

Chairman's Statement

Fiscal year 2005 was an outstanding year for SiS Group.

I am pleased to present to the shareholders the results of the Group for the year ended 31 December 2005.

■ RESULTS

We generated record profitability and sales for the Group in fiscal year 2005. Net profit attributable to shareholders increased by 132% to HK\$86,896,000 in 2005 from HK\$37,451,000 in 2004. Group sales turnover in 2005 increased by 13% to HK\$3,194,899,000 from HK\$2,828,800,000 in 2004. Basic earnings per share increased by 133% to 32.4 HK cents from 13.9 HK cents in 2004.

The excellent results we achieved reflect the operational excellence of the Group, its employees, its leadership and the Group's ability to respond to the challenging market conditions of intense price competition, fast-changing technology and market dynamics in Asia.

■ BUSINESS REVIEW

SiS has grown from strength to strength and expanded its market share year after year. The record results reflect an efficient distribution operations and our ability to select and offer customers the right product mix – a wide range of world class IT products contributed significantly to the higher earnings.

Our success is based on the long term partnerships we have established with our resellers and vendors. We respond proficiently to fast changing industry conditions without losing business focus. We have achieved remarkable accomplishments and received numerous accolades and honors including Top Performing Distributor for IBM, Microsoft, HP, Canon and Symantec both in Hong Kong and Singapore. This reaffirm SiS's industry leadership.

Aside from distribution, the Group activities include investing in Information Technology and Communication companies particularly those new startups in this field. Our goal is to create long term return by investing and assisting entrepreneurs in building businesses from the formative stage.

In 2005, the Group disposed certain investments and recorded a profit of HK\$7,161,000 as compared to a loss of HK\$174,000 in 2004.

In line with the changes in Hong Kong Financial Reporting Standards and Accounting Standards where most assets should be reported at fair market value instead of historical book cost, the income statement recorded a net revaluation gain of HK\$14,287,000 for its assets including investments in securities and properties for the year ended 31 December 2005.

Pursuant to the agreements entered into with purchasers for the disposal of a subsidiary during the year 2003, the disposal consideration remains outstanding despite payment extension to December 2005. The Group is taking actions to repossess the pledged shares from the purchasers. At balance sheet date, an impairment loss of HK\$15,408,000 has been recognized in the income statement determined by reference to the market price of the pledged share at that date.

■ PROSPECTS

Asia is one of the fastest growing regions and pose many opportunities. The strong economies would have high demand for IT and communication products and services. The Group is poised to take advantage of this opportunity. As such, the directors are looking ahead with confidence. We are enthusiastic about continued growth opportunities present in many different IT segments.

In the coming year, the Group will continue to expand its product range, focusing on high margin products, improve productivity and increasing our overall return to shareholders. We will also seek and identify new investment opportunities.

■ FINAL DIVIDEND

The Directors recommend a final dividend of 4.5 HK cents per share for 2005 (2004: 2 HK cents per share) payable to shareholders on the register of members on 19 May 2006. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable in cash on 15 June 2006.

■ APPRECIATION

The past fiscal year marked our 22nd anniversary and as one of the most successful companies in the technology products distribution in Asia with a history of innovation, market leadership and value creation, we are excited about the future and the prospect of the Group.

On behalf of the Board, we would like to take this opportunity to express our gratitude to the Group's staff for their contributions and to our business partners and shareholders for their on going support and confidence in SiS.

On behalf of the Board

LIM Siam Kwee

Chairman

LIM Kia Hong

Chief Executive Officer

Hong Kong, 13 April 2006