loss of HK$15,408,000 was provided in the previous years. On default in settlement of the receivable by the counterparties, the Group exercised its rights under the agreement and, during the year, had successfully retrieved the sold shares. As the fair value of the shares retrieved exceeded the Group's then carrying amount of the receivable, impairment loss of HK$5,773,000 was reversed. The Group's interest in SiS Thailand had increased from 29.2% to 49.5% accordingly.

10. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on:		
Bank borrowings	4,056	3,644
Amounts due to related companies	–	5
Other loans	–	8
	4,056	3,657

11. PROFIT BEFORE TAXATION

	2006 HK$'000	2005 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	1,466	1,132
Allowance for doubtful debts provided (written back)	7,030	(13,740)
Cost of inventories recognised as an expense	3,214,660	3,013,789
Depreciation of property, plant and equipment	2,553	2,410
Amortisation of prepaid lease payments	23	23
Total depreciation and amortisation	2,576	2,433
(Gain) loss on disposal of property, plant and equipment	(210)	11
Gross rental income from investment properties	(5,224)	(4,426)
Less: outgoings	1,343	1,609
Net rental income	(3,881)	(2,817)
Operating lease rentals in respect of rented premises	8,679	6,938
(Reversal of write-down) write-down of inventories, net	(6,549)	8,539
Staff costs including directors' emoluments	69,962	62,285

Note: Staff costs included an amount of HK$3,655,000 (2005: HK$3,197,000) in respect of retirement benefit schemes contributions, net of forfeited contributions of nil (2005: HK$7,000).

12. 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$'000	2006 Total HK$'000	2005 Total HK$'000
Executive directors:					
Mr. Lim Siam Kwee	110	1,677	9	1,796	1,391
Mr. Lim Kiah Meng	110	2,420	31	2,561	2,332
Mr. Lim Kia Hong	110	2,287	34	2,431	2,219
Mr. Lim Hwee Hai	110	2,287	16	2,413	2,203
Ms. Lim Hwee Noi	110	1,300	16	1,426	1,301
	550	9,971	106	10,627	9,446
Independent non-executive directors:					
Mr. Lee Hiok Chuan	188	–	–	188	170
Mr. Woon Wee Teng	188	–	–	188	170
Ms. Ong Wai Leng	188	–	–	188	170
	564	–	–	564	510
	1,114	9,971	106	11,191	9,956

12. DIRECTORS' EMOLUMENTS (cont'd)

No directors waived any emoluments during the two years ended 31 December 2005 and 31 December 2006.

13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group for the year ended 31 December 2006 are the executive directors (2005: 5 directors) whose emoluments are set out in note 12 above.

14. INCOME TAX EXPENSE

	2006	2005
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong	**12,547**	10,557
Overseas	**7,975**	698
	20,522	11,255
(Over)under provision in prior years		
Hong Kong	**–**	78
Overseas	**(294)**	66
	(294)	144
Deferred taxation *(Note 32)*	**1,960**	5,170
Income tax expense for the year	**22,188**	16,569

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

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

14. 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:

	2006		2005	
	HK$'000	%	HK$'000	%
Profit before taxation	114,449		103,609	
Tax at the domestic income tax rate of 17.5% (2005: 17.5%) *(note a)*	20,028	17.5	18,132	17.5
Tax effect of share of results of associates	(1,395)	(1.2)	(1,071)	(1.0)
Tax effect of expenses not deductible for tax purpose	1,674	1.5	4,962	4.8
Tax effect of income not taxable	(5,259)	(4.6)	(2,583)	(2.5)
Tax effect of deemed profit on transfer of equity investments between group companies *(note b)*	5,702	5.0	–	–
(Over)underprovision in respect of prior years	(294)	(0.3)	144	0.1
Tax effect of tax losses/deductible temporary differences not recognised	1,005	0.9	–	–
Utilisation of tax losses/deductible temporary differences previously not recognised	-	-	(6,234)	(6.0)
Effect of different tax rates of subsidiaries	290	0.2	124	0.1
Recognition of deferred tax liabilities not recognised in previous year	-	-	3,095	3.0
Others	437	0.4	–	–
Tax charge and effective tax rate for the year	22,188	19.4	16,569	16.0

Notes:

(a) 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.

(b) The amount represents potential tax liability on deemed profit, being the difference of fair value of the investment in an associate at the time of disposal and the consideration of the disposal, on disposal of this associate to a group company during the year.

15. DIVIDENDS

	2006 HK$'000	2005 HK$'000
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year 2005		
of 4.5 HK cents per share (2004: 2.0 HK cents per share)	**12,085**	5,371
Final dividend, proposed in respect of the year 2006		
of 8.0 HK cents per share (2005: 4.5 HK cents per share)	**21,484**	12,085

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

16. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK$92,459,000 (2005: HK$86,896,000) and 268,550,000 (2005: 268,550,000) ordinary shares in issue during the year.

No diluted earning per share has been presented because the exercise price of the warrants issued by an associate was higher than the average market price for the associate's shares for both 2006 and 2005.

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2005	119,132
Exchange realignment	(110)
Increase in fair value recognised in the income statement	17,123
At 1 January 2006	**136,145**
Exchange realignment	**801**
Increase in fair value recognised in the income statement	**754**
At 31 December 2006	**137,700**

17. INVESTMENT PROPERTIES (cont'd)

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

	2006 HK$'000	2005 HK$'000
In Hong Kong under long lease	125,000	125,000
In Singapore under long lease	10,650	9,095
In the People's Republic of China (the "PRC") under medium-term lease	2,050	2,050
	137,700	136,145

The fair values of the Group's investment property in Singapore as at 31 December 2006 has been arrived at on the basis of a valuation carried out on that date by Messrs. Knight Frank Pte. Ltd., independent qualified professional valuers not connected with the Group. Messrs. Knight Frank Pte. Ltd., Chartered Surveyors, have recent experiences in the valuation of similar properties in the relevant location. The valuation was arrived at by reference to market evidence of transaction prices for similar property.

The fair values of the Group's investment properties in Hong Kong and the PRC as at 31 December 2006 were valued by the directors of the Company by reference to recent market evidence of transaction prices for similar properties. Valuation have not been performed by independent qualified professional valuers.

All investment properties of the Group are rented out under operating leases for the majority of time during the year.

18. PROPERTY, PLANT AND EQUIPMENT

	Building in Hong Kong under long lease HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2005	3,820	5,895	16,205	5,561	31,481
Exchange realignment	–	(24)	(41)	(18)	(83)
Additions	–	149	1,504	–	1,653
Disposals	–	–	(206)	(537)	(743)
At 31 December 2005	3,820	6,020	17,462	5,006	32,308
Exchange realignment	–	335	893	159	1,387
Additions	–	27	2,722	832	3,581
Disposals	–	(89)	(352)	(1,967)	(2,408)
At 31 December 2006	**3,820**	**6,293**	**20,725**	**4,030**	**34,868**
DEPRECIATION					
At 1 January 2005	304	4,951	13,112	3,191	21,558
Exchange realignment	–	(19)	(35)	(1)	(55)
Provided for the year	76	406	1,326	602	2,410
Eliminated on disposals	–	–	(140)	(143)	(283)
At 31 December 2005	380	5,338	14,263	3,649	23,630
Exchange realignment	–	291	660	87	1,038
Provided for the year	6	192	1,848	507	2,553
Eliminated on disposals	–	(89)	(352)	(1,725)	(2,166)
At 31 December 2006	**386**	**5,732**	**16,419**	**2,518**	**25,055**
CARRYING VALUES					
At 31 December 2006	**3,434**	**561**	**4,306**	**1,512**	**9,813**
At 31 December 2005	3,440	682	3,199	1,357	8,678

18. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

Building	2%–2.5%
Leasehold improvements	20% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	15%–33.3%
Motor vehicles	20%

19. PREPAID LEASE PAYMENTS

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

	2006	2005
	HK$'000	*HK$'000*
Carrying amount analysed for reporting purposes as:		
Current asset	**23**	23
Non-current asset	**14,892**	14,915
	14,915	14,938

20. INTERESTS IN ASSOCIATES

	2006	2005
	HK$'000	*HK$'000*
Cost of investment in associates		
Listed overseas	**29,850**	4,988
Unlisted	**280**	280
Share of post-acquisition profit, net of dividend received	**43,679**	29,886
	73,809	35,154
Market value of a listed associate	**51,375**	26,250

20. INTERESTS IN ASSOCIATES (cont'd)

The details of the associates as at 31 December 2006 are as follows:

Name of company	Form of business structure	Country of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company	Principal activities
SiS Distribution (Thailand) Public Company Limited (listed in the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	49.5%	Distribution of computer products
ECS Pericomp Sdn. Bhd.	Limited company	Malaysia	Ordinary	20%	Distribution of computer products
Infinitiq Solution Pte. Limited	Limited company	Singapore	Ordinary	35.7%	Manufacture and design of IP communication solution
Havoq Research Pte. Limited	Limited company	Singapore	Ordinary	50%	Research and experimental development on information technology

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

	2006	2005
	HK$'000	*HK$'000*
Total assets	**544,646**	510,903
Total liabilities	**(374,556)**	(381,528)
Net assets	**170,090**	129,375
Group's share of net assets of associates	**72,930**	34,956
Revenue	**2,067,423**	1,804,873
Profit for the year	**18,163**	20,902
Group's share of results of associates for the year	**7,970**	6,118

20. INTERESTS IN ASSOCIATES (cont'd)

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

	2006 HK$'000	2005 HK$'000
Unrecognised share of losses of associates for the year	**681**	198
Accumulated unrecognised share of losses of associates	**879**	198

21. AVAILABLE-FOR-SALE INVESTMENTS

	2006 HK$'000	2005 HK$'000
Equity securities, listed overseas	**5,914**	5,171
Club debentures, unlisted	**2,300**	2,300
	8,214	7,471

As at the balance sheet date, all available-for-sale investments are stated at fair value determined by reference to the market prices.

22. STAFF ADVANCES

	2006 HK$'000	2005 HK$'000
The staff advances is analysed as follows:		
Current	**694**	322
Non-current	**1,838**	169
	2,532	491

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

23. INVENTORIES

Inventories of the Group comprise trading merchandise.

During the year, certain trading merchandise previously written-down were sold. As a result, a reversal of write-down of inventories amounting to HK$9,230,000 (2005: HK$2,051,000) has been realised during the year. In addition, inventories written down during the year amounted to HK$2,681,000 (2005: HK$10,590,000).

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2006 HK$'000	2005 HK$'000
Trade receivables	522,596	450,010
Less: allowance for doubtful debt	(27,719)	(22,856)
	494,877	427,154
Deposits, prepayments and other receivables	20,051	33,767
	514,928	460,921

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30–60 days to its trade customers. No credit is granted to customers for provision of service.

Included in last year's deposits, prepayments and other receivables were consideration receivables in relation to the partial disposal of the Group's equity interest in a subsidiary of HK$17,239,000.

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

	2006 HK$'000	2005 HK$'000
Within 30 days	433,553	350,965
31 to 90 days	52,132	65,718
91 to 120 days	5,003	4,465
Over 120 days	4,189	6,006
Trade receivables	494,877	427,154

25. INVESTMENTS HELD-FOR-TRADING

	2006 HK$'000	2005 HK$'000
FAIR VALUE		
Equity securities listed overseas	54,214	50,175

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

26. DERIVATIVE FINANCIAL INSTRUMENTS

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

26. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

At 31 December 2006, the Group had outstanding forward foreign currency contracts denominated in United States dollars and Singapore dollars with total notional amount of HK$514,130,000 (2005: HK$102,045,000). These contracts are measured at fair value at the balance sheet date. Their fair values are determined by reference to information on the quoted prices for equivalent instruments provided by banks and are classified as:

	2006	2005
	HK$'000	*HK$'000*
Current asset	**–**	194
Current liability	**(1,510)**	(514)
	(1,510)	(320)

Major terms of the forward foreign currency contracts outstanding at 31 December 2006 are as follows:

Notional amount	**Maturity**	**Spot rate**
Sell HK$57,938,000 buy US$7,500,000 or sell HK$28,968,750 buy US$3,750,000	11 January 2007 to 14 May 2007	Below HK$7.725 or at or above HK$7.725/US$1
Sell HK$169,928,000 buy US$22,000,000 or sell HK$84,964,000 buy US$11,000,000	24 January 2007 to 26 November 2007	Below HK$7.724 or at or above HK$7.724/US$1
Sell HK$92,412,000 buy US$12,000,000 or sell HK$46,206,000 buy US$6,000,000	19 March 2007 to 19 February 2008	Below HK$7.701 or at or above HK$7.701/US$1
Sell HK$184,920,000 buy US$24,000,000 or sell HK$92,460,000 buy US$12,000,000	23 April 2007 to 25 March 2008	Below HK$7.705 or at or above HK$7.705/US$1
Sell S$7,473,000 buy US$4,816,000	5 February 2007 to 1 June 2007	Ranging from S$1.542/US$1 to S$1.5605/US$1

27. PLEDGED BANK DEPOSITS

The deposits carry fixed interest rates ranging from 2.6% to 3% per annum.

28. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits which carry fixed interest rate ranging from 1.95% to 7.54% per annum with an original maturity of three months or less.

29. TRADE AND OTHER PAYABLES

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

	2006 *HK$'000*	2005 *HK$'000*
Within 30 days	**316,750**	223,179
31 to 90 days	**9,836**	16,210
91 to 120 days	**173**	2,100
Over 120 days	**3,421**	17,287
Trade payables	**330,180**	258,776
Accruals and other payables	**127,323**	128,023
	457,503	386,799

Trade payables that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	United States dollars *HK$'000*
At 31 December 2006	**201,100**
At 31 December 2005	169,881

30. BILLS PAYABLE

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

	2006 *HK$'000*	2005 *HK$'000*
Within 30 days	**34,650**	42,759
31 to 90 days	**49,160**	–
	83,810	42,759

31. BANK BORROWINGS

	2006 *HK$'000*	2005 *HK$'000*
Bank overdrafts	**–**	64
Bank loans	**38,084**	56,367
	38,084	56,431

31. BANK BORROWINGS (cont'd)

All the borrowings are secured and repayable on demand or within one year.

The above bank loans are arranged at fixed interest rates or carry variable rates at inter-bank borrowing rates plus 1.0% to 1.5% per annum. The effective interest rates ranged from 4.12% to 8.25% (2005: 3.59% to 7.25%) per annum during the year.

32. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Allowances for doubtful debts HK$'000	Revaluation of properties HK$'000	Others HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2005	633	1,067	–	–	–	1,700
Credit (charge) to income statement for the year	(430)	3,301	(1,220)	(8,023)	1,202	(5,170)
At 1 January 2006	**203**	**4,368**	**(1,220)**	**(8,023)**	**1,202**	**(3,470)**
Charge to income statement for the year	**(1,531)**	**(429)**	**–**	**–**	**–**	**(1,960)**
Exchange realignment	**(25)**	**344**	**–**	**(702)**	**–**	**(383)**
At 31 December 2006	**(1,353)**	**4,283**	**(1,220)**	**(8,725)**	**1,202**	**(5,813)**

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

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

	2006 ***HK$'000***	2005 *HK$'000*
Deferred tax assets	**272**	1,029
Deferred tax liabilities	**(6,085)**	(4,499)
	(5,813)	(3,470)

32. DEFERRED TAXATION (cont'd)

At the balance sheet date, the Group has deductible temporary differences of HK$15,934,000 (2005: HK$18,735,000) and unutilised tax losses of HK$29,694,000 (2005: HK$22,786,000).

A deferred tax asset has been recognised in respect of the tax losses of HK$6,871,000 (2005: HK$6,871,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$22,823,000 (2005: HK$15,915,000) and the deductible temporary differences due to the unpredictability of future profit streams. Tax losses of HK$1,638,000 (2005: Nil) has been lapsed during the year. Tax losses of HK$29,382,000 may be carried forward indefinitely and the remaining HK$312,000 can be carried forward for a maximum of five years.

33. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Share capital	
	2006	2005	**2006**	2005
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised	**350,000**	350,000	**35,000**	35,000
Issued and fully paid	**268,550**	268,550	**26,855**	26,855

34. RESERVES

Details of different categories and the movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 22.

Statutory reserve is PRC statutory reserve fund. Appropriations to the reserve fund are made out of net profit after taxation each year of a PRC subsidiary and 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 this subsidiary. The statutory reserve fund can be used to make up prior year losses, if any, and can be applied to paid-up capital on approval by PRC authority.

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

35. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006 HK$'000	2005 HK$'000
Within one year	8,701	7,185
In the second to fifth year inclusive	4,041	6,578
	12,742	13,763

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Group as lessor

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

	2006 HK$'000	2005 HK$'000
Within one year	7,447	568
In the second to fifth year inclusive	7,859	63
	15,306	631

36. CAPITAL COMMITMENTS

	2006 HK$'000	2005 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	–	164
Capital contribution to an associate	760	700
	760	864

37. SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 31 May 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 30 May 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries and associates, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties with a view to maintain business relationship with such persons and as an alternative for settlement of the Company's payment obligations.

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 any point in time, without prior approval from the Company's shareholders. 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 the period as specified in the offer letter together with a payment of HK$10 as consideration of grant. Options may be exercised at any time from the second anniversary of the date of grant to the tenth anniversary of the date of grant. 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.

No share options have been granted under the Scheme since its adoption.

38. RETIREMENT BENEFIT SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

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

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

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

39. MAJOR NON-CASH TRANSACTION

20.3% interest in SiS Thailand was acquired through retrieval of the sold shares on the date of retrieval amounted to HK$24,862,000 was capitalised to the cost of investment in associates.

40. PLEDGE OF ASSETS

At 31 December 2006, certain of the Group's assets with a net book value of HK$58,828,000 (2005: HK$57,020,000) were pledged to secure general banking facilities granted to the Group. The carrying value of these assets are analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Investment properties	**40,000**	40,000
Bank deposits	**18,828**	17,020
	58,828	57,020

41. RELATED PARTY TRANSACTIONS

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

	Associates		**Related companies**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of goods	**7,486**	2,110	**7,586**	4,683
Purchase of goods	**1,156**	–	**684**	–
Income from management service	**1,176**	1,035	**–**	–
Operating lease rentals expense	**–**	–	**6,017**	4,020
Interest expense	**–**	–	**–**	5
Amount due from related parties at 31 December included in trade receivables	**71**	162	**–**	–
Trade payable to a related company	**–**	–	**–**	1,162

A director and/or his spouse hold beneficial interests in the related companies.

Compensation to key management personnel

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

42. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Country of incorporation or registration/ operation	Class of shares held	Issued and Fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Computer Zone Limited	Hong Kong	Ordinary	HK$2	–	100	Inactive
Faith Prosper Ltd.	British Virgin Islands	Ordinary	US$1	–	100	Investment holding
Maxima Technology Limited	British Virgin Islands	Ordinary	US$1	–	100	Inactive
Metier Career Management Pte. Ltd.	Singapore	Ordinary	S$75,000	–	60	Operating employment agencies and human resource centres
Qool Labs Pte. Ltd.	Singapore	Ordinary	S$2	–	100	Distribution of computer products
SiS Asia Pte. Ltd.	Singapore	Ordinary	S$2	–	100	Provision of hardware and software services and corporate management services
SiS China Limited	Hong Kong	Ordinary	HK$2	–	100	Inactive
SiS Distribution Limited	British Virgin Islands	Ordinary	US$45,001	100	–	Investment holding
SiS Distribution (M) Sdn. Bhd.	Malaysia	Ordinary	RM$7,500,000	–	100	Distribution of computer products

42. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation or registration/ operation	Class of shares held	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
SiS HK Limited	Hong Kong	Ordinary	HK$400,000	–	100	Investment holding
SiS International Limited	Hong Kong	Ordinary	HK$100,000	–	100	Distribution of computer products
SiS International Trading (Shanghai) Co., Ltd. *(note a)*	PRC	Registered capital	US$200,000	–	100	Inactive
SiS Investment Holdings Limited	British Virgin Islands	Ordinary	US$1	100	–	Investment holding
SiS Netrepreneur Ventures Corp.	British Virgin Islands	Ordinary	US$1	–	100	Investment holding
SiS TechVentures Corp.	British Virgin Islands	Ordinary	US$1	100	–	Investment holding
SiS Technologies Pte. Ltd.	Singapore	Ordinary	S$1,000,000	–	100	Distribution of computer products
SiS Technologies (Thailand) Pte. Ltd.	Singapore	Ordinary	S$2	–	100	Investment holding
SiSNetwork Sdn. Bhd.	Malaysia	Ordinary	RM$2	–	100	Inactive
Tallgrass Technologies Sdn. Bhd.	Malaysia	Ordinary	RM$2	–	100	Inactive

Notes:

(a) Wholly-owned foreign enterprises registered in the PRC.

(b) None of the subsidiaries had issued any debt securities at the end of the year.

43. BALANCE SHEET OF THE COMPANY

	2006 HK$'000	2005 HK$'000
Non-current assets		
Interests in subsidiaries	**8,506**	8,506
Amounts due from subsidiaries	**191,282**	183,754
	199,788	192,260
Current assets		
Investments held-for-trading	**16,428**	15,205
Amounts due from subsidiaries	**109,538**	89,126
Amount due from an associate	**69**	184
Other receivables, deposits and prepayments	**1,493**	812
Tax recoverable	**222**	–
Bank balances and cash	**45,514**	28,023
	173,264	133,350
Current liabilities		
Other payables and accruals	**13,278**	10,377
Net current assets	**159,986**	122,973
	359,774	315,233
Capital and reserves		
Share capital	**26,855**	26,855
Share premium	**52,834**	52,834
Contributed surplus	**29,186**	29,186
Retained profits	**250,899**	206,358
	359,774	315,233

At 31 December 2006, the Company's reserves available for distribution to shareholders amounted to HK$280,085,000 (2005: HK$235,544,000), which included contributed surplus and retained profits.

44. COMPARATIVE FIGURES

Certain comparative figures in consolidated financial statements have been regrouped where appropriate in order to conform with current year's presentation.