IMPORTANT NOTICE

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The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of SiS International Holdings Limited (the "**Issuer**"), DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited or any person who controls any of them nor any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. **We will provide a hard copy version to you upon request.**

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Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, DBS Bank Ltd. or Oversea-Chinese Banking Corporation Limited to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act).

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SIS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability on 8 July 1992)

US$300,000,000
Multicurrency Medium Term Note Programme
(the "MTN Programme")

This Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes (the "**Notes**") to be issued from time to time by SiS International Holdings Limited (the "**Issuer**") pursuant to the MTN Programme may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six (6) months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and the quotation for Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Such permission and admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies, the MTN Programme or the Notes.

Potential investors should pay attention to the risk factors and considerations set out in the section "*Risk Factors*".

Arrangers

DBS OCBC Bank

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NOTICE

DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited (the "**Arrangers**") have been authorised by SiS International Holdings Limited (the "**Issuer**") to arrange the US$300,000,000 Multicurrency Medium Term Note Programme (the "**MTN Programme**") described herein. Under the MTN Programme, the Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes (the "**Notes**") denominated in United States dollars and/or any other currencies.

This Information Memorandum contains information with regard to the Issuer, its subsidiaries, its associated companies and the MTN Programme. The Issuer, having made all reasonable enquiries, confirms that this Information Memorandum contains all information which is material in the context of the MTN Programme and the issue and offering of the Notes, that the information contained herein is true and accurate in all material respects, that the opinions, expectations and intentions expressed in this Information Memorandum have been carefully considered, and that there are no other facts the omission of which in the context of the MTN Programme and the issue and offering of the Notes would or might make any such information or expressions of opinion, expectation or intention misleading in any material respect.

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated by reference in, and to form part of, this Information Memorandum: (1) any annual reports or summary financial statements or audited consolidated accounts or unaudited interim results of the Issuer, its subsidiaries and associated companies (including any notes thereto) and (2) any supplement or amendment to this Information Memorandum issued by the Issuer. This Information Memorandum is to be read in conjunction with (a) all such documents which are incorporated by reference herein and (b) with respect to any series or tranche of Notes, any Pricing Supplement (as defined herein) in respect of such series or tranche. Any statement contained in this Information Memorandum or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in this Information Memorandum or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

Copies of all documents deemed incorporated by reference herein are available for inspection at the specified offices of the Issuer and the Singapore Issuing and Paying Agent (as defined herein).

Notes may be issued in series having one or more issue dates and the same maturity date, and on identical terms (including as to listing) except (in the case of Notes other than variable rate notes (as described under "*Summary of the MTN Programme*")) for the issue dates, issue prices and/or the dates of the first payment of interest, or (in the case of variable rate notes) for the issue prices and rates of interest. Each series may be issued in one or more tranches on the same or different issue dates. The Notes will be issued in bearer or registered form and may be listed on a stock exchange. Each series or tranche of Notes may initially be represented by a Temporary Global Note (as defined herein) in bearer form, a Permanent Global Note (as defined herein) in bearer form or a registered Global Certificate (as defined herein) which will be deposited on the relevant issue date with either CDP (as defined herein) or a common depositary on behalf of Euroclear (as defined herein) and Clearstream, Luxembourg (as defined herein) or otherwise delivered as agreed between the Issuer and the relevant Dealer(s) (as defined herein). Subject to compliance with all relevant laws, regulations and directives, the Notes may have maturities of such tenor as may be agreed between the Issuer and the relevant Dealer(s) and may be subject to redemption or purchase in whole or in part. The Notes will bear interest at a fixed, floating, variable or hybrid rate or may not bear interest or may be such other notes as may be agreed between the Issuer and the relevant Dealer(s). The Notes will be repayable at par, at a specified amount above or below par or at an amount determined by reference to a formula, in each case with terms as specified in the Pricing Supplement issued in relation to each series or tranche of Notes. Details applicable to each series or tranche of Notes will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

The maximum aggregate principal amount of the Notes to be issued, when added to the aggregate principal amount of all Notes outstanding (as defined in the Trust Deed referred to herein) shall be US$300,000,000 (or its equivalent in any other currencies) or such higher amount as may be increased pursuant to the terms of the Programme Agreement (as defined herein).

No person has been authorised to give any information or to make any representations other than those contained in this Information Memorandum and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Arrangers or any of the Dealers. Save as expressly stated in this Information Memorandum, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Issuer or any of its subsidiaries or associated companies. Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the MTN Programme may be used for the purpose of, or in connection with, and does not constitute an offer of, or solicitation or invitation by or on behalf of the Issuer, the Arrangers or any of the Dealers to subscribe for or purchase, the Notes in any jurisdiction or under any circumstances in which such offer, solicitation or invitation is unlawful or has not been authorised, or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Information Memorandum or any such other document or information and the offer of the Notes in certain jurisdictions may be prohibited or restricted by law. Persons who distribute or publish this Information Memorandum or any such other document or information or into whose possession this Information Memorandum or any such other document or information comes are required to inform themselves about and to observe any such restrictions and all applicable laws, orders, rules and regulations.

The Notes have not been, and will not be, registered under the Securities Act (as defined herein) and are subject to U.S. tax law requirements and restrictions. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

Neither this Information Memorandum nor any other document nor information (or any part thereof) delivered or supplied under or in relation to the MTN Programme shall be deemed to constitute an offer of, or an invitation by or on behalf of the Issuer, the Arrangers or any of the Dealers to subscribe for or purchase, any of the Notes.

This Information Memorandum and any other documents or materials in relation to the issue, offering or sale of the Notes have been prepared solely for the purpose of the initial sale by the relevant Dealer(s) of the Notes from time to time to be issued pursuant to the MTN Programme. This Information Memorandum and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the SFA (as defined herein) and may not be relied upon by any person other than persons to whom the Notes are sold or with whom they are placed by the relevant Dealer(s) as aforesaid or for any other purpose. Recipients of this Information Memorandum shall not reissue, circulate or distribute this Information Memorandum or any part thereof in any manner whatsoever.

Neither the delivery of this Information Memorandum (or any part thereof) nor the issue, offering, purchase, subscription or sale of the Notes shall, under any circumstances, constitute a representation, or give rise to any implication, that there has been no change in the business, prospects, financial condition, results of operations or general affairs of the Issuer or any of its subsidiaries or associated companies or in the information herein since the date hereof or the date on which this Information Memorandum has been most recently amended or supplemented.

The Arrangers and the Dealers have not independently or separately verified the information contained in this Information Memorandum. None of the Issuer, the Arrangers, any of the Dealers or any of their respective shareholders, directors, officers, employees, agents, representatives or advisors makes any representation or warranty expressed or implied as to the merits of the Notes or the subscription for, purchase or acquisition thereof, the creditworthiness or financial condition or otherwise of the Issuer or any of its subsidiaries or associated companies. Further, none of the Arrangers or any of the Dealers makes any representation or warranty as to the Issuer or any of its subsidiaries or associated companies or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and the documents which are incorporated by reference in, and form part of, this Information Memorandum.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the MTN Programme or the issue of the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arrangers or any of the Dealers that any recipient of this Information Memorandum or such other document or information (or such part thereof) should subscribe for or purchase any of the Notes. A prospective purchaser shall make its own assessment of the foregoing and other relevant matters including the financial condition and affairs and the creditworthiness of the Issuer, its subsidiaries and associated companies, and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Issuer, its subsidiaries and associated companies. Accordingly, notwithstanding anything herein, none of the Issuer, the Arrangers, any of the Dealers or any of their respective officers, employees or agents shall be held responsible for any loss or damage suffered or incurred by the recipients of this Information Memorandum or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained in or referred to in this Information Memorandum or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase or acquisition of any of the Notes by a recipient of this Information Memorandum or such other document or information (or such part thereof).

To the fullest extent permitted by law, none of the Arrangers or any of the Dealers accepts any responsibility for the contents of this Information Memorandum or for any other statement made or purported to be made by the Arrangers or any of the Dealers or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Arrangers and the Dealers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Information Memorandum or any such statement.

Any purchase or acquisition of the Notes is in all respects conditional on the satisfaction of certain conditions set out in the Programme Agreement and the issue of the Notes by the Issuer pursuant to the Programme Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Notes or pursuant to this Information Memorandum shall (without any liability or responsibility on the part of the Issuer, the Arrangers or any of the Dealers) lapse and cease to have any effect if (for any other reason whatsoever) the Notes are not issued by the Issuer pursuant to the Programme Agreement.

Any discrepancies (if any) in the tables included herein between the listed amounts and totals thereof are due to rounding.

The attention of recipients of this Information Memorandum is drawn to the restrictions on the resale of the Notes set out under the section "*Subscription, Purchase and Distribution*".

Any person(s) invited to purchase or subscribe for the Notes or to whom this Information Memorandum is sent shall not make any offer or sale, directly or indirectly, of any Notes or distribute or cause to be distributed any document or other material in connection therewith in any country or jurisdiction except in such manner and in such circumstances as will result in compliance with any applicable laws and regulations.

It is recommended that persons proposing to subscribe for or purchase any of the Notes consult their own legal and other advisers before purchasing or acquiring the Notes.

Prospective purchasers of Notes are advised to consult their own tax advisers concerning the tax consequences of the acquisition, ownership or disposal of Notes.

FORWARD-LOOKING STATEMENTS

All statements contained in this Information Memorandum that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would" and "could" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, business strategy, plans and prospects of the Issuer and/or the Group (including statements as to the Issuer's and/or the Group's revenue and profitability, prospects, future plans and other matters discussed in this Information Memorandum regarding matters that are not historical fact and including the financial forecasts, profit projections, statements as to the expansion plans of the Issuer and/or the Group, expected growth in the Issuer and/or the Group and other related matters), if any, are forward-looking statements and accordingly, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer and/or the Group to differ in material aspects from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others:

- changes in general political, social and economic conditions;
- changes in currency exchange and interest rates;
- demographic changes;
- changes in competitive conditions; and
- other factors beyond the control of the Issuer and/or the Group.

Some of these factors are discussed in greater detail in this Information Memorandum, in particular, but not limited to, the discussion under the section "*Risk Factors*".

Given the risks and uncertainties that may cause the actual future results, performance or achievements of the Issuer and/or the Group to be materially different from the results, performance or achievements expected, expressed or implied by the financial forecasts (if any), profit projections (if any) and forward-looking statements included in this Information Memorandum, undue reliance must not be placed on such forecasts, projections and statements. Each of the Issuer, the Arrangers and the Dealer(s) makes no representation or warranty that the actual future results, performance or achievements of the Issuer and/or the Group will be as discussed in those statements.

Neither the delivery of this Information Memorandum (or any part thereof) nor the issue, offering, purchase or sale of the Notes by the Issuer shall, under any circumstances, constitute a continuing representation, or create any suggestion or implication, that there has been no change in the prospects, results of operations or general affairs of the Issuer or any of its subsidiaries or associated companies or any statement of fact or information contained in this Information Memorandum since the date hereof or the date of the most recent amendment or supplement thereto.

Further, the Issuer, the Group, the Arrangers and the Dealer(s) disclaim any responsibility, and undertake no obligation, to update or revise any forward-looking statements contained herein to reflect any changes or developments which may occur after the date of this Information Memorandum and on which any such statements are based.

DEFINITIONS

"**<u>6M</u>**"	:	Six months ended 30 June
"**<u>Agency Agreement</u>**"	:	The agency agreement dated 30 December 2013 between (1) the Issuer, as issuer, (2) The Bank of New York Mellon, Singapore Branch, in respect of Notes cleared through CDP, as issuing and paying agent, calculation agent, transfer agent and registrar, (3) The Bank of New York Mellon, London Branch, in respect of Notes other than those cleared through CDP, as issuing and paying agent and calculation agent, (4) The Bank of New York Mellon (Luxembourg) S.A., in respect of Notes other than those cleared through CDP, as transfer agent and registrar, (5) The Bank of New York Mellon, Hong Kong Branch, (6) The Bank of New York Mellon, Singapore Branch, in its capacity as principal agent, and (7) the Trustee, as trustee, as amended, varied or supplemented from time to time
"**<u>Arrangers</u>**"	:	DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited
"**<u>ATMs</u>**"	:	Automated teller machines
"**<u>Bearer Notes</u>**"	:	Notes that are in bearer form
"**<u>Business Day</u>**"	:	(in the context of Notes denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore; (in the context of Notes denominated in euro) a day on which the TARGET System is open for settlement of payment in euro; and (in the context of Notes denominated in a currency other than Singapore dollars and euro) a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets are open for business in Singapore and the principal financial centre for that currency
"**<u>Calculation Agent</u>**"	:	(in the context of Notes cleared through CDP) the Singapore Calculation Agent, (in the context of Notes other than those cleared through CDP) the London Calculation Agent, and any other person appointed as the calculation agent by the Issuer, including any successor calculation agent
"**<u>CDP</u>**"	:	The Central Depository (Pte) Limited
"**<u>Certificate</u>**"	:	A registered certificate representing one or more Registered Notes of the same Series and, save as provided in the Conditions, comprising the entire holding by a Noteholder of his Registered Notes of that Series
"**<u>Clearing Systems</u>**"	:	Euroclear, Clearstream, Luxembourg and CDP, and "**<u>Clearing System</u>**" means any of them
"**<u>Clearstream, Luxembourg</u>**"	:	Clearstream Banking, *société anonyme*

"**Companies Act**"	:	The Companies Act (Chapter 50 of Singapore), as amended or modified from time to time
"**Conditions**"	:	The terms and conditions of the Notes
"**Couponholders**"	:	The holders of the Coupons
"**Coupons**"	:	The interest coupons appertaining to an interest bearing Definitive Note
"**Dealers**"	:	Persons appointed as dealers under the MTN Programme
"**Definitive Note**"	:	A definitive Note in bearer form, being substantially in the form set out in Part I of Schedule 1 to the Trust Deed and having, where appropriate, Coupons attached on issue
"**Directors**"	:	The directors (including alternate directors, if any) of the Issuer as at the date of this Information Memorandum
"**euro**"	:	The currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from the time to time
"**Euroclear**"	:	Euroclear Bank S.A./N.V.
"**FY**"	:	Financial year ended 31 December
"**Global Certificate**"	:	A global Certificate representing Registered Notes of one or more Tranches of the same Series that are registered in the name of the CDP and/or any other clearing system or in the name of a nominee of (1) a common depositary for Euroclear and Clearstream, Luxembourg, (2) CDP and/or (3) any other clearing system
"**Global Note**"	:	A global Note representing Bearer Notes of one or more Tranches of the same Series, being a Temporary Global Note and/or, as the context may require, a Permanent Global Note, in each case without Coupons
"**Group**"	:	The Issuer and its subsidiaries
"**HKFRS**"	:	Hong Kong Financial Reporting Standards
"**HKICPA**"	:	Hong Kong Institute of Certified Public Accountants
"**HKSE**"	:	The Stock Exchange of Hong Kong Limited
"**Hotel Acquisition**"	:	The acquisition of trust beneficial interests in five hotel properties located in five major cities in Japan by the Group
"**ICT**"	:	Information technology and mobile communication
"**IRAS**"	:	Inland Revenue Authority of Singapore
"**Issuer**"	:	SiS International Holdings Limited

"**Issuing and Paying Agent**"	:	(in the context of Notes cleared through CDP) the Singapore Issuing and Paying Agent, (in the context of Notes other than those cleared through CDP) the London Issuing and Paying Agent, and any other person appointed as the issuing and paying agent by the Issuer, including any successor issuing and paying agent
"**IT**"	:	Information technology
"**ITA**"	:	The Income Tax Act (Chapter 134 of Singapore), as amended or modified from time to time
"**ITCL**"	:	Information Technology Consultants Limited
"**Latest Practicable Date**"	:	4 December 2013
"**London Calculation Agent**"	:	The Bank of New York Mellon, London Branch
"**London Issuing and Paying Agent**"	:	The Bank of New York Mellon, London Branch
"**Luxembourg Registrar**"	:	The Bank of New York Mellon (Luxembourg) S.A.
"**Luxembourg Transfer Agent**"	:	The Bank of New York Mellon (Luxembourg) S.A.
"**MAS**"	:	The Monetary Authority of Singapore
"**MTN Programme**"	:	The US$300,000,000 Multicurrency Medium Term Note Programme of the Issuer as described in this Information Memorandum
"**Noteholders**"	:	The holders of the Notes
"**Notes**"	:	The notes of the Issuer issued or to be issued under the MTN Programme
"**Permanent Global Note**"	:	A Global Note representing Bearer Notes of one or more Tranches of the same Series, either on issue or upon exchange of interests in a Temporary Global Note
"**Pricing Supplement**"	:	In relation to a Series or Tranche, a pricing supplement, to be read in conjunction with this Information Memorandum, issued specifying the relevant issue details in relation to such Series or, as the case may be, Tranche
"**Principal Agent**"	:	The Bank of New York Mellon, Singapore Branch
"**Programme Agreement**"	:	The programme agreement dated 30 December 2013 made between (1) the Issuer, as issuer and (2) DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited, as arrangers and dealers, as amended, varied or supplemented from time to time

"**Registrar**"	:	(in the context of Notes cleared through CDP) the Singapore Registrar, (in the context of Notes other than those cleared through CDP) the Luxembourg Registrar, and any other person appointed as the registrar by the Issuer, including any successor registrar
"**Registered Note**"	:	A Note in registered form
"**SARS**"	:	Severe acute respiratory syndrome
"**Securities Act**"	:	Securities Act of 1933 of the United States, as amended or modified from time to time
"**Series**"	:	(1) (in relation to Notes other than variable rate notes) a Tranche, together with any further Tranche or Tranches, which are (a) expressed to be consolidated and forming a single series and (b) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest; and (2) (in relation to variable rate notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest
"**SFA**"	:	Securities and Futures Act (Chapter 289 of Singapore), as amended or modified from time to time
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shares**"	:	Ordinary shares in the capital of the Issuer
"**Singapore Calculation Agent**"	:	The Bank of New York Mellon, Singapore Branch
"**Singapore Issuing and Paying Agent**"	:	The Bank of New York Mellon, Singapore Branch
"**Singapore Registrar**"	:	The Bank of New York Mellon, Singapore Branch
"**Singapore Transfer Agent**"	:	The Bank of New York Mellon, Singapore Branch
"**SiS Thailand**"	:	SiS Distribution (Thailand) Public Co. Ltd
"**TARGET System**"	:	The Trans-European Automated Real Time Gross settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto
"**Temporary Global Note**"	:	A Global Note representing Bearer Notes of one or more Tranches of the same Series on issue
"**Tranche**"	:	Notes which are identical in all respects (including listing)

"**Transfer Agent**"	:	(in the context of Notes cleared through CDP) the Singapore Transfer Agent, (in the context of Notes other than those cleared through CDP) the Luxembourg Transfer Agent, and any such other person appointed as the transfer agent by the Issuer and shall include any successor transfer agent appointed in respect of such Notes
"**Trust Deed**"	:	The trust deed dated 30 December 2013 made between (1) the Issuer, as issuer and (2) the Trustee, as trustee, as amended, varied or supplemented from time to time
"**Trustee**"	:	The Bank of New York Mellon, Singapore Branch
"**United States**" or "**U.S.**"	:	United States of America
"**HK$**"	:	Hong Kong dollars
"**S$**"	:	Singapore dollars
"**US$**"	:	United States dollars
"**%**"	:	Per cent.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations. Any reference to a time of day in this Information Memorandum shall be a reference to Singapore time unless otherwise stated. Any reference in this Information Memorandum to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the SFA or any statutory modification thereof and used in this Information Memorandum shall, where applicable, have the meaning ascribed to it under the Companies Act, or as the case may be, the SFA.

CORPORATE INFORMATION

Board of Directors	:	Mr Lim Kia Hong (Chairman and Chief Executive Officer) Mr Lim Kiah Meng (Vice-Chairman and Executive Director) Mr Lim Hwee Hai (Executive Director) Madam Lim Hwee Noi (Executive Director) Mr Lee Hiok Chuan (Independent Non-Executive Director) Ms Ong Wui Leng (Independent Non-Executive Director) Mr Ma Shiu Sun, Michael (Independent Non-Executive Director)
Company Secretary	:	Ms Chiu Lai Chun, Rhoda
Registered Office	:	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Principal Place of Business	:	604 Eastern Harbour Centre 28 Hoi Chak Street Quarry Bay Hong Kong
Auditor to the Issuer	:	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong
Arrangers of the MTN Programme	:	DBS Bank Ltd. 12 Marina Boulevard, Level 42 Marina Bay Financial Centre Tower 3 Singapore 018982 Oversea-Chinese Banking Corporation Limited 63 Chulia Street #03-05 OCBC Centre East Singapore 049514
Solicitors to the Arrangers, the Trustee, the Issuing and Paying Agent, the Calculation Agent, the Registrar, the Transfer Agent and the Principal Agent	:	WongPartnership LLP 12 Marina Boulevard, Level 28 Marina Bay Financial Centre Tower 3 Singapore 018982
Solicitors to the Issuer as to Singapore laws	:	Rajah & Tann LLP 9 Battery Road #25-01 Straits Trading Building Singapore 049910
Solicitors to the Issuer as to Bermuda laws	:	Appleby 2206-19 Jardine House 1 Connaught Place Central, Hong Kong

Singapore Issuing and Paying Agent, Singapore Calculation Agent, Singapore Transfer Agent, Singapore Registrar and Principal Agent	:	The Bank of New York Mellon, Singapore Branch One Temasek Avenue #03-01 Millenia Tower Singapore 039192
London Issuing and Paying Agent and London Calculation Agent	:	The Bank of New York Mellon, London Branch 40th Floor, One Canada Square London E14 5AL United Kingdom
Luxembourg Transfer Agent and Luxembourg Registrar	:	The Bank of New York Mellon (Luxembourg) S.A. Vertigo Building – Polaris 2-4 rue Eugène Ruppert L-2453 Luxembourg
Trustee for the Noteholders	:	The Bank of New York Mellon, Singapore Branch One Temasek Avenue #03-01 Millenia Tower Singapore 039192

SUMMARY OF THE MTN PROGRAMME

The following summary is derived from, and should be read in conjunction with, the full text of this Information Memorandum (and any relevant supplement to this Information Memorandum), the Programme Agreement, the Trust Deed, the Agency Agreement and the relevant Pricing Supplement.

Issuer	:	SiS International Holdings Limited.
Arrangers	:	DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited.
Dealers	:	DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited and/or such other Dealer(s) as may be appointed by the Issuer in accordance with the Programme Agreement.
Principal Agent	:	The Bank of New York Mellon, Singapore Branch.
Singapore Issuing and Paying Agent, Singapore Calculation Agent, Singapore Transfer Agent, Singapore Registrar and Principal Agent	:	The Bank of New York Mellon, Singapore Branch.
London Issuing and Paying Agent and London Calculation Agent	:	The Bank of New York Mellon, London Branch.
Luxembourg Transfer Agent and Luxembourg Registrar	:	The Bank of New York Mellon (Luxembourg) S.A.
Trustee for the Noteholders	:	The Bank of New York Mellon, Singapore Branch.
Description	:	Multicurrency Medium Term Note Programme.
Programme Size	:	The maximum aggregate principal amount of the Notes outstanding at any time shall be US$300,000,000 (or its equivalent in other currencies) or such higher amount as may be increased in accordance with the provisions of the Programme Agreement.
Currency	:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in United States dollars, Singapore dollars or any other currency agreed between the Issuer and the relevant Dealer(s).
Method of Issue	:	Notes may be issued in Series from time to time under the MTN Programme on a syndicated or non-syndicated basis. Each Series may be issued in one or more Tranches, on the same or different issue dates. The minimum issue size for each Series shall be agreed between the Issuer and the relevant Dealer(s). The specific terms of each Series or Tranche will be specified in the relevant Pricing Supplement.
Issue Price	:	Notes may be issued at par or at a discount, or premium, to par.
Tenor	:	Subject to compliance with all relevant laws, regulations and directives, Notes will have maturities of such tenor as may be agreed between the Issuer and the relevant Dealer(s).

Mandatory Redemption	:	Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount on the maturity date shown on its face.
Interest Basis	:	Notes may be non-interest bearing or may bear interest at fixed, floating, variable or hybrid rates or such other rates as may be agreed between the Issuer and the relevant Dealer(s).
Fixed Rate Notes	:	Fixed Rate Notes will bear a fixed rate of interest which will be payable in arrear on specified dates and at maturity.
Floating Rate Notes	:	Floating Rate Notes which are denominated in Singapore dollars will bear interest at rates to be determined separately for each Series by reference to S$ SIBOR or S$ SWAP RATE (or in any other case such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Interest periods in relation to the Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue. Floating Rate Notes which are denominated in other currencies will bear interest to be determined separately for each Series by reference to such other benchmark as may be agreed between the Issuer and the relevant Dealer(s).
Variable Rate Notes	:	Variable Rate Notes will bear interest at a variable rate determined in accordance with the Conditions. Interest periods in relation to the Variable Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue.
Hybrid Notes	:	Hybrid Notes will bear interest, during the fixed rate period to be agreed between the Issuer and the relevant Dealer(s), at a fixed rate of interest which will be payable in arrear on specified dates and at maturity and, during the floating rate period to be agreed between the Issuer and the relevant Dealer(s), at the rate of interest to be determined by reference to S$ SIBOR or S$ SWAP RATE (or such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin (provided that if Hybrid Notes are denominated in a currency other than Singapore dollars, such Hybrid Notes will bear interest to be determined separately by reference to such benchmark as may be agreed between the Issuer and the relevant Dealer(s)), in each case payable at the end of each interest period to be agreed between the Issuer and the relevant Dealer(s).
Zero-Coupon Notes	:	Zero-Coupon Notes may be issued at their nominal amount or at a discount and will not bear interest other than in the case of late payment.
Form and Denomination and Trading of the Notes	:	The Notes will be issued in bearer form or registered form and in such denominations as may be agreed between the Issuer and the relevant Dealer(s). Each Series or Tranche of Notes may initially be represented by a Temporary Global Note, a Permanent Global Note or a Global Certificate. Each Temporary Global Note may be deposited on the relevant issue date with CDP, a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system and will be exchangeable, upon request as described

therein, either for a Permanent Global Note or Definitive Notes (as indicated in the applicable Pricing Supplement), provided that, in the case of any part of the Note submitted for exchange for a Permanent Global Note, there shall have been Certification (as defined below) with respect to such nominal amount submitted for such exchange dated no earlier than the Exchange Date (as defined below). Each Permanent Global Note may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for Definitive Notes upon the terms therein.

For the purposes of the above paragraph:

"**Certification**" means the presentation to the Issuing and Paying Agent of a certificate or certificates with respect to one or more interests in the Temporary Global Note, signed by Euroclear, Clearstream, Luxembourg or CDP (as the case may be), substantially to the effect set out in Exhibit A of Schedule 2 to the Trust Deed to the effect that it has received a certificate or certificates substantially to the effect set out in Exhibit B of Schedule 2 to the Trust Deed with respect thereto and that no contrary advice as to the contents thereof has been received by Euroclear, Clearstream, Luxembourg or CDP, as the case may be; and

"**Exchange Date**" means such date falling on or after the first day following the expiry of 40 days after the date of issue of the Temporary Global Note.

Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee of CDP and/or any other agreed clearing system are referred to as "**Global Certificates**".

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Note is exchanged for Definitive Notes or, as the case may be, the Global Certificate is exchanged for definitive Certificates, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Note is exchanged for Definitive Notes or, as the case may be, the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Notes or, as the case may be, the definitive Certificates, including details of the paying agent in Singapore.

The Notes will, if traded on the SGX-ST, have a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST.

Custody of the Notes :	Notes which are to be listed on the SGX-ST may be cleared through CDP. Notes which are to be cleared through CDP are required to be kept with CDP as authorised depository. Notes which are cleared through Euroclear and/or Clearstream, Luxembourg are required to be kept with a common depositary on behalf of Euroclear and Clearstream, Luxembourg.
Status of the Notes :	The Notes and Coupons of all Series will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer from time to time outstanding.
Redemption and Purchases :	If so provided on the face of the Notes and the relevant Pricing Supplement, Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the Noteholders. Further, if so provided on the face of the Notes and the relevant Pricing Supplement, Notes may be purchased by the Issuer (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the Noteholders.
Redemption at the Option of Noteholders upon Cessation or Suspension of Trading of the Shares :	If on any date, (1) the Shares cease to be traded on the HKSE or (2) trading in the Shares is suspended for more than 10 consecutive days on which normal trading of securities on the HKSE is carried out, the Issuer shall, at the option of any Noteholder, redeem such Note at its redemption amount (together with interest accrued to the date fixed for redemption) on the date (or, if such date is not a Business Day, on the immediately preceding Business Day) falling 45 days after (in the case of (1) above) the date of cessation of trading or (in the case of (2) above) the business day immediately following the expiry of the 10-day period.
Negative Pledge :	The Issuer has covenanted with the Trustee in the Trust Deed that, so long as any of the Notes or Coupons remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Principal Subsidiaries (as defined in Condition 10 of the Notes) will, create or have outstanding any security (as defined in the Trust Deed) over the whole or any part of their respective present or future undertakings, assets, property or revenues, to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (1) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee, or (2) providing such other security for the Notes as either (a) the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or (b) as may be approved by the Noteholders by way of an Extraordinary Resolution (as defined in the Trust Deed). For the purposes of the above paragraph: "**Guarantee**" means, in relation to any indebtedness of any person, any obligation of another person to pay such indebtedness including (without limitation):

(1) any obligation to purchase such indebtedness;

(2) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;

(3) any indemnity against the consequences of a default in the payment of such indebtedness; and

(4) any other agreement to be responsible for such indebtedness.

"**Relevant Indebtedness**" means any indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is intended to be, or capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market).

Financial Covenants : The Issuer has covenanted with the Trustee in the Trust Deed that for so long as any of the Notes or Coupons remains outstanding, it will ensure that:

(1) the Consolidated Tangible Net Worth (as defined in the Conditions) will not at any time be less than HK$1,000,000,000;

(2) the ratio of EBITDA (as defined in the Conditions) to Interest Expense (as defined in the Conditions) will not at any time be less than 3 : 1;

(3) the ratio of Consolidated Net Debt (as defined in the Conditions) to Consolidated Tangible Net Worth will not at any time be more than 1.75 : 1; and

(4) the ratio of Consolidated Secured Borrowings (as defined in the Conditions) to Consolidated Total Assets (as defined in the Conditions) will not at any time be more than 0.65 : 1.

Events of Default : See Condition 10 of the Notes.

Taxation : All payments in respect of the Notes and Coupons by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Bermuda, Hong Kong, Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, save for certain exceptions. For further details, please see Condition 8 of the Notes and the section on "*Taxation*" below.

Listing	:	Each Series of the Notes may, if so agreed between the Issuer and the relevant Dealer(s), be listed on the SGX-ST or any stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained.
Selling Restrictions	:	For a description of certain restrictions on offers, sales and deliveries of Notes and the distribution of offering material relating to the Notes, see the section on "*Subscription, Purchase and Distribution*" below. Further restrictions may apply in connection with any particular Series or Tranche of Notes.
Governing Law	:	The MTN Programme and any Notes issued under the MTN Programme will be governed by, and construed in accordance with, the laws of Singapore.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificates representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme. Details of the relevant Series are being shown on the face of the relevant Notes and in the relevant Pricing Supplement.

The Notes are constituted by a Trust Deed (as amended, varied or supplemented from time to time, the "**Trust Deed**") dated 30 December 2013 made between (1) SiS International Holdings Limited, as issuer (the "**Issuer**", which expression shall include its successors and permitted assigns), and (2) The Bank of New York Mellon, Singapore Branch (the "**Trustee**", which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee of the Noteholders (as defined below), and (where applicable) the Notes are issued with the benefit of a deed of covenant (as amended, varied or supplemented from time to time, the "**Deed of Covenant**") dated 30 December 2013 relating to the Notes executed by the Issuer. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and Coupons referred to below. The Issuer has entered into an agency agreement dated 30 December 2013 (the "**Agency Agreement**") between (a) the Issuer, as issuer, (b) The Bank of New York Mellon, Singapore Branch, in respect of Notes cleared through CDP (as defined below), as issuing and paying agent ("**Singapore Issuing and Paying Agent**"), calculation agent ("**Singapore Calculation Agent**"), transfer agent ("**Singapore Transfer Agent**") and registrar ("**Singapore Registrar**"), (c) The Bank of New York Mellon, London Branch, in respect of Notes other than cleared through CDP, as issuing and paying agent ("**London Issuing and Paying Agent**") and calculation agent ("**London Calculation Agent**"), (d) The Bank of New York Mellon (Luxembourg) S.A., in respect of Notes other than cleared through CDP, as registrar ("**Luxembourg Registrar**") and transfer agent ("**Luxembourg Transfer Agent**"), (e) The Bank of New York Mellon, Hong Kong Branch, (f) The Bank of New York Mellon, Singapore Branch, as principal agent, and (g) the Trustee, as trustee, as amended, modified or supplemented from time to time. In these Conditions, "**Issuing and Paying Agent**" shall refer to, as the context may require, the Singapore Issuing and Paying Agent or the London Issuing and Paying Agent; "**Calculation Agent**" shall refer to, as the context may require, the Singapore Calculation Agent or the London Calculation Agent; "**Registrar**" shall refer to, as the context may require, the Singapore Registrar or the Luxembourg Registrar; and "**Transfer Agent**" shall refer to, as the context may require, the Singapore Transfer Agent or the Luxembourg Transfer Agent. The Issuing and Paying Agent, which expression shall, wherever the context so admits, include any successor for the time being as Issuing and Paying Agent, (in the case of any Floating Rate Note, Variable Rate Note, Hybrid Note or Zero-Coupon Note) the Calculation Agent, which expression shall, wherever the context so admits, include any successor for the time being as Calculation Agent, (in the case of Registered Notes) the Registrar, which expression shall, wherever the context so admits, include any successor for the time being as Registrar and (in the case of Registered Notes) the Transfer Agent, which expression shall, wherever the context so admits, include any successor for the time being as Transfer Agent, for the Notes shall be the entity specified hereon as the Issuing and Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent.

The Noteholders and the holders of the coupons (the "**Coupons**") appertaining to the interest-bearing Notes in bearer form (the "**Couponholders**") are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement and the Deed of Covenant.

Copies of the Trust Deed, the Agency Agreement and the Deed of Covenant are available for inspection at the principal office of the Trustee for the time being and at the specified office of the Issuing and Paying Agent for the time being.

1. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

(i) The Notes of the Series of which this Note forms part (in these Conditions, the "**Notes**") are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Denomination Amount shown hereon.

(ii) This Note is a Fixed Rate Note, a Floating Rate Note, a Variable Rate Note, a Hybrid Note or a note that does not bear interest (a "**Zero-Coupon Note**"), a combination of any of the foregoing or any other type of Note (depending upon the Interest and Redemption/Payment Basis shown on its face).

(iii) Bearer Notes are serially numbered and issued with Coupons attached, save in the case of Zero-Coupon Notes in which case references to interest (other than in relation to default interest referred to in Condition 7(g)) in these Conditions are not applicable.

(iv) Registered Notes are represented by registered certificates ("**Certificates**") and save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

(b) Title

(i) Subject as set out below, title to the Bearer Notes and the Coupons appertaining thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement.

(ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note or Coupon shall be deemed to be and may be treated as the absolute owner of such Note or of such Coupon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note or Coupon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.

*For so long as any of the Notes is represented by a Global Note (as defined in the Trust Deed) or, as the case may be, a Global Certificate (as defined in the Trust Deed) and such Global Note or Global Certificate is held by The Central Depository (Pte) Limited ("**CDP**"), each person who is for the time being shown in the records of CDP as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by CDP as to the principal amount of such Notes standing to the credit of the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Issuing and Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such principal amount of Notes standing to the credit of the account of such person other than with respect to the payment of principal, premium (if any), interest, redemption or purchase amount (if any) and/or any other amounts in respect of the Notes, for which purpose the bearer of the Global Note or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Trustee, the Issuing and Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Note or, as the case may be, the Global Certificate (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions, where the context requires, shall be construed accordingly). Notes which are represented by the Global Note or, as the case may be, the Global Certificate and held by CDP will be transferable only in accordance with the rules and procedures for the time being of CDP. For so long as any of the Notes is represented by a Global Note or, as the case may be, a Global Certificate and such Global Note or Global Certificate is held by CDP, the record date for the purposes of determining entitlements to any payment of principal, interest and any other amounts in respect* *of the Notes shall, unless otherwise specified by the Issuer, be the date falling five (5) business days prior to the relevant payment date (or such other date as may be prescribed by CDP).*

*For so long as any of the Notes is represented by a Global Note or, as the case may be, a Global Certificate and such Global Note or Global Certificate is held by a common depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the principal amount of such Notes (as the case may be) standing to the credit of the account of any person shall be conclusive and binding for all purposes, save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Issuing and Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such principal amount of Notes standing to the credit of the account of such person other than with respect to the payment of principal, premium (if any), interest, redemption or purchase amount (if any) and/or any other amounts in respect of such Notes, for which purpose the bearer of the Global Note or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Trustee, the Issuing and Paying Agent, the Calculation Agent, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Note or, as the case may be, the Global Certificate (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions, where the context requires, shall be construed accordingly). Notes which are represented by a Global Note or, as the case may be, the Global Certificate and held by Euroclear and/or Clearstream, Luxembourg will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg. For so long as any of the Notes is represented by a Global Note or, as the case may be, a Global Certificate and such Global Note or Global Certificate is held by a common depository for Euroclear and/or Clearstream, Luxembourg, the record date for the purposes of determining entitlements to any payment of principal, interest and any other amounts in respect of the Notes shall be the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.*

(iii) In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or, as the case may be, the person whose name a Registered Note is registered and "**holder**" (in relation to a Note or Coupon) means the bearer of any Bearer Note or Coupon or, as the case may be, the person whose name a Registered Note is registered, "**Series**" means (A) (in relation to Notes other than Variable Rate Notes) a Tranche, together with any further Tranche or Tranches, which are (1) expressed to be consolidated and forming a single series and (2) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest and (B) (in relation to Variable Rate Notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest and "**Tranche**" means Notes which are identical in all respects (including as to listing).

(iv) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Denomination Amount may not be exchanged for Bearer Notes of another Denomination Amount. Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

Subject to Condition 2(f) below, one or more Registered Notes may be transferred (in the authorised denominations set out herein) upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or such other Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer and the Registrar, with the prior approval (in the case of any regulation proposed by the Issuer) of the Trustee, the Registrar and (if affected by any proposed change) the Transfer Agent, and (in the case of any regulation proposed by the Registrar) of the Issuer and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(b) or 2(c) shall be available for delivery within five (5) business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or such other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday or a gazetted public holiday, on which banks are open for business in the place of the specified office of the Registrar or the other relevant Transfer Agent (as the case may be).

(e) Transfers Free of Charge

Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the other Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the other relevant Transfer Agent may require) in respect of tax or charges.

(f) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(c), (ii) after any such Note has been called for redemption, or (iii) during the period of 15 days ending on (and including) any Record Date as defined in Condition 7(b).

3. STATUS

The Notes and Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer. The Notes and Coupons shall at all times rank *pari passu* and rateably without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.

4. NEGATIVE PLEDGE, FINANCIAL AND OTHER COVENANTS

(a) Negative Pledge

The Issuer has covenanted with the Trustee in the Trust Deed that, so long as any of the Notes or Coupons remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Principal Subsidiaries will, create or have outstanding any security (as defined in the Trust Deed) over the whole or any part of their respective present or future undertakings, assets, property or revenues, to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (i) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee, or (ii) providing such other security for the Notes as either (A) the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or (B) as may be approved by the Noteholders by way of an Extraordinary Resolution (as defined in the Trust Deed).

For the purpose of this Condition 4(a):

"**Guarantee**" means, in relation to any indebtedness of any person, any obligation of another person to pay such indebtedness including (without limitation):

(a) any obligation to purchase such indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;

(c) any indemnity against the consequences of a default in the payment of such indebtedness; and

(d) any other agreement to be responsible for such indebtedness.

"**Relevant Indebtedness**" means any indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is intended to be, or capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market).

(b) Financial Covenants

The Issuer has covenanted with the Trustee in the Trust Deed that for so long as any of the Notes or Coupons remains outstanding, it will ensure that:

(i) the Consolidated Tangible Net Worth will not at any time be less than HK$1,000,000,000;

(ii) the ratio of EBITDA to Interest Expense will not at any time be less than 3 : 1;

(iii) the ratio of Consolidated Net Debt to Consolidated Tangible Net Worth will not at any time be more than 1.75 : 1; and

(iv) the ratio of Consolidated Secured Borrowings to Consolidated Total Assets will not at any time be more than 0.65 : 1.

For the purpose of this Condition 4(b):

"**Consolidated Net Debt**" means Consolidated Total Borrowings less any amount reflected as cash and cash equivalents (including, without limitation, any pledged deposits) as reflected in the then latest audited consolidated balance sheet of the Group.

"**Consolidated Secured Borrowings**" means, at any time, the portion of Consolidated Total Liabilities secured by any security interest over any asset of the Group.

"**Consolidated Tangible Net Worth**" means, at any time, the amount (expressed in Hong Kong Dollars) for the time being, calculated in accordance with generally accepted accounting principles in Hong Kong, equal to the aggregate of:

(a) the share capital of the Issuer for the time being issued and paid-up; and

(b) the amounts standing to the credit of the capital and revenue reserves (including profit and loss account) of the Group on a consolidated basis,

all as shown in the then latest audited consolidated balance sheet of the Group but after:

(i) making such adjustments as may be appropriate in respect of any variation in the issued and paid-up share capital and the capital and revenue reserves set out in paragraph (b) above of the Group since the date of the latest audited consolidated balance sheet of the Group;

(ii) excluding any sums set aside for future taxation; and

(iii) deducting:

(A) an amount equal to any distribution by any member of the Group out of profits earned prior to the date of the latest audited consolidated balance sheet of the Group and which have been declared, recommended or made since that date except so far as provided for in such balance sheet and/or paid or due to be paid to members of the Group;

(B) all goodwill and other intangible assets; and

(C) any debit balances on consolidated profit and loss account,

and so that no amount shall be included or excluded more than once.

"**Consolidated Total Assets**" means, at any particular time, the consolidated amount of the book values of all the assets of the Group, determined as assets in accordance with generally accepted accounting principles in Hong Kong.

"**Consolidated Total Borrowings**" means, at any time, in relation to the Group, an amount (expressed in Hong Kong Dollars) for the time being calculated on a consolidated basis, in accordance with generally accepted accounting principles in Hong Kong, equal to the aggregate of:

(a) bank overdrafts and all other indebtedness in respect of any borrowings of any member of the Group;

(b) the principal amount of the Notes or any bonds or debentures of any member of the Group whether issued for cash or a consideration other than cash;

(c) the liabilities of the Issuer under this Trust Deed or the Notes; and

(d) any redeemable preference shares issued by any member of the Group (other than those shares which are regarded as equity as reflected in the latest audited consolidated balance sheet of the Group),

and where such aggregate amount fails to be calculated, no amount shall be taken into account more than once in the same calculation.

"**Consolidated Total Liabilities**" means the aggregate of Consolidated Total Borrowings plus, insofar as not already taken into account, all other liabilities of the Group calculated in accordance with generally accepted accounting principles in Hong Kong, including:

(a) current creditors, proposed dividends and taxation payable within 12 months;

(b) the principal amount raised by acceptances under any acceptance credit in favour of any member of the Group;

(c) the face amount of any bills of exchange (other than cheques) or other instruments upon which any member of the Group is liable as drawer, acceptor or endorser;

(d) all actual and contingent liabilities of whatsoever nature of any member of the Group including, without limitation, the maximum premium payable on a redemption of any debenture or other indebtedness of any member of the Group and all actual and contingent liabilities of any other person (including the par value of any shares and the principal amount of any debentures or any person) to the extent that such liabilities, shares or debentures are directly or indirectly guaranteed or secured by or are, directly or indirectly, the subject of an indemnity given by, or with a right of recourse against, any member of the Group;

(e) the aggregate of the principal amounts outstanding under all agreements or transactions entered into by any member of the Group for leasing, hire purchase, conditional sale or purchase on deferred terms, or provision of funds in support of obligations of third parties and similar transactions in relation to any property (other than land), and any other amounts due to creditors other than current creditors (other than in relation to land);

(f) amounts standing to the credit of any deferred tax account or tax equalisation reserve; and

(g) any amount proposed to be distributed to shareholders (other than any member of the Group),

provided that no liabilities shall be included in a calculation of Consolidated Total Liabilities more than once.

"**EBITDA**" means, in relation to any period, the aggregate of the net earnings of the Group on its ordinary activities during such period before taking into account Interest Expense and income tax expense but making adjustments thereto by adding back depreciation charged and amount attributable to amortisation of goodwill and other intangibles to the extent deducted in arriving at such earnings on ordinary activities during such period.

"**Interest Expense**" means, in relation to any period, the aggregate amount of interest, commission, discounts, guarantee fees and other fees or charges incurred, paid or payable by the Group in connection with all indebtedness during that period.

5. RATE OF INTEREST

(I) INTEREST ON FIXED RATE NOTES

(a) Interest Rate and Accrual

Each Fixed Rate Note bears interest on its Calculation Amount (as defined in Condition 5(II)(e)) from the Interest Commencement Date (as defined in Condition 5(II)(e)) in respect thereof and as shown on the face of such Note at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of such Note in each year and on the Maturity Date shown on the face of such Note if that date does not fall on an Interest Payment Date.

The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date (and if the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the Maturity Date falls before the date on which the first payment of interest would otherwise be due. If the Maturity Date is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the Interest Commencement Date, as the case may be) to the Maturity Date will amount to the Final Broken Amount shown on the face of the Note.

Interest will cease to accrue on each Fixed Rate Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount shown on the face of the Note is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(I) to the Relevant Date (as defined in Condition 8(b)).

(b) Calculations

In the case of a Fixed Rate Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction shown on the face of such Note.

(II) INTEREST ON FLOATING RATE NOTES OR VARIABLE RATE NOTES

(a) Interest Payment Dates

Each Floating Rate Note or Variable Rate Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or the Interest Commencement Date, as the case may be), provided that the Agreed Yield (as defined in Condition 5(II)(c)) in respect of any Variable Rate Note for any Interest Period (as defined below) relating to that Variable Rate Note shall be payable on the first day of that Interest Period. If any

Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day, then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an "**Interest Period**".

Interest will cease to accrue on each Floating Rate Note or Variable Rate Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(II) to the Relevant Date.

(b) Rate of Interest - Floating Rate Notes

(i) Each Floating Rate Note bears interest at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Note, being (in the case of Notes which are denominated in Singapore Dollars) SIBOR (in which case such Note will be a SIBOR Note) or Swap Rate (in which case such Note will be a Swap Rate Note) or in any case (or in the case of Notes which are denominated in a currency other than Singapore Dollars) such other Benchmark as is set out on the face of such Note.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Note. The "**Spread**" is the percentage rate per annum specified on the face of such Note as being applicable to the rate of interest for such Note. The rate of interest so calculated shall be subject to Condition 5(V)(a).

The rate of interest payable in respect of a Floating Rate Note from time to time is referred to in these Conditions as the "**Rate of Interest**".

(ii) The Rate of Interest payable from time to time in respect of each Floating Rate Note will be determined by the Calculation Agent on the basis of the following provisions:

(1) in the case of Floating Rate Notes which are SIBOR Notes:

(A) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore Dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ASSOCIATION OF BANKS IN SINGAPORE - SIBOR AND SWAP OFFER RATES - RATES AT 11:00 A.M. SINGAPORE TIME" and under the column headed "SGD SIBOR" (or such other Screen Page as may be provided hereon) and as adjusted by the Spread (if any);

(B) if on any Interest Determination Date, no such rate appears on the Reuters Screen ABSIRFIX01 Page under the column headed "SGD SIBOR" (or such other replacement page thereof), the Calculation Agent will, at or about the Relevant Time on such Interest Determination Date, determine the Rate of Interest for such Interest Period which shall be the rate which appears under the caption "SINGAPORE DOLLAR INTERBANK OFFERED RATES - 11:00 A.M." and the row headed "SIBOR SGD" on the Reuters Screen SIBP Page (or such other replacement page thereof), being the offered rate for deposits in Singapore Dollars for a period equal to the duration of such Interest Period and as adjusted by the Spread (if any);

(C) if no such rate appears on the Reuters Screen SIBP Page (or such other replacement page thereof or if no rate appears on such other Screen Page as may be provided hereon) or if the Reuters Screen SIBP Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Calculation Agent will request the principal Singapore offices of each of the Reference Banks to provide the Calculation Agent with the rate at which deposits in Singapore Dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to four decimal places) of such offered quotations and as adjusted by the Spread (if any), as determined by the Calculation Agent;

(D) if on any Interest Determination Date two but not all the Reference Banks provide the Calculation Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (C) above on the basis of the quotations of those Reference Banks providing such quotations; and

(E) if on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore Dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any);

(2) in the case of Floating Rate Notes which are Swap Rate Notes:

(A) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the Average Swap Rate for such Interest Period (determined by the Calculation Agent as being the rate which appears on Page ABSI on the monitor of the Bloomberg agency under the caption "ASSOCIATION OF BANKS IN SG - SWAP OFFER AND SIBOR FIXING RATES" and under the column headed "SGD SWAP OFFER" (or such other page as may replace Page ABSI for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period) and as adjusted by the Spread (if any);

(B) if on any Interest Determination Date, no such rate appears on Page ABSI on the monitor of the Bloomberg agency (or such other replacement page thereof), the Calculation Agent will determine the Rate of Interest for such Interest Period which shall be the Average Swap Rate for such Interest Period (determined by the Calculation Agent as being the rate which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ASSOCIATION OF BANKS IN SINGAPORE – SIBOR AND SWAP OFFER RATES" and under the column headed "SGD SWAP OFFER" (or such other page as may replace the Reuters Screen ABSIRFIX01 Page for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period) and as adjusted by the Spread (if any);

(C) if on any Interest Determination Date, no such rate is quoted on the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Calculation Agent will determine the Average Swap Rate (which shall be rounded up, if necessary, to four decimal places) for such Interest Period in accordance with the following formula:

In the case of Premium:

$$\text{Average Swap Rate} = \frac{365}{360} \times \text{LIBOR} + \frac{(\text{Premium} \times 36500)}{(\text{T} \times \text{Spot Rate})} + \frac{(\text{LIBOR} \times \text{Premium})}{(\text{Spot Rate})} \times \frac{365}{360}$$

In the case of Discount:

$$\text{Average Swap Rate} = \frac{365}{360} \times \text{LIBOR} - \frac{(\text{Discount} \times 36500)}{(\text{T} \times \text{Spot Rate})} - \frac{(\text{LIBOR} \times \text{Discount})}{(\text{Spot Rate})} \times \frac{365}{360}$$

where:

LIBOR = the rate which appears on Page BBAM01 on the monitor of the Bloomberg agency under the caption "BRITISH BANKERS ASSOCIATION INTEREST SETTLEMENT RATES" and under the column headed "USD LIBOR" (or such other page as may replace Page BBAM01 for the purpose of displaying London interbank United States dollar offered rates of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned;

Spot Rate = the rate being the composite quotation or in the absence of which, the arithmetic mean (rounded up, if necessary, to four decimal places) (determined by the Calculation Agent) of the rates quoted by the Reference Banks and which appear on Page ABSI on the monitor of the Bloomberg agency under the caption "ASSOCIATION OF BANKS IN SG – FX and SGD Swap Points" (or such other page as may replace Page ABSI for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned;

Premium or Discount = the rate being the composite quotation or in the absence of which, the arithmetic mean (rounded up, if necessary, to four decimal places) (determined by the Calculation Agent) of the rates quoted by the Reference Banks for a period equal to the duration of the Interest Period concerned which appears on Page ABSI on the monitor of the Bloomberg agency under the caption "ASSOCIATION OF BANKS IN SG – FX and SGD Swap Points" (or such other page as may replace Page ABSI for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned; and

T = the number of days in the Interest Period concerned.

The Rate of Interest for such Interest Period shall be the Average Swap Rate (as determined by the Calculation Agent) and as adjusted by the Spread (if any);

(D) if on any Interest Determination Date, any one of the components for the purposes of calculating the Average Swap Rate under (C) above is not quoted on the relevant Bloomberg Screen Page (or such other replacement page thereof) or if the relevant Bloomberg Screen Page (or such other replacement page thereof) is unavailable for any reason, the Calculation Agent will determine the Average Swap Rate (which shall be rounded up, if necessary, to four decimal places) for such Interest Period in accordance with the following formula:

In the case of Premium:

$$\text{Average Swap Rate} = \frac{365}{360} \times \text{LIBOR} + \frac{(\text{Premium} \times 36500)}{(\text{T} \times \text{Spot Rate})} + \frac{(\text{LIBOR} \times \text{Premium})}{(\text{Spot Rate})} \times \frac{365}{360}$$

In the case of Discount:

$$\text{Average Swap Rate} = \frac{365}{360} \times \text{LIBOR} - \frac{(\text{Discount} \times 36500)}{(\text{T} \times \text{Spot Rate})} - \frac{(\text{LIBOR} \times \text{Discount})}{(\text{Spot Rate})} \times \frac{365}{360}$$

where:

LIBOR	=	the rate which appears on the Reuters Screen LIBOR01 Page under the caption "REUTERS BBA LIBOR RATES – BRITISH BANKERS ASSOCIATION INTEREST SETTLEMENT RATES" and under the column headed "USD" (or such other page as may replace the Reuters Screen LIBOR01 Page for the purpose of displaying London interbank United States dollar offered rates of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned;
Spot Rate	=	the rate being the composite quotation or in the absence of which, the arithmetic mean (rounded up, if necessary, to four decimal places) (determined by the Calculation Agent) of the rates quoted by the Reference Banks and which appear on the Reuters Screen ABSIRFIX06 Page under the caption "ASSOCIATION OF BANKS IN SINGAPORE – SGD SPOT AND SWAP OFFER RATES" and under the column headed "SPOT" (or such other page as may replace the Reuters Screen ABSIRFIX06 Page for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned;
Premium or Discount	=	the rate being the composite quotation or in the absence of which, the arithmetic mean (rounded up, if necessary, to four decimal places) (determined by the Calculation Agent) of the rates quoted by the Reference Banks for a period equal to the duration of the Interest Period concerned which appear on the Reuters Screen ABSIRFIX06-7 Pages under the caption "ASSOCIATION OF BANKS IN SINGAPORE – SGD SPOT AND SWAP OFFER RATES" (or such other page as may replace the Reuters Screen ABSIRFIX06-7 Pages for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned; and
T	=	the number of days in the Interest Period concerned.

The Rate of Interest for such Interest Period shall be the Average Swap Rate (as determined by the Calculation Agent) and as adjusted by the Spread (if any);

(E) if on any Interest Determination Date any one of the components for the purposes of calculating the Average Swap Rate under (D) above is not quoted on the relevant Reuters Screen Page (or such other replacement page as aforesaid) or the relevant Reuters Screen Page (or such other replacement page as aforesaid) is unavailable for any reason, the Calculation Agent will request the principal Singapore offices of the Reference Banks to provide the Calculation Agent with quotations of their Swap Rates for the Interest Period concerned at or about the Relevant Time on that Interest Determination Date and the Rate of Interest for such Interest Period shall be the Average Swap Rate for such Interest Period (which shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the Swap Rates quoted by the Reference Banks or those of them (being at least two in number) to the Calculation Agent) and as adjusted by the Spread (if any). The Swap Rate of a Reference Bank means the rate at which that Reference Bank can generate Singapore Dollars for the Interest Period concerned in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date and shall be determined as follows:

In the case of Premium:

$$\text{Swap Rate} = \frac{365}{360} \times \text{LIBOR} + \frac{(\text{Premium} \times 36500)}{(\text{T} \times \text{Spot Rate})} + \frac{(\text{LIBOR} \times \text{Premium})}{(\text{Spot Rate})} \times \frac{365}{360}$$

In the case of Discount:

$$\text{Swap Rate} = \frac{365}{360} \times \text{LIBOR} - \frac{(\text{Discount} \times 36500)}{(\text{T} \times \text{Spot Rate})} - \frac{(\text{LIBOR} \times \text{Discount})}{(\text{Spot Rate})} \times \frac{365}{360}$$

where:

LIBOR = the rate per annum at which United States dollar deposits for a period equal to the duration of the Interest Period concerned are being offered by that Reference Bank to prime banks in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date;

Spot Rate = the rate at which that Reference Bank sells United States dollars spot in exchange for Singapore Dollars in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date;

Premium = the premium that would have been paid by that Reference Bank in buying United States dollars forward in exchange for Singapore Dollars on the last day of the Interest Period concerned in the Singapore inter-bank market;

Discount = the discount that would have been received by that Reference Bank in buying United States dollars forward in exchange for Singapore Dollars on the last day of the Interest Period concerned in the Singapore inter-bank market; and

T = the number of days in the Interest Period concerned; and

(F) if on any Interest Determination Date, one only or none of the Reference Banks provides the Calculation Agent with such quotation, the Average Swap Rate shall be determined by the Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Calculation Agent at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate and the Rate of Interest for the relevant Interest Period shall be the Average Swap Rate (as so determined by the Calculation Agent) and as adjusted by the Spread (if any), or if on such Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore Dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any); and

(3) in the case of Floating Rate Notes which are not SIBOR Notes or Swap Rate Notes or which are denominated in a currency other than Singapore Dollars, the Calculation Agent will determine the Rate of Interest in respect of any Interest Period at or about the Relevant Time on the Interest Determination Date in respect of such Interest Period as follows:

(A) if the Primary Source for the Floating Rate is a Screen Page (as defined below), subject as provided below, the Rate of Interest in respect of such Interest Period shall be:

(aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or

(bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Interest Determination Date,

and as adjusted by the Spread (if any);

(B) if the Primary Source (as defined below) for the Floating Rate is Reference Banks or if paragraph (b)(ii)(3)(A)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Interest Determination Date or if paragraph (b)(ii)(3)(A)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to four decimal places) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Interest Determination Date and as adjusted by the Spread (if any); and

(C) if paragraph (b)(ii)(3)(B) applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.

(iii) On the last day of each Interest Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.

(c) Rate of Interest - Variable Rate Notes

(i) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (c). The interest payable in respect of a Variable Rate Note on the first day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "**Agreed Yield**" and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "**Rate of Interest**".

(ii) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall, subject as referred to in paragraph (c)(iv) below, be determined as follows:

(1) not earlier than 9.00 a.m. (Singapore time) on the ninth business day nor later than 3.00 p.m. (Singapore time) on the third business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:

(A) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;

(B) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Rate of Interest for such Variable Rate Note for such Interest Period shall be zero); and

(C) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest Period (an "**Agreed Rate**") and, in the event of the Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such Agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and

(2) if the Issuer and the Relevant Dealer shall not have agreed either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Singapore time) on the third business day prior to the commencement of such Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (1) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the rate per annum equal to the Fall Back Rate (as defined below) for such Interest Period.

(iii) The Issuer has undertaken in the Agency Agreement that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Singapore time) on the next following business day notify the Issuing and Paying Agent and the Calculation Agent of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period.

In addition, the Issuer will cause such Agreed Yield or, as the case may be, Agreed Rate for such Variable Rate Note to be notified by the Issuing and Paying Agent to the relevant Noteholder at its request.

(iv) For the purposes of sub-paragraph (ii) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note or no Relevant Dealer in respect of the Variable Rate Note(s) shall be the rate (the "**Fall Back Rate**") determined by reference to a Benchmark as stated on the face of such Variable Rate Note(s), being (in the case of Variable Rate Notes which are denominated in Singapore Dollars) SIBOR (in which case such Variable Rate Note(s) will be SIBOR Note(s)) or Swap Rate (in which case such Variable Rate Note(s) will be Swap Rate Note(s)) or (in any other case or in the case of Variable Rate Notes which are denominated in a currency other than Singapore Dollars) such other Benchmark as is set out on the face of such Variable Rate Note(s).

Such rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Variable Rate Note. The "**Spread**" is the percentage rate per annum specified on the face of such Variable Rate Note as being applicable to the rate of interest for such Variable Rate Note.

The rate of interest so calculated shall be subject to Condition 5(V)(a).

The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Calculation Agent in accordance with the provisions of Condition 5(II)(b)(ii) (*mutatis mutandis*) and references therein to "**Rate of Interest**" shall mean "**Fall Back Rate**".

(v) If interest is payable in respect of a Variable Rate Note on the first day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Agreed Yield applicable to such Variable Rate Note for such Interest Period on the first day of such Interest Period. If interest is payable in respect of a Variable Rate Note on the last day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Interest Amount for such Variable Rate Note for such Interest Period on the last day of such Interest Period.

(d) Minimum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with Condition 5(II)(b) or Condition 5(II)(c) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

(e) Definitions

As used in these Conditions:

"**Benchmark**" means the rate specified as such in the applicable Pricing Supplement;

"**business day**" means:

(i) (in the case of Notes denominated in Singapore Dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore;

(ii) (in the case of Notes denominated in euro) a day on which the TARGET System is open for settlement of payment in euro; and

(iii) (in the case of Notes denominated in a currency other than Singapore Dollars and euro), a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets are open for business in Singapore and the principal financial centre for that currency;

"**Calculation Amount**" means the amount specified as such on the face of any Note, or if no such amount is so specified, the Denomination Amount of such Note as shown on the face thereof;

"**euro**" means the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified as the Interest Commencement Date on the face of such Note;

"**Interest Determination Date**" means, in respect of any Interest Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Note;

"**Primary Source**" means the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Bloomberg agency or the Reuters Monitor Money Rates Service ("**Reuters**")) agreed by the Calculation Agent;

"**Reference Banks**" means the institutions specified as such in the applicable Pricing Supplement or, if none, three major banks selected by the Calculation Agent in the interbank market that is most closely connected with the Benchmark;

"**Relevant Currency**" means the currency in which the Notes are denominated;

"**Relevant Dealer**" means, in respect of any Variable Rate Note, the Dealer party to the Programme Agreement referred to in the Agency Agreement with whom the Issuer has concluded or is negotiating an agreement for the issue of such Variable Rate Note pursuant to the Programme Agreement;

"**Relevant Financial Centre**" means, in the case of interest to be determined on an Interest Determination Date with respect to any Floating Rate Note or Variable Rate Note, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

"**Relevant Rate**" means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Interest Period;

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the inter-bank market in the Relevant Financial Centre;

"**Screen Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters) as may be specified in the applicable Pricing Supplement for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark

"**SGX-ST**" means Singapore Exchange Securities Trading Limited; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(III) INTEREST ON HYBRID NOTES

(a) Interest Rate and Accrual

Each Hybrid Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note.

(b) Fixed Rate Period

(i) In respect of the Fixed Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Fixed Rate Period at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of the Note in each year and on the last day of the Fixed Rate Period if that date does not fall on an Interest Payment Date.

(ii) The first payment of interest will be made on the Interest Payment Date next following the first day of the Fixed Rate Period (and if the first day of the Fixed Rate Period is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the last day of the Fixed Rate Period falls before the date on which the first payment of interest would otherwise be due. If the last day of the Fixed Rate Period is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the first day of the Fixed Rate Period, as the case may be) to the last day of the Fixed Rate Period will amount to the Final Broken Amount shown on the face of the Note.

(iii) Where the due date of redemption of any Hybrid Note falls within the Fixed Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of principal (or the Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) to the Relevant Date.

(iv) In the case of a Hybrid Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction specified hereon during the Fixed Rate Period.

(c) Floating Rate Period

(i) In respect of the Floating Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Floating Rate Period, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the first day of the Floating Rate Period (and which corresponds numerically with such preceding Interest Payment Date or the first day of the Floating Rate Period, as the case may be). If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day, then if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (1) such date shall be brought forward to the immediately preceding business day and (2) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

(ii) The period beginning on (and including) the first day of the Floating Rate Period and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an "**Interest Period**".

(iii) Where the due date of redemption of any Hybrid Note falls within the Floating Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation thereof, payment of principal (or Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) to the Relevant Date.

(iv) The provisions of Condition 5(II)(b) shall apply to each Hybrid Note during the Floating Rate Period as though references therein to Floating Rate Notes are references to Hybrid Notes.

(IV) ZERO-COUPON NOTES

Where a Note the Interest Basis of which is specified to be Zero-Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note (determined in accordance with Condition 6(h)). As from the Maturity Date, the rate of interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(h)).

(V) CALCULATIONS IN RESPECT OF FLOATING RATE NOTES, VARIABLE RATE NOTES AND HYBRID NOTES

(a) Determination of Rate of Interest and Calculation of Interest Amounts

The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date determine the Rate of Interest and calculate the amount of interest payable (the "**Interest Amounts**") in respect of each Calculation Amount of the relevant Floating Rate Notes, Variable Rate Notes or (where applicable) Hybrid Notes for the relevant Interest Period (including the first day, but excluding the last day, of such Interest Period). The amount of interest payable in respect of any such Note shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount, by the Day Count Fraction shown on the Note and rounding the resultant figure to the nearest sub-unit of the relevant currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(b) Notification

The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Issuing and Paying Agent, the Trustee, the Issuer and (in the case of Floating Rate Notes) to be notified to Noteholders in accordance with Condition 16 as soon as possible after their determination but in no event later than the fourth business day thereafter. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period by reason of any Interest Payment Date not being a business day. If the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes become due and payable under Condition 10, the Rate of Interest and Interest Amounts payable in respect of the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest and Interest Amounts need to be made unless the Trustee requires otherwise.

(c) Determination or Calculation by the Trustee

If the Calculation Agent does not at any material time determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, the Trustee shall use reasonable efforts to procure the determination or calculation of the Rate of Interest for an Interest Period or any Interest Amount. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its sole opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall in its sole opinion deem fair and reasonable in all the circumstances, and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(d) Calculation Agent and Reference Banks

The Issuer will procure that, so long as any Floating Rate Note, Variable Rate Note or Hybrid Note remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Note, Variable Rate Note, Hybrid Note or Zero-Coupon Note remains outstanding, there shall at all times be a Calculation Agent. If any Reference Bank or Calculation Agent (acting through its relevant office) is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. REDEMPTION AND PURCHASE

(a) Redemption at Maturity Date

Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed at its Redemption Amount on the Maturity Date shown on its face (if this Note is shown on its face to be a Fixed Rate Note, Hybrid Note (during the Fixed Rate Period) or Zero-Coupon Note) or on the Interest Payment Date falling in the Redemption Month shown on its face (if this Note is shown on its face to be a Floating Rate Note, Variable Rate Note or Hybrid Note (during the Floating Rate Period)).

So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of Notes.

(b) Redemption at the Option of Noteholder

(i) General: If so provided hereon, the Issuer shall, at the option of the holder of any Note, redeem such Note on the date or dates so provided at its Redemption Amount, together with interest accrued to the date fixed for redemption. To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons) with the Issuing and Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or the Transfer Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent or the Issuer (as applicable) within the Noteholder's Redemption Option Period shown on the face hereof. Any Note so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(ii) Cessation or Suspension of Trading of the Shares of the Issuer: If on any date, (1) the shares of the Issuer cease to be traded on The Stock Exchange of Hong Kong Limited ("**HKSE**"), or (2) trading in the shares of the Issuer on the HKSE is suspended for more than 10 consecutive days on which normal trading of securities on the HKSE is carried out (each, a "**Trading Disruption Event**"), the Issuer shall, at the option of the holder of any Note, redeem such Note at its Redemption Amount (together with interest accrued to the date fixed for redemption) on the date (or, if such date is not a business day, on the immediately preceding business day) falling 45 days after (in the case of (1)) the date of cessation of trading or (in the case of (2)) the business day immediately following the expiry of the 10-day period (each, an "**Effective Date**").

The Issuer shall, as soon as possible but in any event within five (5) business days from the Effective Date, give notice to the Trustee, the Issuing and Paying Agent and the Noteholders in accordance with Condition 16, which notice shall specify:

(1) the date on which the cessation or, as the case may be, suspension, of trading of the shares of the Issuer commenced;

(2) the specific date by which the duly completed option exercise notice (in the form obtainable from the Issuing and Paying Agent or the Issuer) must be given;

(3) the specific date on which and the method by which the Redemption Amount will be paid;

(4) the names and specified offices of the Issuing and Paying Agent, the Calculation Agent, (in the case of Registered Notes) the Registrar and Transfer Agent; and

(5) such other information as the Trustee may require,

Provided That any failure by the Issuer to give such notice shall not prejudice any Noteholder of such option. For the avoidance of doubt, the Trustee shall not be required to take any steps to ascertain whether the Trading Disruption Event or any event which could lead to the occurrence of the Trading Disruption Event has occurred and shall not be responsible or liable to Noteholders for any loss arising from any failure to do so.

To exercise such option, the holder must deposit (in the case of Bearer Notes) such Bearer Note (together with all unmatured Coupons) with the Issuing and Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Registered Note(s) with the Registrar or Transfer Agent at its specified office, together with an Exercise Notice in the form obtainable from the Issuing and Paying Agent, the Registrar or the Transfer Agent (as applicable) no later than the date falling 30 days after the relevant Effective Date.

(c) Redemption at the Option of the Issuer

If so provided hereon, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Notes at their Redemption Amount or integral multiples thereof, and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount, together with interest accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(c).

In the case of a partial redemption of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws. So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of Notes.

(d) Purchase at the Option of the Issuer

If so provided hereon, the Issuer shall have the option to purchase all or any of the Fixed Rate Notes, Floating Rate Notes, Variable Rate Notes or Hybrid Notes at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Noteholders shall be bound to sell such Notes to the Issuer accordingly. To exercise such option, the Issuer shall give irrevocable notice to the Noteholders within the Issuer's Purchase Option Period shown on the face hereof. Such Notes may be held, resold or surrendered to the

Issuing and Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

In the case of a purchase of some only of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes, shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be purchased, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any purchase of Notes.

(e) Purchase at the Option of Noteholders

(i) Each Noteholder shall have the option to have all or any of his Variable Rate Notes purchased by the Issuer at their Redemption Amount on any Interest Payment Date and the Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, a Noteholder shall deposit any Variable Rate Notes to be purchased with the Issuing and Paying Agent at its specified office together with all Coupons relating to such Variable Rate Notes which mature after the date fixed for purchase, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent within the Noteholders' VRN Purchase Option Period shown on the face hereof. Any Variable Rate Notes so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Such Variable Rate Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Variable Rate Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

(ii) If so provided hereon, each Noteholder shall have the option to have all or any of his Fixed Rate Notes, Floating Rate Notes or Hybrid Notes purchased by the Issuer at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Issuer will purchase such Notes accordingly. To exercise such option, a Noteholder shall deposit (in the case of Bearer Notes) such note (together with all unmatured Coupons) with the Issuing and Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or the Transfer Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent within the Noteholders' Purchase Option Period shown on the face hereof. Any Notes so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Such Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

(f) Redemption for Taxation Reasons

If so provided hereon, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount or (in the case of Zero-Coupon Notes) Early Redemption Amount (as determined in accordance with Condition 6(h)) (together with interest accrued to (but excluding) the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore, Bermuda, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement and (ii) such obligations cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. At least 15 days prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Issuing and Paying Agent a certificate signed by a duly authorised officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal or tax advisors of recognised standing to the effect that the Issuer has or is likely to become obliged to pay such additional amounts as a result of such change or amendment.

(g) Purchases

The Issuer or any of its subsidiaries may at any time purchase Notes at any price (provided that they are purchased together with all unmatured Coupons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives.

Notes purchased by the Issuer or any of its subsidiaries may be surrendered by the purchaser through the Issuer to the Issuing and Paying Agent for cancellation or may at the option of the Issuer or relevant subsidiary be held or resold.

For the purposes of these Conditions, "**directive**" includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(h) Early Redemption of Zero-Coupon Notes

(i) The Early Redemption Amount payable in respect of any Zero-Coupon Note, the Early Redemption Amount of which is not linked to an index and/or formula, upon redemption of such Note pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(ii) Subject to the provisions of Condition 6(h)(iii), the Amortised Face Amount of any such Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(iii) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in Condition 6(h)(ii), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this Condition 6(h)(iii) will continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Redemption Amount of such Note on the Maturity Date together with any interest which may accrue in accordance with Condition 5(IV).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(i) Cancellation

All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons to the Issuing and Paying Agent at its specified office and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold.

7. PAYMENTS

(a) Principal and Interest in respect of Bearer Notes

Payments of principal (or, as the case may be, Redemption Amounts) and interest in respect of the Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be, at the specified office of the Issuing and Paying Agent by a cheque drawn in the currency in which that payment is due on, or, at the option of the holders, by transfer to an account maintained by the holder in that currency with a bank in the principal financial centre for that currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) Principal and Interest in respect of Registered Notes

Payments of principal in respect of Registered Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Certificates at the specified office of the Transfer Agent or of the Registrar and in the manner provided in this Condition 7(b).

Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made by a cheque drawn in the currency in which payment is due on and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or the Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.

(c) Payments subject to law etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) Appointment of Agents

The Issuing and Paying Agent, the Calculation Agent, the Transfer Agent and the Registrar initially appointed by the Issuer and their specified office are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of the Issuing and Paying Agent, the Calculation Agent, the Transfer Agent and/or the Registrar in accordance with the terms of the Agency Agreement and to appoint additional or other Agents, provided that it will at all times maintain (i) an Issuing and Paying Agent having a specified office in Singapore, (ii) a Transfer Agent in relation to Registered Notes, having a specified office in Singapore, (iii) a Registrar in relation to Registered Notes cleared through CDP, having a specified office in Singapore, (iv) a Registrar in relation to Registered Notes other than those cleared through CDP, having a specified office outside of the United Kingdom and (v) a Calculation Agent where the Conditions so require.

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 16.

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Note is exchanged for definitive Notes or, as the case may be, the Global Certificate is exchanged for definitive Certificates, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that the Global Note is exchanged for definitive Notes or, as the case may be, the Global Certificate is exchanged for definitive Certificates, announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes or, as the case may be, definitive Certificates, including details of the Singapore agent.

The Agency Agreement may be amended by the Issuer, the Trustee and the Agents without the consent of any Noteholder or Couponholder, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the Issuer, the Trustee and the Agents may mutually deem necessary or desirable and which is not, in the opinion of the Issuer or the Trustee (and the Trustee shall be entitled to rely on an expert opinion for this purpose), materially prejudicial to the interests of the Noteholders and Couponholders.

(e) Unmatured Coupons

(i) Bearer Notes which comprise Fixed Rate Notes and Hybrid Notes should be surrendered for payment together with all unmatured Coupons (if any) relating to such Notes (and, in the case of Hybrid Notes, relating to interest payable during the Fixed Rate Period), failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within the prescription period relating thereto under Condition 9.

(ii) Subject to the provisions of the relevant Pricing Supplement upon the due date for redemption of any Floating Rate Note, Variable Rate Note or Hybrid Note, unmatured Coupons relating to such Note (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period) (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Where any Bearer Note comprising a Floating Rate Note, Variable Rate Note or Hybrid Note is presented for redemption without all unmatured Coupons relating to it (and, in the case of the Hybrid Note, relating to interest payable during the Floating Rate Period), redemption shall be made only against the provision of such indemnity as the Issuer may require.

(iv) If the due date for redemption or repayment of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate.

(f) Non-business days

Subject as provided in the relevant Pricing Supplement and/or in these Conditions, if any date for the payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay.

(g) Default Interest

If on or after the due date for payment of any sum in respect of the Notes, payment of all or any part of such sum is not made against due presentation of the Notes or, as the case may be, the Coupons, the Issuer shall pay interest on the amount so unpaid from such due date up to the day of actual receipt by the relevant Noteholders or, as the case may be, Couponholders (as well after as before judgment) at a rate per annum determined by the

Issuing and Paying Agent to be equal to two (2) per cent. per annum above (in the case of a Fixed Rate Note or a Hybrid Note during the Fixed Rate Period) the Interest Rate applicable to such Note, (in the case of a Floating Rate Note or a Hybrid Note during the Floating Rate Period) the Rate of Interest applicable to such Note or (in the case of a Variable Rate Note) the variable rate by which the Agreed Yield applicable to such Note is determined or, as the case may be, the Rate of Interest applicable to such Note, or in the case of a Zero-Coupon Note, as provided for in the relevant Pricing Supplement. So long as the default continues then such rate shall be re-calculated on the same basis at intervals of such duration as the Issuing and Paying Agent may select, save that the amount of unpaid interest at the above rate accruing during the preceding such period shall be added to the amount in respect of which the Issuer is in default and itself bear interest accordingly. Interest at the rate(s) determined in accordance with this paragraph shall be calculated on the Day Count Fraction specified hereon and the actual number of days elapsed, shall accrue on a daily basis and shall be immediately due and payable by the Issuer.

8. TAXATION

(a) Payment after Withholding

All payments in respect of the Notes and Coupons by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of Bermuda, Hong Kong, Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Bearer Note or Coupon presented (or in respect of which the Certificate representing it is presented) for payment:

(i) held by or on behalf of a holder which is liable to such Taxes by reason of its having some connection with the jurisdiction by which such Taxes have been imposed, levied, collected, withheld or assessed other than the mere holding of the Notes or Coupon or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority which such holder is legally capable and competent of making but fails to do so; or

(ii) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

(b) Interpretation

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders in accordance with Condition 16 that, upon further presentation of the Bearer Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Redemption Amounts, Early Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6, "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 and any reference to "**principal**" and/or "**premium**" and/or "**Redemption Amounts**" and/or "**interest**" and/or "**Early Redemption Amounts**" shall be deemed to include any additional amounts which may be payable under these Conditions.

9. PRESCRIPTION

The Notes and Coupons shall become prescribed or void unless presented for payment within three (3) years from the appropriate Relevant Date for payment.

10. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may (but is not obliged to), if it has been indemnified and/or secured and/or pre-funded by the Noteholders to its satisfaction, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, give notice in writing to the Issuer that the Notes are immediately repayable, whereupon the Redemption Amount of such Notes or (in the case of Zero-Coupon Notes) the Early Redemption Amount of such Notes together with accrued interest to the date of payment shall immediately become due and payable:

(a) the Issuer does not pay any sum payable by it under any of the Notes or the Transaction Documents (as defined in the Trust Deed) when due and such default continues for a period of three (3) business days after the due date;

(b) the Issuer fails to perform or comply with any one or more of its obligations, (other than the payment obligation referred to in Condition 10(a)) under any of the Transaction Documents (as defined in the Trust Deed) or any of the Notes, and if in the opinion of the Trustee that the default is capable of remedy, it is not remedied within 15 business days of its occurrence;

(c) any representation, warranty or statement made by the Issuer in the Transaction Documents or any of the Notes or in any document delivered under the Transaction Documents or any of the Notes is not complied with in any respect or is or proves to have been incorrect in any respect when made or deemed repeated, and if in the opinion of the Trustee that the non-compliance is capable of remedy, it is not remedied within 15 business days of its occurrence;

(d) (i) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries in respect of borrowed money is or is declared to be or is capable of being rendered due and payable prior to its stated maturity or any such indebtedness of the Issuer or any of its Principal Subsidiaries in respect of borrowed money is not paid when due or, as the case may be, within any applicable grace period in any agreement relating to that indebtedness; or

(iii) the Issuer or any of its Principal Subsidiaries fails to pay when properly called upon to do so, any amount payable by it under any guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that no Event of Default will occur under this Condition 10(d) unless and until the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(d) have occurred equals or exceeds HK$40.0 million or its equivalent in other currencies;

(e) (i) the Group ceases or threatens to cease to carry on all or any material part of its distribution and investment businesses, or (ii) the Issuer or any of the Principal Subsidiaries disposes or threatens to dispose of all or any material part of its property or assets (in each case, otherwise than for the purposes of such a consolidation, amalgamation, merger or reconstruction as stated in Condition 10(f) or as permitted under Clause 16(ee) of the Trust Deed);

(f) any meeting is convened, or any petition or originating summon is presented or an order is made, an effective resolution is passed or, as the case may be, an application or petition is made by the Issuer or any of its Principal Subsidiaries, for the winding-up of the Issuer or any of its Principal Subsidiaries (except, in the case of the Principal Subsidiaries only, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation not involving bankruptcy or insolvency or on terms approved by the Trustee or by Noteholders by way of an Extraordinary Resolution before that event occurs) or for the appointment of a liquidator (including a provisional liquidator), receiver, judicial manager, trustee, administrator, agent or similar officer of the Issuer or any of its Principal Subsidiaries or over a material part of the assets of the Issuer or any of its Principal Subsidiaries;

(g) the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or a particular type of) its indebtedness, begins negotiations or takes any other proceeding for the deferral, rescheduling or other readjustment of all or a material part of (or a particular type of) its indebtedness (or of any part which it will or might otherwise be unable to pay when due) proposes or makes a general assignment or an arrangement or scheme or composition with or for the benefit of its creditors or a moratorium is agreed or declared in respect of or affecting all or a material part of (or of a particular type of) its indebtedness;

(h) a distress, attachment or execution or other legal process is levied, enforced or sued out on or against a material part of the properties or assets of the Issuer or any of its Principal Subsidiaries and is not removed, dismissed, discharged or stayed within 21 days;

(i) any security on or over the whole or any material part of the assets of the Issuer or any of its Principal Subsidiaries becomes enforceable or any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person);

(j) any step is taken by any agency with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries;

(k) any action, condition or thing (including the obtaining of any necessary consent) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under each of the Transaction Documents and the Notes, (ii) to ensure that those obligations are valid, legally binding and enforceable, (iii) to ensure that those obligations rank and will at all times rank in accordance with Condition 2 or (iv) to make the Transaction Documents and the Notes admissible in evidence in the courts of Singapore is not taken, fulfilled or done, or any such consent ceases to be in full force and effect without modification or any condition in or relating to any such consent is not complied with (unless that consent or condition is no longer required or applicable);

(l) it is or will become unlawful or illegal for the Issuer to observe, perform or comply with any one or more of its obligations under the Notes or any Transaction Document to which the Issuer is a party;

(m) (i) if any Transaction Document to which it is a party or the Notes ceases or is claimed by the Issuer to cease at any time and for any reason to constitute legal and valid obligations of the Issuer, binding upon it in accordance with its terms; or

(ii) any applicable law, directive, order or judgment is enacted, promulgated or entered, the effect of which would be to render any Transaction Document to which the Issuer is a party unenforceable;

(n) any litigation, arbitration or administrative proceeding (other than a petition or originating summon of a frivolous or vexatious nature which is discharged or stayed within 21 days of its commencement) is current or pending against the Issuer or any of its Principal Subsidiaries (i) to restrain the entry into, exercise of any of the rights and/or the performance or enforcement of or compliance with any of the obligations of the Issuer under the Transaction Documents to which it is a party or any of the Notes or (ii) which has or is likely to have a material adverse effect on the Issuer or the Group, taken as a whole;

(o) any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in Conditions 10(e), (f), (g), (h), (i) or (j); or

(p) the Issuer or any of its Principal Subsidiaries is declared by the Minister of Finance to be a declared company under the provisions of Part IX of the Companies Act (as defined in the Trust Deed).

In these Conditions:

"**Principal Subsidiaries**" means any subsidiary of the Issuer whose:

(i) total revenue, as shown by the accounts of such subsidiary (consolidated in the case of a subsidiary which itself has subsidiaries), based upon which the latest audited consolidated accounts of the Group (as defined in the Trust Deed) have been prepared, are at least 10 per cent. of the total revenue of the Group as shown by such audited consolidated accounts; or

(ii) total assets, as shown by the accounts of such subsidiary (consolidated in the case of a subsidiary which itself has subsidiaries), based upon which the latest audited consolidated accounts of the Group have been prepared, are at least 10 per cent. of the total assets of the Group as shown by such audited consolidated accounts,

provided that if any such subsidiary (the "**transferor**") shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another subsidiary or the Issuer (the "**transferee**") then:

(I) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary; and

(II) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary.

Any subsidiary which becomes a Principal Subsidiary by virtue of (I) above or which remains or becomes a Principal Subsidiary by virtue of (II) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the revenue and asset of the relevant subsidiary as shown by the accounts of such subsidiary (consolidated in the case of a subsidiary which itself has subsidiaries) or the date of issue of a report by the auditors described below (whichever is earlier), based upon which such audited consolidated accounts or, as the case may be, auditors' report have been prepared, to be less than 10 per cent. of the total revenue or total assets of the Group, as shown by such audited consolidated accounts or, as the case may be, auditors' report. A report by the auditors, who shall also be responsible for producing any pro-forma accounts required for the above purposes, that in their opinion a subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive; and

"**subsidiary**" means any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards.

11. ENFORCEMENT

At any time after the Notes shall have become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment of the Notes, together with accrued interest, but it shall not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Notes outstanding or so directed by an Extraordinary Resolution, and (b) it shall have been indemnified and/or secured and/or pre-funded by the Noteholders to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

12. MEETING OF NOTEHOLDERS AND MODIFICATIONS

(a) The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes) or any of the provisions of the Trust Deed.

(b) The Trustee or the Issuer at any time may, and the Trustee upon the request in writing at the time after any Notes of any Series shall have become repayable due to default by Noteholders holding not less than 10 per cent. in principal amount of the Notes of any Series for the time being outstanding shall, convene a meeting of the Noteholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders of the relevant Series, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates of interest or the basis for calculating any amount of interest in respect of the Notes, (iv) to vary the currency or currencies of payment or denomination of the Notes, (v) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution or (vii) to vary any method of, or basis for, calculating the Redemption Amount or the Early Redemption Amount including the calculation of the Amortised Face Amount, will only be binding if passed at a meeting of the Noteholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

(c) The Trustee may (and is entitled to rely, at the expense of the Issuer, on external legal, financial or other professional advice or opinion for this purpose) agree, without the consent of the Noteholders or Couponholders, to any modification (subject to certain exceptions mentioned in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification, waiver or authorisation which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of Bermuda law or, as the case may be, Singapore law or is required by Euroclear and/or Clearstream, Luxembourg and/or CDP and/or any other clearing system in which the Notes may be held. Any such modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(d) In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

(e) These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(f) For the purpose of ascertaining the right to attend and vote at any meeting of the Noteholders convened for the purpose of and in relation to Conditions 10, 11 and 12 and Clauses 9.2 and 26 of and Schedule 5 to the Trust Deed, those Notes (if any) which are beneficially held by, or are held on behalf of the Issuer, and any of its subsidiaries and not cancelled shall (unless and until ceasing to be so held) be disregarded when determining whether the requisite quorum of such meeting has been met and any votes cast or purported to be cast at such meeting in respect of such Notes shall be disregarded and be null and void.

13. REPLACEMENT OF NOTES AND COUPONS

Should any Note, Certificate or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, at the specified office of (in the case of Bearer Notes and Coupons) the Issuing and Paying Agent or (in the case of Certificates) the Registrar (or at the specified office of such other Issuing and Paying Agent or, as the case may be, Registrar as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to the Noteholders in accordance with Condition 16) upon payment by the claimant of the costs, expenses and duties incurred in connection with the replacement and on such terms as to evidence, undertaking, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate or Coupon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Certificate or Coupon) or otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Certificates or Coupons must be surrendered before replacements will be issued.

14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes of any Series and so that the same shall be consolidated and form a single Series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

15. PROVISIONS RELATING TO THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and to act as trustee of the holders of any other securities issued by, or relating to, the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trust Deed also provides that the Trustee will not be liable for, *inter alia*, any action taken or omitted by it except to the extent that a court of competent jurisdiction determines that the Trustee's gross negligence, wilful default or fraud was the primary cause of any loss, and that each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in this respect thereof.

16. NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes will be valid if published in a leading daily newspaper of general circulation in Singapore (or, if the holders of any Series of Notes can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication will be made in The Business Times. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held in its entirety on behalf of CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspapers the delivery of the relevant notice to (subject to the agreement of CDP) CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg for communication by it to the Noteholders, except that if the Notes are listed on the SGX-ST and the rules of the SGX-ST so require (unless waived by such exchange), notice will in any event be published in accordance with the first paragraph. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relative Note or Notes, with (in the case of Bearer Notes) the Issuing and Paying Agent or (in the case of Certificates) the Registrar. Whilst the Notes are represented by a Global Note or a Global Certificate, such notice may be given by any Noteholder to the Issuing and Paying Agent or, as the case may be, the Registrar through CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg in such manner as the Issuing and Paying Agent or, as the case may be, the Registrar and CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where the identity and addresses of all the Noteholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.

17. GOVERNING LAW

The Trust Deed, the Notes and the Coupons are governed by, and shall be construed in accordance with, the laws of Singapore.

The Issuer agrees that in any legal action or proceedings arising out of or in connection with these Conditions against it or any of its assets, no immunity (sovereign or otherwise) from such legal action or proceedings (which shall include, without limitation, suit, attachment prior to award, other attachment, the obtaining of an award, judgment, execution or other enforcement) shall be claimed by or on behalf of the Issuer or with respect to any of its assets and irrevocably waives any such right of immunity which it or any of its assets now have or may hereafter acquire or which may be attributed to it or any of its assets and consent generally in respect of any such legal action or proceedings to the giving of any relief or the issue of any process in connection with such action or proceedings including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, award or judgment which may be made or given in such action or proceedings

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT (CHAPTER 53B OF SINGAPORE)

No person shall have any right under the Contracts (Rights of Third Parties) Act (Chapter 53B of Singapore) to enforce or enjoy the benefit of any term or condition of this Note.

SINGAPORE ISSUING AND PAYING AGENT, SINGAPORE CALCULATION AGENT, SINGAPORE REGISTRAR AND SINGAPORE TRANSFER AGENT

The Bank of New York Mellon, Singapore Branch
One Temasek Avenue
#03-01 Millenia Tower
Singapore 039192

LONDON ISSUING AND PAYING AGENT AND LONDON CALCULATION AGENT

The Bank of New York Mellon, London Branch
40th Floor, One Canada Square
London E14 5AL
United Kingdom

LUXEMBOURG REGISTRAR AND LUXEMBOURG TRANSFER AGENT

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris
2-4 rue Eugéne Ruppert
L-2453 Luxembourg

THE ISSUER

1. HISTORY AND OVERVIEW

The Group was founded in 1983 and is one of the leading distributors of ICT products in the Group's key markets of Hong Kong, Singapore and Thailand. The Issuer was listed on the Main Board of the Hong Kong Stock Exchange in 1992.

The Group's two principal businesses are the distribution and investment business and the property investment business.

Distribution and Investment Business

Distribution. The distribution business principally comprises the distribution of a wide range of technology products from global brands such as Samsung, Apple, Lenovo, Asus, IBM, Hewlett-Packard, Microsoft and Blackberry, including, among others, consumer electronic products, computer systems, networking products, notebooks, tablets, software, smartphones and mobile software and solutions.

The Group distributes these ICT products to its extensive network of resellers, including telecommunications operators, major IT superstores, retail outlets, value-added resellers, corporate dealers, system integrators, solutions providers and mobile phone retail outlets. The Group and its associates have established distribution centres in Hong Kong, Singapore and Thailand, which are its principal distribution markets, and also have distribution arrangements with resellers in other countries in the Asia-Pacific region, including Indonesia and the Philippines.

During its 30 years of operations, the Group has been able to source innovative technology products and introduce such products into its key distribution markets, creating consumer awareness and market demand. For example, the Group was one of the first distributors of *3Com* network products and *WordPerfect* software in the 1980s, followed by the introduction of D-Link and Linksys products in the 1990s. The Group was also one of the pioneers in the distribution of smartphones to the Hong Kong, Singapore and Thailand markets in the early 2000s, starting with exclusive distribution arrangements for *O2* smartphones and HTC mobile products. The Group believes that one of the key drivers of its success is its ability to identify innovative products with potential for high customer demand with reference to corporate requirements and consumer trends at different times.

The Group intends to focus on expanding its product offering and distribution of technology-based products in its existing markets, increasing its market share and improving its positioning in those markets, as well as to establish business operations in selected emerging Asian markets which the Group believes to have high growth potential.

Investment. The Group selectively evaluates promising businesses and investment opportunities with the benefit of its extensive experience in the distribution industry and network of resellers, and invests in businesses which it believes to be synergistic or complementary to its existing businesses, offer innovative products or solutions or otherwise have significant growth potential. In line with the Group's strategy to promote the growth of its investee companies through leveraging the Group's management and financial resources, the Group actively seeks and evaluates opportunities with a view towards expanding its distribution business and increasing its market coverage. The Group generally makes its investments with a long-term view, and participates in the management of its investments where scale efficiencies may be gained through leveraging the existing resources and expertise of the Group, including its distribution platform and network, to optimise investment returns for the Group and the investee companies. The Group has also previously exited from its investments through trade sales or through initial public offerings. As at the date of this Information Memorandum, the Group's investment portfolio comprises strategic investments in SiS Thailand, an ICT distribution company listed on the Stock Exchange of Thailand, and ITCL, a provider of payment gateway services and one of the leading providers of ATMs in Bangladesh.

Going forward, the Group intends to continue to expand its distribution businesses through, among others, selective acquisitions of strategic investments and intends to focus on selectively identifying potential investments in companies operating in emerging markets in the Asia-Pacific region.

Property Investment Business

The Group has gradually expanded its business to include property investments in Hong Kong, Singapore and Japan, with a focus on commercial, office, mixed-use and hotel properties. Historically, the expansion of the Group into the property investment business was principally for the purposes of achieving stable returns on its cash reserves. Following the disposal by the Group of its IT businesses in Hong Kong, Singapore and Malaysia in early 2011, the Group decided to expand its property investment business into a standalone business, in order to capitalise on high rental yields and potential capital returns on real estate investments. At present, the Group focuses on real estate investments comprising developed properties with attractive valuations in developed economies in the Asia-Pacific. Going forward, the Group may also selectively evaluate and invest in property investments in Europe.

One of the Group's principal property investments is the Rinku Gate Tower Building, which was acquired in December 2012. The Rinku Gate Tower Building is a 256-metre (840 foot) tall skyscraper located in Rinku Town, Izumisano, Osaka, Japan. Completed in August 1996, the 56-storey building is currently the second tallest building in Japan, after the Yokohama Landmark Tower *(Source: Japan National Tourism Organisation, 9 October 2013).* The Rinku Gate Tower Building is a mixed-use development offering office and hotel space and includes an international convention centre, which is linked to the Kansai International Airport. As is customary in the Japanese real estate sector for foreign-owned real estate investments, the Group holds its beneficial interests in the Rinku Gate Tower Building through a Japanese beneficial trust structure for tax efficiency purposes.

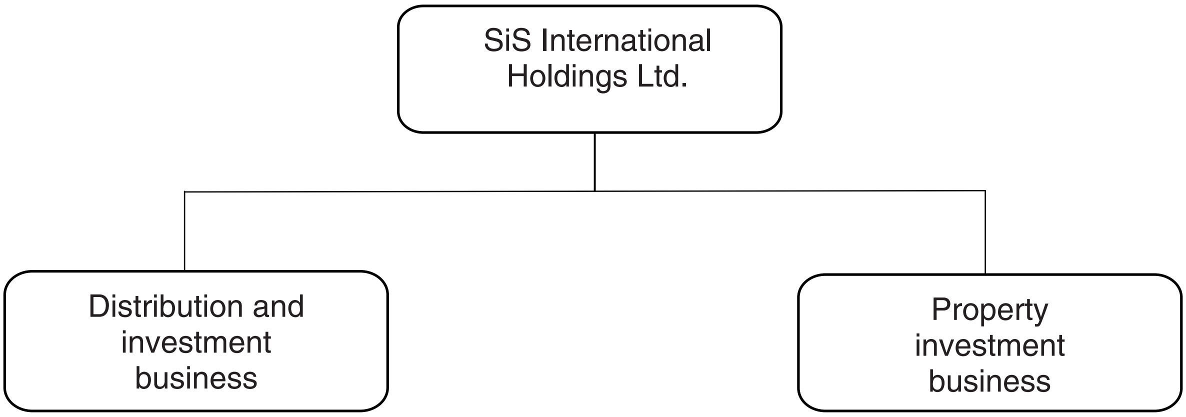
In September 2013, the Group entered into an agreement for the Hotel Acquisition. These properties are Toyoko Inn Naha Asahi-bashi Ekimae, Toyoko Inn Kanazawa Kenrokuen Korinbo, Toyoko Inn Shonan Hiratsuka-eki Kitaguchi No.1, Toyoko Inn Niigata Furumachi and Toyoko Inn Tokushima Ekimae, and are operated by a common tenant operating under the Toyoko Inn brand, pursuant to five lease agreements with a remaining average unexpired term of 20 years. The Hotel Acquisition was completed on 31 October 2013. These hotel properties are also principal investments of the Group.

As at the date of this Information Memorandum, the Group's property investment portfolio comprises investment properties located in Hong Kong, Singapore and Japan, including commercial, office, mixed-use, hotel and residential properties. See "*Business – Property Investment Business*" for more information on the Group's property investment portfolio.

The Group's business may shift significantly over time to adapt to market changes and developments in the Asian region. For example, in order to leverage the Group's existing distribution platform, the Group may expand its distribution product offering and coverage, or selectively invest in distribution companies with activities complementary to those of the Group to include other global brands and product lines, with a view towards long-term integration and diversification of the Group's distribution operations. The Group will also continue to explore opportunities to expand its property investment business, including exploring investment opportunities in property development projects, in each case with a view towards stable cash flows and rental yields on its reserves, as well as capital growth and appreciation in the long-term. Potential investors should note that the Group retains the flexibility to change the focus and subject-matter of its businesses, its product offerings and investment portfolios and there can be no assurance that the Group may not, in the future, discontinue or reduce focus on its business of distributing ICT products or reduce its ICT-related investments in favour of expanding its distribution of other product lines or investing in other investment opportunities that the Group believes will be a more efficient use of its resources in the long-term. Please refer to the risk factor "*The Group's business is subject to significant evolvement in order to remain competitive and there is no assurance that the Group's main business and operational focus will continue to be on its current business operations*" on pages 71 and 72 of this Information Memorandum for more details on the risks associated with any change of the risk and investment profile of the Group.

2. **GROUP STRUCTURE**

The corporate structure of the Group's key operating subsidiaries and associated companies (including shareholding percentages) as at the Latest Practicable Date is as follows:



Distribution and investment business:

Synergy Technologies (Asia) Ltd. (100.0%)

Qool Labs Pte. Ltd. (100.0%)

SiS Distribution (Thailand) Public Co. Ltd (listed in Thailand) (47.3%)

Information Technology Consultants Ltd. (43.6%)

Property investment business:

SiS HK Ltd. (100.0%)

QR Capital Ltd. (100.0%)

Gain Best Ltd. (100.0%)

TMK SSG8 (100.0%)

SiS Japan Inn TMK (100.0%)

3. **BUSINESS**

A. **Distribution and Investment**

Distribution. The current strategic focus of the Group and its associates is on increasing their share in the principal markets for ICT distribution, namely, Hong Kong, Singapore and Thailand.

Going forward, the Group will continue to focus on expanding and developing its vendors and resellers network and its product offerings. The Group seeks to identify key corporate, consumer, and industry trends with the objective of sourcing innovative products which it believes will attract significant customer demand as the ICT industry continues to develop and evolve.

Vendor representations. The Group currently represents and distributes global and well-established brands, including Samsung, Apple, Lenovo, Asus, IBM, Hewlett-Packard, Microsoft and Blackberry. The Group identifies and selects vendors of high-technology product lines which are established brand names, or which it believes will gain in popularity and enjoy significant customer demand in the future. The Group generally enters into agreements with its major vendors for the distribution of specified products or product ranges in a designated territory. These agreements are typically expressed to be renewed upon expiry either automatically or by mutual agreement between the parties. The Group resells these products at the distribution prices recommended by such vendors, and generally seeks to obtain certain price protections from vendors in order to minimise exposure to any price adjustments. These price protections may be contractual or negotiated on a case-by-case basis, and typically comprise either direct financial compensation, future product discounts or purchase subsidies. In the event of revisions to recommended distribution prices or the announcement of new product releases, vendors may also voluntarily offer subsidies or other monetary incentives or awards as compensation to the Group.

Sales channels. The Group believes that it has extensive ICT reseller channel networks in Asia. This typically comprises telecommunications operators, major IT superstores, retail outlets, value-added resellers, corporate dealers, system integrators, solutions providers and mobile phone retail outlets. In general, the Group does not enter into supply agreements with its customers except for certain telecommunications operators, major IT superstores and corporate dealers. With respect to each of its customers, the Group has a defined credit policy, and typically carries out credit evaluations when determining whether to extend credit to such customers.

Selling and distribution. The Group operates warehousing and distribution centres in its principal locations, and provides timely deliveries through its extensive network of resellers.

Awards and Achievements. The Group and its associates have been awarded certain performance-based accolades by its vendors, including the following:

Year	Award
2007	IBM - Asia Pacific Business Partner Excellence
2008	IBM - Best of the Best Distributor
2009	Canon - Top Distributor Printers, All-in-Ones
2009	Microsoft - Best Distributor of the Year
2010	CISCO - Best Year-on-Year Growth Distributor
2010	IBM - Top Performer System X Distributor
2011	Hewlett-Packard - Best Distributor Outstanding Overall ESSN Achievement
2011	IBM - Top Performer System X Distributor
2012	Hewlett-Packard - Best Distributor Enterprise Group
2012	Microsoft - Outstanding Contribution Award

Investment. The Group seeks to invest in companies which it believes to be high-potential investment opportunities, complementary to its current businesses, or where it believes that the underlying business or product has high growth or profit potential. The Group takes a more active role in the management of investment companies which would benefit from access to the Group's resources and distribution and resale platforms. As at the date of this Information Memorandum, the Group's two major strategic investments comprise a 47.3% equity stake in SiS Thailand and a 43.6% equity interest in ITCL.

The following table sets forth a summary description of the Group's strategic interests in its main investment portfolio companies as at the date of this Information Memorandum:

Name of Company	Location	Description of Principal Business	Percentage of issued equity held by the Issuer as at the Latest Practicable Date (%)
SiS Distribution (Thailand) Public Co. Ltd	Thailand	ICT distribution and services	47.3
Information Technology Consultants Ltd	Bangladesh	Provision of payment gateway services and ATMs	43.6

SiS Thailand. In 2000, the Group acquired a majority equity interest in SiS Thailand, which became a subsidiary of the Group. In connection with the initial public offering of SiS Thailand on the Stock Exchange of Thailand in 2004 and to comply with applicable laws, the Group made a partial divestment of its equity interest in SiS Thailand and recognised a gain on such disposal, and SiS Thailand became an associated company of the Group.

ITCL. In 2010, the Group made its initial investment in ITCL, which is a provider of payment gateway services and one of the leading providers of ATMs in Bangladesh. Between 2010 and March 2013, the Group made additional equity investments in ITCL, increasing its aggregate equity interest in ITCL to approximately 43.6% as at 30 June 2013. The financial results of ITCL were consolidated as a subsidiary of the Group with effect from 7 March 2013 due to the majority board representation of the Group.

The Group's investment decisions are typically made by the Group's management team comprising the executive directors of the Issuer, who are also its founders and controlling shareholders. The Group's management team is actively involved in all aspects of the investment evaluation and decision-making processes. In general, the Group's strategic investments are characterised by the following key attributes:

(1) the underlying business of the investee company is complementary to the Group's existing businesses or otherwise has synergistic benefits, as in the case of SiS Thailand, which expanded the Group's outreach into the ICT distribution market in Thailand;

(2) the Group believes that the underlying business of the investee company has high potential for revenue or income growth, driven by factors such as potential customer demand, or (where such business is targeted at a developing market) significant development potential. For example, the Group believes that ITCL's core business as a private ATM provider in Bangladesh provides stable cash flows to fund its development of payment gateway services, with both businesses positioned to benefit from potential economic and income growth within the country; and

(3) the Group believes that the experience and expertise of its management team and the Group's resources and distribution platform will create significant value for the investee company or offer other synergistic benefits to the Group, which may be monetised on exit.

The Group generally undertakes its investments with a long-term view. Given the strategic nature of such investments, the Group may elect to realise part of its investment, rather than fully exiting from the investment, such as in the case of SiS Thailand, where the Group has continued to maintain a substantial equity interest of approximately 47.3% as at the date of this Information Memorandum.

B. Property Investment

The Group's property investment business principally comprises commercial, office, mixed-use, hotel and residential real estate investments in developed economies with strong historical growth performance, such as Hong Kong, Singapore and Japan. The Group typically seeks to invest in property investments at attractive valuations on a long-term basis, and to generate lease and rental income from its property investment portfolio.

In line with the Hong Kong financial reporting standards, the Group values its portfolio property investments based on fair market value, and recognises any increases or declines in the value of its portfolio property investments in its financial statements. In the last two years, the Group recorded valuation gains on its investment properties due to price appreciation.

In December 2012, the Group acquired all of the trust beneficial interests in the Rinku Gate Tower Building, a 56-storey mixed-use development, comprising office and hotel space and an international convention center located in Izumisano, Japan.

In October 2013, the Group acquired all of the trust beneficial interests in five hotel properties located in five cities in Japan, namely, Naha, Kanazawa, Hiratsuka, Niigata and Tokushima.

As is customary in the Japanese real estate sector, the Group's interests in its Japanese portfolio investment properties are held through beneficial trust structures, with the Group being entitled to 100% of the beneficial interest in these properties.

The following table sets forth a summary of the Group's current portfolio property investments as at the date of this Information Memorandum:

Mixed-use Properties

Property	Location	Acquisition Date	Lease Terms	Gross Floor Area
Rinku Gate Tower Building*	Japan	December 2012	Medium term	102,924 square metres

**Held through a beneficial trust structure customarily used in Japan for tax efficiency.*

Hotel Properties

The following table sets forth a summary description of the properties acquired by the Group on 31 October 2013:

Property	Location	Acquisition Date	Lease Terms	Gross Floor Area
Toyoko Inn Naha Asahi-bashi Ekimae*	Japan	October 2013	Freehold	6,449 square metres
Toyoko Inn Kanazawa Kenrokuen Korinbo*	Japan	October 2013	Freehold	10,183 square metres
Toyoko Inn Shonan Hiratsuka-eki Kitaguchi No. 1*	Japan	October 2013	Partly freehold and partly medium-term lease	7,484 square metres
Toyoko Inn Niigata Furumachi*	Japan	October 2013	Freehold	4,392 square metres
Toyoko Inn Tokushima Ekimae*	Japan	October 2013	Freehold	2,876 square metres

**Held through a beneficial trust structure customarily used in Japan for tax efficiency.*

Commercial/Office Properties

Property	Location	Acquisition Date	Lease Terms	Gross Floor Area
8/F Far East Finance Centre	Hong Kong	March 2000	Long term	10,800 square feet
8/F 9 Queen's Road Central	Hong Kong	January 2010	Long term	13,721 square feet
23/F United Centre	Hong Kong	November 2010	Long term	20,489 square feet
1101 Eastern Harbour Centre	Hong Kong	June 2007	Medium term	2,632 square feet
1705 Eastern Harbour Centre	Hong Kong	January 2007	Medium term	2,997 square feet
1706 Eastern Harbour Centre	Hong Kong	June 2007	Medium term	1,397 square feet
705 New Treasure Centre	Hong Kong	April 2008	Medium term	1,530 square feet
706 New Treasure Centre	Hong Kong	April 2008	Medium term	1,231 square feet
707 New Treasure Centre	Hong Kong	April 2008	Medium term	1,265 square feet
#11-07/23 Maxwell House	Singapore	1998	Long term	438 square metres

Residential Properties

Property	Location	Acquisition Date	Lease Terms	Gross Floor Area
#01-08 Dalvey Estate	Singapore	April 2007	Freehold	112 square metres
#03-07 Dalvey Estate	Singapore	March 2007	Freehold	86 square metres
7B Ming Kung Mansion	Hong Kong	December 2009	Long term	675 square feet

Except for two commercial and five hotel properties which are currently mortgaged as security for the Group's existing bank facilities, no other security interests have been granted over the Group's property investments, which are freely transferable and to which the Group holds legal or equitable title, as the case may be.

The Group's objectives for its property investment business include the following:

(i) *Optimising capital investment returns.* The Group aims to maximise returns on its cash reserves through selecting and identifying attractive real estate investments in mature economies with historically stable growth performance. The Group expects that the property investment business will realise gains on disposal of property investments at a premium above their historical acquisition cost.

(ii) *Optimising yield.* The Group manages its property portfolio investments with the objective of achieving regular rental yields, which was the basis on which the Group acquired the five hotel properties in the Hotel Acquisition. The Group receives regular rental income from its five hotel properties, regardless of the occupancy rate of the hotels.

4. BUSINESS STRATEGIES

The Group's business strategies and future plans for the growth and expansion of its business are as follows:

- Expand the distribution business in existing markets through leveraging the network and expertise of the Group
- Develop the distribution business in high-growth Asian developing economies
- Increase vendor and brand representation in the distribution business
- Broaden reseller and distribution network to strengthen market competitiveness
- Maximise return and value from investments
- Capitalise on attractive real estate investment opportunities

A. Expand the distribution business in existing markets through leveraging the network and expertise of the Group

The Group has one of the most extensive distribution networks in the region. This is essential to building new vendor relationships in order to expand the Group's product offering, and continuing to grow its distribution channel network.

The Group intends to focus on expanding its distribution network in its existing markets of Hong Kong, Singapore and Thailand. In order to increase market share, the Group focuses on broadening distribution coverage and its product offering, so as to achieve growth in its established markets.

B. Develop the distribution business in high-growth Asian developing economies

In order to remain competitive, it is essential that the Group continues to monitor events and developments in various Asian countries and evaluate the viability of entering new Asian markets on an ongoing basis, taking into account business, economic and legal considerations, as well as associated business costs. Any decision by the Group to establish a presence in a new market is dependent on considerations including macroeconomic and microeconomic factors, country-specific considerations, customer trends and disposable income and industry events and developments. However, the Group believes that it is well-positioned to achieve further growth in its distribution business in new and emerging markets, due to its historical operating track record and reputation in the business.

C. Increase vendor and brand representation in the distribution business

Going forward, the Group intends to focus on expanding its vendor and brand representation and continue to bring in innovative products and global brands, through initiatives designed to improve delivery lead times and to derive scale economies.

D. Broaden reseller and distribution network to strengthen market competitiveness

As an integral part of its business strategy, the Group will continue to emphasise and encourage active analysis and evaluation of customer and industry trends and preferences, in order to expand its reseller and distribution network.

The Group believes that its success in developing and growing the distribution business is attributable to its distribution coverage, as it facilitates access to a wide variety and number of resellers in an efficient manner, which is essential in promoting customer awareness of the vendors' products. The Group has also established relationships with distributors in other Asia-Pacific markets, through which it can facilitate instant introduction of vendors' products in other countries where it has access to such distribution channels.

With its established vendor relationships, industry status, and distribution network, the Group is advantageously positioned to identify new products with potential for high customer demand and introduce them in its existing and emerging new markets.

E. Maximise return and value from investments

The Group believes that the expertise and experience of its management team is instrumental in enabling it to evaluate the potential of available investment opportunities, and to maximise return and value through participation in the development of such businesses and effective leverage and utilisation of the Group's extensive network of vendors and resellers as well as financial and other business and management resources. In addition, the Group's ability and willingness to invest in high-potential business enterprises on a long-term basis and to leverage its resources to support the development of such investee companies, has been key to its creation of value in its investment business.

F. Capitalise on attractive real estate investment opportunities

The Group selectively identifies and invests in real estate properties. Going forward, the Group intends to focus on investment opportunities in the commercial, office and hotel sectors such as in Japan and Europe, which it believes will provide stable cash flow yields or have potential for capital appreciation. The Group's investment strategy for its property business principally focuses on long-term investments in properties with potentially significant capital appreciation, and the Group expects to monetise such investments when suitable or attractive opportunities arise.

5. COMPETITIVE STRENGTHS

The Group believes that it possesses the following competitive strengths:

- Established track record and reputation
- Extensive management experience and expertise
- Prudent financial management
- Established long-term vendor relationships as a reliable partner for major international vendors

A. Established track record and reputation

The Group has been engaged in the distribution of ICT products since 1983 in the Asia-Pacific region and has achieved significant industry brand awareness. The established track record and reputation of the Group is key to its ability to have access to popular products and vendors and to offer such products to its customer network ahead of other distributors. The longstanding reputation and track record of the Group as one of the leading distributors in the Group's key markets of Hong Kong, Singapore and Thailand is key to establishing new vendor relationships.

B. Extensive management experience and expertise

The management team of the Group comprises its founding shareholders who have accumulated over 30 years of experience and expertise, and are responsible for major decision-making with respect to the Group. The active involvement of the Group's management team is a key factor underpinning the Group's continued success in its distribution operations. The Group believes that the expertise and familiarity of the Group's management team with market conditions, consumer preferences and concerns, and historical trends in product life cycles, enable the Group to effectively reduce business risks in decisions such as product selection, which are generally subjective in nature.

C. Prudent financial management

The Group adopts a conservative approach to financial management, and this is considered essential to its continued successful operations in the distribution industry, which is generally characterised by extreme volatility and fluctuation in customer demand. The Group's prudent cash management policy and profitable operations are key to the operational stability of the Group and maintaining its good standing and credit reputation with vendors.

D. Established long-term vendor relationships as a reliable partner for major international vendors

The Group has established long-term relationships with major vendors of global brands. The Group's ability to maintain its relationships with major vendors is integral to maintaining its reputation and status as a long-term and extensive distribution partner.

6. BOARD OF DIRECTORS

Mr Lim Kia Hong
Chairman and Chief Executive Officer

Mr Lim is one of the founding shareholders of the Group and is responsible for the corporate planning and charting the strategic direction of the Group. Mr Lim graduated from the University of Washington with a bachelor's degree in business administration. Together with a team of committed management and staff, Mr Lim is credited with the success of transforming the Group from a small privately-owned family business in Singapore to one of the leading distributors of ICT products in the Group's key markets of Hong Kong, Singapore and Thailand and a publicly listed company on the HKSE.

Mr Lim Kiah Meng
Vice-Chairman and Executive Director

Mr Lim joined the Group in 1986 and is responsible for leading the strategic direction and day-to-day operations of the Group in Asia. Mr Lim holds a bachelor's degree in commerce from Nanyang University, Singapore and a master's degree in international management from the American Graduate School of International Management. Prior to joining the Group, Mr Lim had six years of experience in the finance and banking sector.

Mr Lim Hwee Hai
Executive Director

Mr Lim is one of the founding shareholders of SiS, and is responsible for the Group's operations and businesses in Malaysia, Thailand and the Asia-Pacific region. Mr Lim holds a bachelor's degree in commerce from Nanyang University, Singapore and a master's degree in business administration from the National University of Singapore. Prior to joining the Group, Mr Lim had six years of experience in the finance and banking sector. He has over twenty years of experience in the IT industry.

Madam Lim Hwee Noi
Executive Director

Madam Lim joined the Group in 1983 and is the Finance Director of the Group. Madam Lim holds a bachelor's degree in commerce from Nanyang University, Singapore. She has been a certified public accountant in Singapore for more than thirty years.

Mr Lee Hiok Chuan
Independent Non-Executive Director

Mr Lee joined the Group in 1992 and is an investment advisor in Hong Kong. Mr Lee has over forty years of experience in the finance and banking sector in Hong Kong.

Ms Ong Wui Leng
Independent Non-Executive Director

Ms Ong joined the Group in 2004 and has more than ten years of experience in corporate banking and another nineteen years of experience in corporate finance and management. Ms Ong graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies and completed her Master of Practising Accounting from Monash University, Australia.

Mr Ma Shiu Sun Michael
Independent Non-Executive Director

Mr Ma joined the Group in 2012 and holds a bachelor's degree in economics from the London School of Economics, University of London, a bachelor's degree in law from the University of Sydney and a postgraduate certificate of laws (P.C.LL) from the University of Hong Kong. He has been a practising lawyer for over 10 years and is currently practising as a partner in a Hong Kong law firm in the areas of commercial and corporate law.

SELECTED FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010, 31 DECEMBER 2011, 31 DECEMBER 2012 AND 30 JUNE 2013

	31 December 2010 HK$'000 (audited) (restated)	31 December 2011 HK$'000 (audited) (restated)	31 December 2012 HK$'000 (audited)	30 June 2013 HK$'000 (unaudited)
Non-current assets				
Investment properties	699,924	835,067	1,212,458	1,181,542
Property, plant and equipment	23,890	21,373	23,572	87,222
Goodwill	0	0	0	4,631
Intangible assets	0	0	0	33,626
Interests in associates	163,206	216,708	141,239	153,411
Interests in a jointly controlled entity/joint venture	17,242	17,887	9,043	9,456
Available-for-sale investments	62,854	107,767	87,163	81,589
Deferred tax assets	0	0	272	0
	967,116	1,198,802	1,473,747	1,551,477
Current assets				
Inventories	139,641	153,257	76,119	158,327
Trade and other receivables, deposits and prepayments	90,720	135,376	194,214	242,238
Derivative financial instruments	0	0	0	5,296
Tax recoverable	31	5	136	144
Investments held-for-trading	45,607	51,937	10,876	10,349
Pledged deposits	0	0	341,189	269,256
Bank balances and cash	59,901	585,398	410,009	351,281
	335,900	925,973	1,032,543	1,036,891
Assets classified as held for sale	1,386,035	0	2,367	0
	1,721,935	925,973	1,034,910	1,036,891
Current liabilities				
Trade payables, other payables and accruals	116,473	151,179	144,157	150,200
Bills payable	0	0	5,107	5,317
Dividend payable	0	0	0	22,163
Deposits received for investment properties held for sale	705	0	0	0
Derivative financial instruments	0	5,429	0	0
Tax payable	8,357	31,542	33,860	27,053
Bank loans	226,176	0	297,000	261,817
	351,711	188,150	480,124	466,550
Liabilities associated with assets classified as held for sale	1,043,476	0	0	0
	1,395,187	188,150	480,124	466,550
Net current assets	326,748	737,823	554,786	570,341
Total assets less current liabilities	1,293,864	1,936,625	2,028,533	2,121,818

	31 December 2010 HK$'000 (audited) (restated)	31 December 2011 HK$'000 (audited) (restated)	31 December 2012 HK$'000 (audited)	30 June 2013 HK$'000 (unaudited)
Non-current liabilities				
Bank loans	0	0	0	851
Deferred tax liabilities	8,842	5,677	0	4,517
Net assets	1,285,022	1,930,948	2,028,533	2,116,450
Capital and reserves				
Share capital	27,235	27,703	27,703	27,703
Share premium	61,129	71,367	71,367	71,367
Reserves	97,481	70,604	47,631	42,576
Retained profits	1,099,177	1,761,274	1,881,832	1,890,748
Equity attributable to owners of the Company	1,285,022	1,930,948	2,028,533	2,032,394
Non-controlling interests	0	0	0	84,056
Total equity	1,285,022	1,930,948	2,028,533	2,116,450

CONSOLIDATED INCOME STATEMENT FOR FY2010, FY2011, FY2012, 6M2012 AND 6M2013

	FY2010 HK$'000 (audited) (restated)	FY2011 HK$'000 (audited) (restated)	FY2012 HK$'000 (audited)	6M2012 HK$'000 (unaudited)	6M2013 HK$'000 (unaudited)
Continuing operations					
Revenue	158,641	1,328,274	2,098,168	1,159,338	754,376
Cost of sales	(138,420)	(1,262,186)	(1,968,406)	(1,102,433)	(683,890)
Gross profit	20,221	66,088	129,762	56,905	70,486
Other income	1,771	13,357	7,545	4,400	10,900
Other gains and losses	12,768	(22,862)	40,881	26,508	(29,416)
Distribution costs	(2,068)	(9,056)	(22,454)	(16,086)	(14,870)
Administrative expenses	(31,408)	(49,520)	(48,965)	(24,464)	(31,892)
Change in fair value of investment properties	109,389	129,550	99,458	5,507	2,098
Share of results of associates	38,584	19,041	(74,835)	(6,737)	24,326
Share of result of a jointly controlled entity/ joint venture	4,230	645	(851)	(503)	413
Finance costs	(594)	(448)	(475)	(104)	(2,435)
Profit before tax	152,893	146,795	130,066	45,426	29,610
Income tax (expense) credit	(4,641)	(1,359)	(2,465)	(2,372)	1,951
Profit for the period from continuing operations	148,252	145,436	127,601	43,054	31,561
Discontinued operations					
Profit for the period from discontinued operations	114,483	0	0	0	0
Gain on disposal of subsidiaries constituting discontinued operations	0	549,885	31,742	0	0
Profit for the period attributable to:					
Owners of the Company	262,735	695,321	159,343	43,054	31,079
Non-controlling interests	0	0	0	0	482
	262,735	695,321	159,343	43,054	31,561

OTHER FINANCIAL DATA

	FY2010 (restated)	FY2011 (restated)	FY2012	6M2012	6M2013
EBITDA[(1)] (from continuing operations) (HK$'000)	153,927	147,853	132,127	46,079[(2)]	36,544[(2)]
EBITDA/Finance Cost[(3)] (times)	259.1	330.0	278.2	443.1[(2)]	15.0[(2)]
Total Debt[(4)] (HK$'000)	226,176	0	302,107	194,378	267,985
Net Debt[(5)] (cash) (HK$'000)	166,275	(585,398)	(449,091)	(727,418)	(352,552)
Total Debt/EBITDA (times)	1.5	0.0	2.3	4.2[(2)]	7.3[(2)]
Net Debt/EBITDA (times)	1.1	net cash	net cash	net cash[(2)]	net cash[(2)]
Net Debt/Total Equity[(6)] (%)	12.9%	net cash	net cash	net cash	net cash

Notes:

(1) "EBITDA" presented has been determined by adjusting the Group's consolidated profit before tax for finance costs and depreciation and amortisation. EBITDA is not a recognised term under HKFRS and should not be considered as an alternative to profit before taxation as an indicator of the Group's operating performance. EBITDA may not be comparable to similar measures presented by other companies.

(2) The EBITDA reflects the results of the Group for the six-month period only.

(3) "Finance Cost" means the consolidated finance costs of the Group.

(4) "Total Debt" means the bank loans and bills payable.

(5) "Net Debt" means the total debt less bank and cash balances and pledged deposits. "Net Cash" means there is excess of bank and cash balances and pledged deposits over total debt.

(6) "Total Equity" means total assets less total liabilities.

6M2013 vs 6M2012

The revenues of the Group decreased by approximately 35% from HK$1,159 million in 6M2012 to HK$754 million in 6M2013, primarily due to keen competition in the competitive mobile product market and partially offset by an increase in revenues from the property investment business as a result of the acquisition of the Rinku Gate Tower Building in December 2012. Gross profit increased by approximately 23% from HK$57 million in 6M2012 to HK$70 million in 6M2013, primarily due to the increase in proportional contributions from the property investment business.

The Group's profit from continuing operations decreased by approximately 26% from HK$43 million in 6M2012 to HK$32 million in 6M2013, primarily due to an unrealised exchange loss of approximately HK$25 million in 6M2013 due to exchange rate fluctuations and partially offset by the Group's share of profits from its associated company, SiS Thailand. In addition, the Group recorded a fair valuation gain of approximately HK$2 million on its property investment portfolio in 6M2013, representing a decrease of HK$3 million compared to 6M2012, primarily due to changes in property values.

As a result of the foregoing reasons, the consolidated net income of the Group decreased by approximately 26% from HK$43 million in 6M2012 to HK$32 million in 6M2013.

FY2012 vs FY2011

The revenues of the Group increased by approximately 58% from HK$1,328 million in FY2011 to HK$2,098 million in FY2012, primarily due to contributions from the smartphones and mobile product distribution business. Gross profit increased by approximately 97% from HK$66 million in FY2011 to HK$130 million in FY2012.

The Group's profit from continuing operations decreased by approximately 12% from HK$145 million in FY2011 to HK$128 million in FY2012, primarily due to the Group's share of losses from its associate, SiS Thailand, as a result of inventory write-downs on mobile phone products and write-offs relating to accounts receivables, as well as increased competition in the ICT distribution market in Thailand. In addition, the Group recorded a fair valuation gain of approximately HK$99 million on its property investment portfolio in FY2012, representing a decrease of HK$30 million compared to FY2011, due to prevailing market valuations and trends at the relevant time.

As a result of the foregoing reasons as well as the IT business divestment in FY2011, the consolidated net income of the Group decreased by approximately 77% from HK$695 million in FY2011 to HK$159 million in FY2012.

FY2011 vs FY2010

In 2011, the Group divested its IT distribution business (comprising three wholly-owned subsidiaries) in Hong Kong, Singapore and Malaysia and recognised disposal gains of approximately HK$550 million. After completion of the IT business divestment, the Group commenced on diversifying and expanding into the distribution of smartphones and mobile products in the Asia-Pacific region, which was believed to be a high-growth market sector.

The revenues of the Group increased by approximately 735% from HK$159 million in FY2010 to HK$1,328 million in FY2011, primarily attributable to increases in sales volumes from its distribution business of smartphones and mobile products. Gross profits increased by approximately 230% from HK$20 million in FY2010 to HK$66 million in FY2011.

Profit from continuing operations decreased slightly by approximately 2% from HK$148 million in FY2010 to HK$145 million in FY2011. The Group also recorded a fair valuation gain of HK$130 million in FY2011 on its property investment portfolio, an increase of approximately 19% as compared to HK$109 million in FY2010.

As a result of the foregoing reasons, the consolidated net income of the Group increased by approximately 164% from HK$263 million in FY2010 to HK$695 million in FY2011.

RISK FACTORS

Prior to making an investment or divestment decision, prospective investors in or existing holders of the Notes should carefully consider all of the information set forth in this Information Memorandum including the risk factors set out below. The risk factors set out below do not purport to be complete or comprehensive of all the risks that may be involved in the businesses of the Issuer and/or the Group or any decision to purchase, own or dispose of the Notes. Additional risks which the Issuer is currently unaware of may also impair the Issuer's business, assets, financial condition, performance or prospects. If any of the following risk factors develops into actual events, the business, assets, financial condition, performance or prospects of the Issuer and/or the Group could be materially and adversely affected. In such cases, the ability of the Issuer to comply with its obligations under the Trust Deed and the Notes may be adversely affected.

LIMITATIONS OF THIS INFORMATION MEMORANDUM

This Information Memorandum does not purport to nor does it contain all information that a prospective investor in or existing holder of the Notes may require in investigating the Issuer or the Group, prior to making an investment or divestment decision in relation to the Notes issued under the MTN Programme. This Information Memorandum is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Notes only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Notes is suitable is a prospective investor's responsibility. Neither this Information Memorandum nor any other document or information (nor any part thereof) delivered or supplied under or in relation to the MTN Programme or the Notes (or any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arrangers or any of the Dealers that any recipient of this Information Memorandum or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Notes. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Issuer or its subsidiaries and/or associated companies, the Arrangers or any of the Dealers or any person affiliated with each of them in connection with its investigation of the accuracy or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision. Any recipient of this Information Memorandum contemplating subscribing for or purchasing or selling any of the Notes should determine for itself the relevance of the information contained in this Information Memorandum and any such other document or information (or such part thereof) and its investment or divestment should be, and shall be deemed to be, based solely upon its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or its subsidiaries and/or associated companies, the Conditions and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax and financial advisers prior to deciding to make an investment in the Notes.

This Information Memorandum contains forward-looking statements. These forward-looking statements are based on a number of assumptions which are subject to uncertainties and contingencies, many of which are outside of the Issuer's control. The forward-looking information in this Information Memorandum may prove inaccurate. Please see the section "*Forward-Looking Statements*" on page 4 of this Information Memorandum.

RISKS ASSOCIATED WITH AN INVESTMENT IN THE NOTES

There is no active trading market for the Notes.

There can be no assurance as to the liquidity of the Notes, or that an active trading market will develop. Therefore, there can be no assurance that Noteholders will be able to sell their Notes nor can they be assured that the Notes can be sold at prices that will provide Noteholders with yields comparable to similar investments that have a developed secondary market. This is particularly applicable to Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Generally, these types of Notes would have a more limited secondary market and be more price-volatile than conventional debt securities. Limited liquidity of the Notes may have a severely adverse effect on the market value of such Notes.

The market value of Notes issued under the MTN Programme may fluctuate.

The value of the Notes may fluctuate as a result of various factors, including (a) the market for similar securities, (b) general economic, political or financial conditions, and (c) the Issuer's and/or the Group's financial condition, results of operations and future prospects. Adverse economic developments, in Singapore, Hong Kong as well as countries in which the Issuer and/or its subsidiaries and/or associated companies operate or have business dealings, could have a material adverse effect on the operating results and/or the financial condition of the Issuer and its subsidiaries and/or associated companies.

Further, recent global financial turmoil has resulted in substantial and continuing volatility in international capital markets. Any further deterioration in global financial conditions could have a material adverse effect on worldwide financial markets or may adversely affect the market price of any Series or Tranche of Notes.

Noteholders are exposed to interest rate risk.

Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the price of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the price of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Noteholders are exposed to inflation risk.

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce actual returns.

The performance of contractual obligations by the Issuer is dependent on other parties.

The ability of the Issuer to make payments in respect of the Notes may depend upon the due performance by the other parties of their respective obligations under the Programme Agreement, the Trust Deed and the Agency Agreement, including the performance by the Trustee, the Issuing and Paying Agent, the Calculation Agent, the Registrar and/or the Transfer Agent of their respective obligations. Whilst the non-performance of any relevant party will not relieve the Issuer of its obligations to make payments in respect of the Notes, the Issuer may not, in such circumstances, be able to fulfill its obligations to the Noteholders and the Couponholders.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained in this Information Memorandum or any applicable supplement to this Information Memorandum;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated investors generally do not purchase complex financial instruments as standalone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Where Global Notes are held in clearing systems, investors will need to rely on the relevant clearing system's standard procedures for transfer, payment and communication with the Issuer.

Variable Rate Notes may have a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Notes may be issued at a substantial discount or premium.

The market value of Notes issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Issuer may be unable to redeem or purchase the Notes.

In certain circumstances, such as the cessation or suspension of trading of the shares of the Issuer on the HKSE or otherwise as set out in the applicable Pricing Supplement, Noteholders may require the Issuer to redeem or purchase all or, if applicable, some only of the Notes. Upon occurrence of such an event, or at maturity of the Notes, no assurance can be given that the Issuer will have enough funds or will be able to arrange financing to pay the redemption or purchase amount for such Notes. The Issuer's ability to redeem or purchase the Notes in such an event may be limited by law or the terms of its other debt instruments. The Issuer may be required to refinance its debt in order to make such payments or to meet its payment obligations under those agreements and redeem or purchase the Notes at the same time. Failure to repay, purchase or redeem the relevant Notes by the Issuer would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

The Notes may be subject to optional redemption by the Issuer.

An optional redemption feature is likely to limit the market value of Notes. Generally, during any period when the Issuer may elect to redeem Notes, the market value of such Notes will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate that is as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risks in light of other investments available at that time.

Notes denominated in currencies other than Hong Kong dollars are subject to currency risks.

The Group's financial currency is denominated in Hong Kong dollars. As Notes issued under the MTN Programme can be denominated in currencies other than Hong Kong dollars, the Issuer may be affected by fluctuations between the Hong Kong dollar and such other currencies in meeting its payment obligations under such Notes and there is no assurance that the Issuer may be able to fully hedge the currency risks associated with such Notes denominated in currencies other than Hong Kong dollars.

Exchange rate risks and exchange controls may result in Noteholders receiving less interest or principal than expected.

The Issuer will pay interest and principal on the Notes in the currency specified. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the "**Noteholder's Currency**") other than the currency in which the Notes are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency in which the Notes are denominated or revaluation of the Noteholder's Currency) and the risk that authorities with jurisdiction over the Noteholder's Currency may impose or modify exchange controls. An appreciation in the value of the Noteholder's Currency relative to the currency in which the Notes are denominated would decrease (a) the Noteholder's Currency equivalent yield on the Notes, (b) the Noteholder's Currency equivalent value of the principal payable on the Notes, and (c) the Noteholder's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Noteholders may receive less interest or principal than expected, or no interest or principal.

The insolvency laws of Bermuda may differ from Singapore insolvency laws or those of another jurisdiction with which Noteholders may be familiar.

As the Issuer is incorporated under the laws of Bermuda, an insolvency proceeding, even if brought in Singapore, would likely involve Bermuda insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of Singapore insolvency laws or those of another jurisdiction with which Noteholders may be familiar.

A change in the laws of Singapore may adversely affect Noteholders.

The Notes are governed by Singapore law in effect as at the date of issue of such Notes. No assurance can be given as to the impact of any possible judicial decision or change to Singapore law or administrative practice after the date of issue of the Notes.

Noteholders are exposed to Singapore taxation risk.

The Notes to be issued from time to time under the MTN Programme during the period from the date of this Information Memorandum to 31 December 2018 are intended to be "qualifying debt securities" for the purposes of the ITA, subject to the fulfilment of certain conditions more particularly described in the section "*Taxation - Singapore*". However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws or MAS circulars be amended or revoked at any time.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s).

Notes issued under the MTN Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or lodged with CDP. Except in certain limited circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive Definitive Notes or, as the case may be, Certificates. The relevant Clearing System will maintain records of their direct accountholders in relation to the Global Notes and Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg or to CDP, as the case may be, for distribution to their accountholders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates. Other than in relation to Global Notes or Global Certificates held by CDP, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear or Clearstream, Luxembourg, as the case may be, to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the respective Global Notes or Global Certificates to take enforcement action against the Issuer following an Event of Default (as defined in the Trust Deed) under the relevant Notes but will have to rely upon their rights under the Trust Deed.

The Trustee may request Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction.

In certain circumstances (pursuant to Condition 11 of the Notes), the Trustee may (at its discretion) request the Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction before it takes action on behalf of the Noteholders. The Trustee shall not be obliged to take any such action if not indemnified, secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take action, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such action directly.

The provisions in the Trust Deed and Conditions may be modified or waived.

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Conditions also provide that the Trustee may agree, without the consent of Noteholders or Couponholders, to any modification (subject to certain exceptions mentioned in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the Terms and Conditions of the Notes or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification, waiver or authorisation which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of Bermuda law or, as the case may be, Singapore law or is required by Euroclear and/or Clearstream, Luxembourg and/or CDP and/or any other clearing system in which the Notes may be held. Any such modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders.

RISKS ASSOCIATED WITH THE ISSUER'S AND THE GROUP'S BUSINESS, FINANCIAL CONDITION AND/OR RESULTS OF OPERATIONS

The Group's business is subject to significant evolvement in order to remain competitive and there is no assurance that the Group's main business and operational focus will continue to be on its current business operations.

The Group's business may shift significantly over time to adapt to market changes and developments in the Asian region. For example, in order to leverage the Group's existing distribution platform, the Group may expand its distribution product offering and coverage, or selectively invest in distribution companies with activities complementary to those of the Group to include other global brands and product lines, with a view towards long-term integration and diversification of the Group's business activities. The Group will also continue to explore opportunities to expand its property investment business with a view towards stable cash flows and rental yields on its reserves, as well as capital growth and appreciation in the long-term.

Noteholders should be aware that the Group retains the flexibility to change the focus and subject-matter of its businesses, its product offerings and investment portfolios and there can be no assurance that that the Group may not, in the future, discontinue or reduce focus on its business of distributing ICT products or reduce its ICT-related investments in favour of expanding its distribution of other product lines or investing in other investment opportunities that the Group believes will be a more efficient use of its resources in the long-term.

The Group may face numerous risks and uncertainties when entering into new lines of businesses, including, but not limited to, risks associated with the following:

(a) insufficient expertise to engage in such businesses profitably or to manage its risk exposure;

(b) the required investment of capital and other financial, operational, management and other human resources;

(c) the possibility of the new products or services lacking demand from the Group's customers or failing to meet the Group's expected targets; and

(d) being subject to new laws and regulations that the Group is not currently subject to and/or is not familiar with, which may lead to increased litigation and regulatory risk.

Accordingly, the risk and investment profile of the Group may change substantially during the term of a Noteholder's investment. The Group may not be able to successfully execute its general diversification and expansion initiatives, integrate its strategic investments as part of the Group or enter into new lines of businesses, in which case, its business, prospects, profitability, financial condition and results of operations may be materially and adversely affected.

Risks Relating to the Distribution and Investment Business

The ICT industry is highly volatile.

The ICT industry is characterised by high volatility, rapid technological changes and innovation, rapidly changing customer demand trends and relatively short product life cycles, with products becoming obsolete in a relatively short period of time. In addition, intense competition in the ICT industry has resulted in aggressive pricing practices and declining margins, which has in the past affected the financial performance and operational results of the Group. Declines in customer demand for ICT products, or lack of customer interest in ICT products offered by the Group may materially and adversely affect its business, prospects, profitability, financial condition and results of operations.

ICT products generally have short product life cycles, due to rapid technological advancements and innovation. Due to the inherent unpredictability and subjective nature of customer preferences, there can be no assurance that the Group will be able to accurately predict and assess levels of customer demand, or effectively manage its product inventory. The Group may purchase ICT products which generate low customer demand, or may make decisions which result in its holding excess inventory of ICT products at the time when new releases or upgrades to such products are announced. Such events may result in the Group being required to write-down the value of such inventory, or to sell such inventory at discounted rates and bear all or part of such losses which are not recoverable under its vendor arrangements, in which case, the Group's business, prospects, profitability, financial condition and results of operations may be materially and adversely affected.

Substantially all of the Group's revenues are attributable to short-term customer arrangements and a significant proportion of its revenues are attributable to a few major customers.

For the financial year ended 31 December 2012, approximately 41.0% of the Group's total goods sales were attributable to five major customers, with its largest customer accounting for approximately 16.0%. Accordingly, the Group's resale arrangements with its major customers are dependent on its relationships with such customers, their continued goodwill and the Group's performance track record. Any significant variations or decreases in demand by any of the Group's major customers may materially and adversely impact its business, profitability, financial condition and results of operations.

Any decrease in demand for products distributed by the Group from a major customer or due to events or developments affecting demand for products generally would result in declines in its sales volume, inventory turnover and revenues relatively quickly due to the ability of its customers to vary their purchase volumes rapidly without penalty or restriction. In addition, the Group generally extends credit to certain of its customers, subject to credit evaluations and periodic review. If the Group experiences significant delays in payment by its customers, or if any of the above events occur, the Group's business, prospects, profitability, financial condition and results of operations may be materially and adversely affected. In addition, in the event that the Group fails to satisfy its customers' requirements with respect to factors such as delivery schedules, availability of high-demand or new release products or price competitiveness, its customers may switch to other distributors to meet their inventory requirements with relatively short lead-times.

The Group is reliant on a few major vendors for its inventory requirements.

A substantial portion of the Group's total purchases is attributable to a few major vendors. These major vendors are internationally recognised equipment manufacturers of well-known ICT equipment. Any termination of the Group's arrangements with any of these major vendors, or deterioration in the Group's relationships with such vendors may materially and adversely affect its business, prospects, profitability, financial condition and results of operations through, among other things, affecting the Group's ability to negotiate competitive or preferential terms and arrangements, or to access high-demand new releases of ICT products on a timely basis in order to maintain its competitive edge.

ICT products are typically characterised by short product life cycles and it is difficult to predict demand for specific ICT products with any degree of certainty.

Investments in ICT products made by the Group are subject to considerable risk, given that such costs may not be recovered if such products subsequently turn out to be unpopular with customers. If this occurs, the Group will have to bear the costs of carrying such failed ICT products, which may be significant. Customer demand for ICT products is (amongst other things) typically subjective in nature, with customer preferences varying between various customer target groups, both domestically and internationally. The Group generally shortlists certain ICT products for each of the markets in which it operates, taking into account specific customer preferences and other country-specific considerations, and promotes such products to resellers. Accordingly, decisions as to product selection and inventory planning are to a large extent based on management's judgment, experience and expertise in predicting or anticipating customer preference and demand for specific ICT products, and the accuracy of such decisions or judgments are further impacted given that there is limited visibility with respect to expected demand for such ICT products due to the short-term nature of customer resale and distribution arrangements.

Any inaccuracies in the Group's predictions as to customer preferences, product selection and inventory planning may materially and adversely impact its business, profitability, financial condition and results of operations. In addition, the short product life-cycles of ICT products and the rapid rate of product innovation in the ICT industry generally result in the Group having a relatively short window of time in which to dispose of excess inventory or low-demand ICT products prior to such products being considered to be obsolete.

If the Group is unable to accurately select or access high-demand ICT products ahead of its competitors or concurrently, deliver such products in a timely manner or offer such products competitively as compared to other ICT distributors, the Group's customers may turn to competing ICT distributors to meet their supply requirements. Further, ICT products which are anticipated to enjoy high levels of customer demand may, upon release, fail to meet customer expectations due to factors such as programming deficiencies or errors, user interface or compatibility issues and other technical errors or defects, which may significantly impact customer demand. If such factors result in a significantly high level of product sales returns or product recalls, customers may decide to stop offering the product and consequently cease ordering such ICT products from the Group. If this occurs, the Group's business, prospects, profitability, financial condition and results of operations may be materially and adversely affected.

Customers of the Group have in the past and likely will continue to cancel their orders, change purchase quantities, delay delivery or qualify additional distributors, any of which could reduce the Group's sales and/or increase its expenses.

Substantially all of the Group's sales are made on the basis of purchase orders and customers can generally cancel or defer their purchases on short notice. Accordingly, such customers may decide to use another distributor or discontinue ordering from the Group at their discretion. As such, the Group is not always able to predict with certainty the number of orders it will receive or the timing or product quantities required in such orders. Any significant cancellations or deferrals could materially and adversely affect the Group's business, profitability, cash flows, financial condition and results of operations. In addition, cancellations or deferrals could adversely impact the Group's inventory management and planning, which could reduce its profit margins and affect its ability to fund its operations. Delays in payments by customers of the Group of significant amounts or for an extended period of time may adversely affect the liquidity of the Group. The Group may also experience extended delays in payment and in customer payment defaults from a significant number of its customers due to global economic or market conditions, as has happened in the past during the 2008 global economic crisis. If any of these events occur, the Group's business, prospects, profitability, cash flows, financial condition and results of operations may be materially and adversely affected.

The ICT distribution industry is extremely competitive.

The ICT distribution industry is highly fragmented and characterised by intense competition, with significant pressure on participants to reduce prices in order to remain competitive. The Group's major competitors in the ICT distribution business include local, regional and global distribution companies operating in the markets in which the Group has established operations. Some of these competitors have significantly greater financial, technical and marketing resources, greater name recognition and a larger and more established customer base as compared to the Group. These competitors may have the ability to respond more quickly to new or emerging technologies, may adapt more quickly to changes in customer requirements and may be able to allocate more resources to the marketing, development, promotion and sale of their products as compared to the Group. There can be no assurance that the Group will continue to compete successfully against present and future competitors or that competitive pressures faced by the Group will not have a material adverse effect on its market share, business, prospects, profitability, financial condition and results of operations.

Any disruptions to the transportation network in the jurisdictions in which the Group operates could result in material disruptions to the Group's operations.

Transportation operations of the Group are outsourced to third party service providers in the jurisdictions in which it operates. Accordingly, the Group is exposed to risks associated with any failure by its contracted transportation service providers to meet agreed delivery schedules to its customers.

In addition, the ability of the Group to meet its agreed delivery obligations is subject to certain risks associated with any obstruction or disruption to the transportation network connecting the Group's warehousing facilities to those of its vendors and customers, including any trade or import/export restrictions, network or infrastructure disruptions or other transportation delays. The Group's ability to meet such contracted delivery requirements may also be affected by events or developments affecting its third party delivery service providers, such as labour disruptions. Events which delay the transportation of ICT products from vendors or to customers from the Group's warehousing facilities may materially and adversely affect the Group's business, operations, profitability, financial condition and results of operations. The Group may also incur significant costs in arranging for alternative routes of transportation in order to circumvent such disruptions and meet its customer obligations, which it may have to bear in full, in which event, its profitability, financial condition and results of operations may be substantially and adversely affected.

The Group may not be able to secure supplies of ICT products necessary for its operations in a timely manner or at a reasonable price.

ICT distributors may experience shortages of popular ICT products during peak periods of demand, with correspondingly significant increases in prices.

Although the Group has established relationships with selected vendors, there can be no assurance that it will be able to secure supplies of such products as required, or at reasonable prices. The Group's sales arrangements with its customers do not provide for such increases in costs to be passed on to the customer, in whole or in part through adjustments to its distribution prices, which are typically fixed by vendors. If the Group is unable to recover any cost increases from its vendors, whether through contractually agreed price protection mechanisms or negotiations with such vendors, the Group may have to absorb all or part of such cost increases, which may materially and adversely affect its profitability, financial condition and results of operations.

Further, as is characteristic of the ICT distribution industry, production planning and inventory management are subject to a considerable amount of uncertainty. Given the uncertainty of customer demand trends, any vendor arrangements pursuant to which the Group agrees to minimum purchase thresholds or purchase excess inventory to minimise risk of supply disruptions may adversely affect its profitability and inventory obsolescence level.

The Group's insurance coverage may not be adequate.

Consistent with industry and market practice in the ICT distribution industry, the Group currently maintains certain insurance policies which it believes to be adequate, taking into consideration industry practice and its business operations. The Group does not insure against certain risks, and there can be no assurance that the Group's insurance policies will be sufficient to cover all losses arising out of, or in relation to, its business operations, and it may incur significant losses and damages which will not be eligible for recovery under such policies. If this occurs, the Group's business, profitability, financial condition and results of operations may be materially and adversely affected.

The acquisition of other companies or businesses in the distribution industry could increase the Group's exposure to associated risks, and could otherwise result in operational inefficiency and other adverse consequences.

The Group expects to diversify its business operations in the long-term through acquisitions of interests in companies in the distribution industry and its related services in high-potential growth markets within Asia. The Group's investment strategy may include future acquisitions of interests in businesses in target countries in which it has no prior experience or operating history. The success of the Group's investments will depend on, among others, the availability of suitable investments at acceptable valuations and its ability to monitor risks associated with such investments, including country, industry, business and operational risks. In addition, the anticipated benefits or expected investment returns on such investment companies may not materialise as expected or at all, and may divert management's time and focus from the Group's existing business operations. In addition, any future integration of a business, technology or company as part of the Group is subject to operational and other associated risks, the occurrence of which could result in unforeseen operational or logistical difficulties.

In addition, the investments of the Group in such companies may, if significant, result in the Group being required to include its proportional share of the financial results of such investment company in its consolidated financial statements, which may have a material and adverse impact on the financial results of the Group. In particular, for the financial year ended 31 December 2012, the profitability of the Group was affected by the inclusion of its share of losses from its strategic investment in SiS Thailand, primarily attributable to increased competition in the ICT distribution market in Thailand, declining profit margins and inventory and receivable write-downs.

There can be no assurance that the Group will not suffer future losses associated with its investments, or that unforeseen challenges and risks associated with operating in new markets will not occur, in which case the Group may be required to write-down the value of its investments in such companies and its business, prospects, profitability, financial condition and results of operations may be materially and adversely affected.

The Group may encounter country-specific issues or conflicts with its joint venture partners in respect of its investments.

The Group has, and expects in the future to have, investment interests in companies or joint ventures operating in developing countries. Political uncertainties or new governmental regulations such as restrictions on ownership could result in a decline in the value of the Group's investments in these companies or a loss in the Group's ability to influence the management, directors and decisions made by these entities. Additionally, disagreements may occur between the Group and its joint venture partners regarding the business and operations of these entities which may not be resolved amicably, or in a manner that will be in the Group's best interests. The Group's joint venture partners may also have economic or business interests or goals that are inconsistent with those of the Group, take actions contrary to the Group's instructions, requests, policies or objectives, be unable or unwilling to fulfil their obligations, have financial difficulties or have disputes with the Group as to the scope of their responsibilities and obligations. The occurrence of these events may materially and adversely affect the performance of the joint ventures and in turn could have a material and adverse impact on the Group's business, prospects, profitability, financial condition and results of operations.

Risks Relating to the Property Investment Business

The Group's property investments are subject to risks associated with real estate investments.

The property interests of the Group are subject to certain general risks inherent in the investment, ownership and management of property investments. These risks include the cyclical nature of property markets and consequent rental income, changes in general economic, business and credit conditions, the illiquidity of land and other real property, changes in government policies or regulations, building material and labour shortages and increases in interest rates and the costs of labour and materials.

Property investments are generally illiquid, limiting the ability of an owner to convert property assets into cash at short notice or requiring a substantial reduction in the price that might otherwise be sought for such assets to ensure a quick sale.

The Group is subject in particular to risks incidental to the ownership and operation of office and related commercial properties. Such risks include, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, a concentration of renewal of leases or rent adjustments, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties at valuations recorded in the financial statements, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. Accordingly, the Group's property investment business and the value of its property investment portfolio is significantly reliant on the overall state of the real estate industry and market, declines in which may materially and adversely affect the value of its property investments, rental yields and investment returns.

The Group is exposed to risks associated with the management of its property investments.

The properties owned by the Group comprise real estate used for commercial, office, hotel and residential purposes and are subject to general and local economic conditions, competition, rental demand for their locations and other factors relating to the leasing and management of such property investments.

The successful management of the Group's property investments to achieve positive rental yields is dependent upon factors such as accessibility, location, valuations and quality of tenants. Demand for commercial, office, hotel and residential real estate may be adversely affected by changes in the economy, governmental rules and policies (including changes in zoning and land use), potential environmental and other liabilities, inflation, price and wage controls, exchange control regulations, taxation, expropriation and other political, economic or diplomatic developments in or affecting the jurisdictions in which the Group's properties are situated. The Group has no control over such conditions and developments, nor can it provide any assurance that such conditions and developments will not materially and adversely affect the operations of the Group or the management of its property investments.

In particular, the revenue streams from the Group's property investments and valuation of the properties owned by the Group and accordingly, its operating cash flows from its property investment business are subject to a number of factors including:

- vacancies following expiry or pre-mature termination of leases that lead to reduced occupancy levels, as this reduces rental income and the ability to recover certain operating costs such as service charges;
- the Group's ability to provide adequate management, maintenance or insurance;
- the Group's ability to collect rent on a timely basis or at all;
- tenants seeking the protection of bankruptcy or tenant protection laws which could result in delays in receipt of rental payments, hinder or delay the sale of a property, or result in the inability to collect rental or terminate protected tenancies;
- tenants seeking to reduce their leased space or otherwise breaching or failing to comply with the terms of their leases or lease commitments;
- general economic downturns, which may affect the ability of tenants to pay rent;

- leases being renewed or replaced on terms less favourable than previous leasing arrangements;
- local and international economic climates and real estate market conditions (such as excessive supply of, or reduced demand for, commercial, office, or hotel space, changes in market rental rates and operating expenses);
- the amount and extent to which the Group is required to grant rebates on rental rates to tenants, due to market pressure and applicable maintenance charges;
- competition for tenants from comparable properties;
- changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes, governmental charges and other environmental issues, which may lead to an increase in management expenses or unforeseen capital expenditures for compliance purposes;
- legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws related to condemnation and redevelopment; and
- acts of God, wars, terrorist attacks, riots, civil commotions and other events beyond the control of the Group (such as the spread of H1N1, avian influenza, H5N1, SARS and/or other epidemics).

Property rental and values are cyclical.

The property market is cyclical and property values may be affected by the supply and demand of comparable properties, the rate of economic growth, changes in government policies or regulations and political and economic developments in the places where the properties are located. For example, commercial property rents in Hong Kong, after reaching record highs in the mid-1990s, fell significantly as a result of the Asian economic downturn and the local economic environment. More recently, the property market in Hong Kong showed improvement during the period from 2004 to the first half of 2008, while property prices in Hong Kong, Singapore and Japan declined in the second half of 2008, due to the global economic crisis. Since that time, property prices in these countries have significantly increased. Rental values are also affected by factors such as political developments, governmental regulations and changes in planning or tax laws, interest rate levels and inflation. Any sustained decline in rents and property values will have an adverse effect on the Group's business, operating results and financial condition. There can be no assurance that the property market will not be adversely affected in light of the current economic environment in Hong Kong, Singapore, Japan and other countries if the sales price for such property investment is lower than the then-recognised valuation of such property investment.

The Group may not be able to identify or acquire land and/or property at commercially-acceptable prices.

The property investment business is highly competitive, with strong competition from established industry participants who may have greater experience and/or financial resources to provide more affordable services or respond more quickly to market trends than the Group. There can be no assurance that the Group will be able to identify and acquire property investments at attractive valuation in the future at commercially-acceptable prices, or at all.

The Group is subject to risks relating to property investment valuations and declines in property values.

Property valuations generally include a subjective determination of certain factors relating to the relevant properties, such as their relative market positioning, financial and competitive strengths and physical conditions. Valuation of the Group's property investments by professional valuers is based on certain assumptions and is not intended to be a prediction of, and may not accurately reflect, the actual values of those assets. There can be no assurance that the assumptions relied on are accurate measures of the market. Further, the inspection of the Group's property investments in connection with a valuation exercise may not identify all material defects, breaches of contracts, laws and regulations, and other deficiencies and factors that could affect the valuation of such property investments.

The Group may be unable to generate adequate returns on, or may be exposed to impairment arising from a fall in value of its investment properties.

Property investment is subject to varying degrees of risk. The returns from the property investments depend to a large degree on the amount of capital appreciation generated, income earned and maintenance and property management expenses incurred on its property investments. The Group's financial position may also be adversely affected by a fall in value of any such property investments. The value of such property investments may additionally be adversely affected by a number of factors, including but not limited to changes in market condition and rental rates, the ability to collect rent due to bankruptcy or insolvency of tenants or otherwise and the need to periodically repair and re-let space and the costs thereof. In the event that the property investment business of the Group expands and the Group is unable to generate adequate returns on its property investments, the Group's profitability, financial condition and results of operations will be adversely affected.

The Group's property investment business has, and will continue to have, substantial capital requirements and may require additional financing in the form of debt or equity to meet the Group's budgetary and operating expenses, and the Group may not be able to raise the required capital.

Property investments are typically capital intensive and may require high levels of financing. The Group's available financial resources for investing in properties may be inadequate. The actual amount and timing of future capital requirements is difficult to ascertain in advance. If the Group decides to meet these funding requirements through debt financing, the Group's interest obligations will increase and the Group may be subject to additional restrictive covenants, including restrictions on changes in shareholding, the constitution of the board of directors and management of the businesses. If the Group decides to raise additional funds through the issuance of equity or equity-linked instruments, the interests of existing shareholders will be diluted. In addition, the Group's ability to raise funds, either through equity or debt, is limited by certain restrictions imposed under applicable laws, including the laws of the jurisdictions in which such property investments are situated. There can be no assurance that the Group will be able to raise adequate capital in a timely manner and on acceptable terms or at all, particularly when the property market is depressed. The Group's failure to obtain adequate financing may result in it having to delay or abandon its investment plans, which would materially and adversely affect the Group's business, prospects, profitability, cash flows, financial condition and results of operations.

Certain of the Group's properties are located in Japan and are exposed to risks of natural disasters.

A significant proportion of the Group's property investments (based on historical acquisition cost) comprises property assets located in Japan, which are subject to significant risks associated with the occurrence of natural disasters. On 11 March 2011, an earthquake of magnitude 9.0 occurred off the coast of Japan, resulting in 15,883 deaths, 6,150 injured and 2,651 people missing. The 2011 earthquake resulted in a major tsunami, flooding, landslides, fires, building and infrastructure damage and nuclear incidents including radiation releases, with a total estimated economic cost of US$235 billion, the costliest natural disaster in world history.

There can be no assurance that the Group's properties or business will not be damaged or affected by similar occurrences, or that the Group will not be held liable for any damages or liabilities for personal injury and death arising as a result of such occurrences. There can also be no assurance that the Group will be able to successfully recover all or any of the Group's losses or liabilities under the Group's existing insurance policies, in which case the Group's business, prospects, profitability, financial condition and results of operations will be materially and adversely affected.

The Group's historical financial results have been materially affected by the revaluation of its real estate investments in accordance with applicable financial accounting standards.

It is the Group's practice to value its real properties annually at fair market value on the basis of external professional valuation by a reputable and well known property valuation firm. A major or extended decline in property values may result in an accounting loss for the Group in the relevant financial period. There can also be no assurance that the Group will be able to realise disposal gains upon the disposal of its property investments in excess of the recognised valuations in its financial statements, or that it will not incur losses upon disposal. If this occurs, the Group's business, profitability, cash flow, financial condition and results of operations may be materially and adversely affected.

General Business Risks

The Group is reliant on key management.

The Group is reliant on its key management team, comprising its founding shareholders, for strategic direction and oversight of its business operations, the success of which depends to a large extent on the significant experience, expertise and relationships of senior management with vendors and customers and investment partners operating in the Group's target markets. Given the intense competition experienced within the distribution industry and demand volatility, the experience and expertise of the Group's key management and their performance track record are essential to its operational planning and strategic direction, generally, as well as its business and prospects.

Developments in the legal or regulatory environment in the countries in which the Group operates may have a material and adverse impact on the Group.

Local business and operational risks in the different countries and cities in which the Group operates, or may in the future establish operations, could have a material impact on the financial condition, results of operations and growth prospects of such businesses. The Group has investments in different countries and cities in Asia and the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory and environmental requirements at the local, national or international level. Also, new policies or measures by governments, whether fiscal, tax, regulatory, environmental or other competitive changes, may lead to an increase in additional or unplanned capital expenditure, pose a risk to the overall investment return of the Group's businesses and may delay or prevent the commercial operation of a business with resulting loss of revenue and profit.

The business and prospects of the Group may be materially and adversely affected by developments with respect to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, industry laws and regulations, taxation, expropriation, social instability and other political, legal, economic or diplomatic developments in or affecting the markets in which the Group currently operates or may enter in the future. The Group has no control over such conditions and developments and any changes in such conditions and developments may have a material adverse effect on its business, prospects, financial condition and results of operations.

The Group's unaudited financial statements as of and for the six month period ended 30 June 2013 incorporate certain subjective evaluations.

The Group's unaudited financial statements as of and for the six month period ended 30 June 2013 have not been audited by the Group's auditors, and incorporate certain discretionary judgments as determined by the Group's directors after careful consideration. For example, revaluation adjustments relating to the Group's property investment portfolio for the six month period were made based on the best estimates of the directors of the Group, as opposed to the Group's revaluation adjustments for the immediately preceding three financial years, which were made on the basis of valuation reports issued by independent property valuation firms appointed for such purpose, in line with generally accepted accounting principles in Hong Kong. Accordingly, there can be no assurance that these revaluation adjustments are accurate, have been made on a comparable basis as those for the immediately preceding financial periods or are in line with actual market conditions.

The Group has restated its historical financial statements in accordance with changes in applicable financial accounting standards.

The HKICPA has from time to time issued new and revised HKFRS. As accounting standards continue to develop, HKICPA may in the future issue new and revised HKFRS and the Group may be required to adopt new accounting policies which might or could have a significant impact on the Group's financial position or results of operations.

As a result of the application of Hong Kong accounting standards adopted by the Group, the Group was required to consolidate the financial results of ITCL as a subsidiary with effect from 7 March 2013. Accordingly, the unaudited consolidated financial statements of the Group as at and for the six months ended 30 June 2013 presented in this Information Memorandum are not comparable to prior financial periods.

The uncertain global economic outlook may adversely affect business operations, financial condition, prospects and future plans of the Group.

The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries. These developments have resulted in historic volatility in equity securities markets, tightening of liquidity in credit markets, widening of credit spread and loss of market confidence. New laws and regulations regarding lending and funding practices and liquidity stands may be promulgated, and governments and bank regulatory agencies are expected to be aggressive in adopting such new measures in response to concerns and identified trends. It is difficult to predict how long these developments and measures will continue and how the Group's target markets and businesses may be affected, both presently and in the future. These developments may be exacerbated by persisting volatility in the financial industry and the capital markets or concerns about, or a default by, one or more institutions which could lead to significant market wide liquidity problems, losses or defaults by other institutions. Accordingly, these developments and measures could potentially present risks to the Group for an extended period of time, including sales slowdown, declines in property valuation, increase in interest expenses on the Group's bank borrowings or reduction in the amount of banking facilities currently available to the Group, the Group's customers and the Group's suppliers, thereby adversely affecting the Group's business, prospects, liquidity, financial conditions and results of operations.

The performance of the Group may be affected by the Group's ability to attract and retain suitable employees.

The Group employs a large number of employees. The continued growth of the Group's business in future depends upon its ability to attract and retain suitable employees, especially for its management teams and in its key target markets. In the event of a depressed economic environment and/or a tight labour market, the Group may be subject to a shortage of suitably qualified talent in certain geographic markets, which may adversely affect the Group's ability to meet its customer obligations. Any failure on the part of the Group to attract, retain, hire and train suitable employees could have a material adverse effect on its business, results of operations and financial condition.

The Group is subject to interest rate fluctuations.

The Group faces risks in relation to interest rate movements. A substantial portion of the loans of the Group are subject to floating interest rates. Increases in interest reference rates may adversely affect the ability of the Group to service its loans and other borrowings, and may also impair its ability to compete effectively in its various businesses, relative to competitors with lower levels of indebtedness. Difficult conditions in the global credit markets could adversely impact the cost or other terms of its existing facilities, as well as its ability to obtain new credit facilities or access the capital markets on favourable terms.

The Group has not adopted any hedging policy with respect to its exposure to interest rate volatility, and has not entered into any significant hedging arrangements with respect to such exposure. Accordingly, increases in the market reference rates underlying the Group's financial indebtedness may materially and adversely affect its business, profitability, financial condition and results of operations.

The Group is exposed to foreign exchange fluctuation risks.

The Group operates in several countries and, as a result, is exposed to movements in foreign exchange rates. The Group's currency transactions are primarily denominated in Singapore dollars, US dollars, Australian dollars, New Zealand dollars, Malaysian Ringgit, Indonesian Rupiah, Hong Kong dollars, Japanese yen, Bangladeshi Taka and Thai Baht. The Group's revenues and expenses in each jurisdiction in which it is located are generally denominated in the functional currency of such jurisdiction. Accordingly, the Group may have a net foreign exchange exposure due to mismatches in its receipts and expenses which may cause the Group to incur foreign exchange losses.

The Group's principal reporting currency is in Hong Kong dollars, which may also materially impact the results of operations of the Group due to translation gains or losses as at the balance sheet date.

Any fluctuations in currency exchange rates will also result in exchange gains and losses arising from transactions carried out in foreign currencies as well as translations of foreign currency monetary assets and liabilities as at the various balance sheet dates.

The Group is subject to changes in the tax rules or interpretations by the local tax authorities in the jurisdictions that the Group operates in.

The Group's property investments and distribution operations are subject to the laws, regulations and policies of the various jurisdictions in which they are situated or operate. Changes in the tax rules or interpretations by tax authorities in relation to the real estate industry or taxation of the Group's operations (which may or may not be applied retrospectively) may have a significant impact on the Group's tax exposure. While the Group may seek tax advice opinions from time to time, there is no assurance that a tax position adopted by the Group (with or without a supportive tax opinion) will not be successfully challenged by the relevant tax authorities, in which case, the Group may be exposed to tax liabilities, penalties and other sanctions, which may materially and adversely affect its business, prospects, profitability, financial condition and results of operations.

The Group is subject to applicable laws and regulations.

The operations of the Group are subject to international, national, state and/or local rules and regulations and the laws of various jurisdictions and countries, which govern various aspects of the Group's business. In order to conduct its business, the Group is required to obtain certain commercial and regulatory licences, including a radio dealers licence renewable annually and issued by the Telecommunications Authority of Hong Kong in accordance with the Telecommunications Ordinance for distribution of its mobile communication products in Hong Kong.

The Group believes that it is currently in compliance in all material respects with applicable laws and regulations. However, there can be no assurance that stricter laws and regulations will not be enacted in the future, which may result in the Group being required to incur additional compliance-related costs, which may be significant. There also can be no assurance that the Group will be able to successfully obtain or renew its existing commercial and regulatory licences, in which case, the Group's business, prospects, profitability, financial condition and results of operations may be materially and adversely affected.

The Group may be restricted from engaging in certain business activities or undertaking certain corporate or other actions under the terms of its existing or future indebtedness.

There are restrictive covenants applicable to the Group's current bank borrowings. In general, restrictive covenants typically require a borrower to inform or seek consent prior to undertaking certain corporate actions such as new share issuances, incurrence of additional debt, creation of additional encumbrances on its assets and making corporate guarantees, and restrict (among other things) the borrower's ability to incur or guarantee additional indebtedness and issue stock, create or incur certain liens, make certain payments such as dividend payments or other distributions, prepay or redeem debt or equity, make certain investments and capital expenditures, create encumbrances or restrictions, grant loans or advances to third parties and further restrict the sale, lease or transfer of certain assets, certain transactions with affiliates and consolidation or mergers with other entities, subject to certain exceptions and qualifications as set forth in the relevant documentation. The Group may also be required to comply with certain financial covenants (including current, debt to equity, debt service coverage ratios) as set forth in the agreements governing its indebtedness owed to certain financial institutions. These covenants could limit the Group's ability to finance its future operations, expansion initiatives and capital needs, and its ability to pursue new projects or other business opportunities and activities.

There can be no assurance that the Group's businesses will generate sufficient cash to enable it to service its debt obligations, comply with applicable restrictive covenants or to fund other liquidity needs and capital expenditure requirements, or that the Group will be able to refinance its debt or capital investment requirements on commercially reasonable terms or at all.

Terms of additional debt financings may place significant additional restrictions on the Group and may, among other things, increase its vulnerability to general adverse economic and industry conditions, limit its ability to pursue its growth plans, require the Group to dedicate a substantial portion of its cash flows from operations to payments on such debt, and otherwise generally limit its flexibility in planning for or reacting to changes in its business and industry, either through the imposition of restrictive financial or operational covenants, or other general restrictions under the terms of its existing indebtedness.

The Group may be subject to litigation.

The Group may be exposed to litigation or other disputes with customers, employees and other persons, including third-party legal proceedings in which it is joined as a defendant or respondent, or involvement in frivolous claims. These legal proceedings or disputes may be costly and time consuming and could result in the Group incurring significant liabilities, being required to make substantial provisions for contingent liabilities or otherwise adversely affect its industry reputation and standing. The Group may need to incur significant legal, settlement and other costs as a result of such claims, actions or proceedings, which could materially and adversely affect the profitability, cash flows, results of operations and financial condition of the Group.

Acts of God, acts of war, terrorist attacks, epidemics, political and civil unrest and disobedience, responses to terrorist attacks and other events could adversely affect the Group's business.

Acts of God, acts of war, terrorist attacks, epidemics, political and civil unrest and disobedience, responses to terrorist attacks and other events may lead to uncertainty in the economic outlook for the world's markets. All these could have a negative impact on the demand for the Group's products and sales, and the Group's business operations, financial performance and financial condition may be materially and adversely affected.

The Group's results of operations have been and will continue to be subjected to factors outside the Group's control. These include events such as the recent earthquake, tsunami and nuclear crisis in northeast Japan in March 2011 and, in 2003, the outbreak in many countries in Asia of SARS, a highly contagious and potentially deadly disease. An outbreak of infectious diseases such as SARS or avian influenza in the countries in which the Group operates may adversely affect the Group's business operations, financial performance and financial condition. If an outbreak of such infectious diseases occurs in any of the countries in which the Group has operations in the future, customer sentiment and spending could be adversely affected and this may have a negative impact on the Group's business operations, financial performance and financial condition. Staff and employees of the Group in these countries may also be affected by any outbreak of such infectious diseases and this may affect the day-to-day operations of the Group.

PURPOSE OF THE MTN PROGRAMME AND USE OF PROCEEDS

The net proceeds arising from the issue of the Notes under the MTN Programme (after deducting issue expenses) will be used by any company within the Group for general corporate purposes, including the refinancing of certain existing borrowings and financing future capital expenditures of the Group.

CLEARING AND SETTLEMENT

Clearance and Settlement under the Depository System

In respect of Notes which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities ("**Depository System**") maintained by CDP. Notes that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Notes which are accepted for clearance by CDP, the entire issue of the Notes is to be held by CDP in the form of a Global Note for persons holding the Notes in securities accounts with CDP ("**Depositors**"). Delivery and transfer of Notes between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors. Although CDP encourages settlement on the third Business Day following the trade date of debt securities, market participants may mutually agree on a different settlement period if necessary.

Settlement of over-the-counter trades in the Notes through the Depository System may only be effected through certain corporate depositors ("**Depository Agents**") approved by CDP under the Companies Act to maintain securities sub-accounts and to hold the Notes in such securities sub-accounts for themselves and their clients. Accordingly, Notes for which trade settlement is to be effected through the Depository System must be held in securities sub-accounts with Depository Agents. Depositors holding the Notes in direct securities accounts with CDP, and who wish to trade Notes through the Depository System, must transfer the Notes to be traded from such direct securities accounts to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Notes in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Issuing and Paying Agent or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

Clearance and Settlement under Euroclear and/or Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfer. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective participants to settle trades with one another. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to other financial institutions, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

A participant's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective participants, and have no record of, or relationship with, persons holding any interests through their respective participants. Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the relevant Issuing and Paying Agent, to the cash accounts of the relevant Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Book-Entry Ownership

Bearer Notes

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through CDP. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note in bearer form without coupons may be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg or CDP or any other clearing system (as "**Alternative Clearing System**") as agreed between the Issuer and the relevant Dealer(s). Transfers of interests in such temporary Global Notes or permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of CDP, Euroclear and Clearstream, Luxembourg or, if appropriate, the Alternative Clearing System.

Registered Notes

The Issuer may make applications to CDP, Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate.

Each Global Certificate deposited with a common depositary for, and registered in the name of, a nominee of Euroclear and/or Clearstream, Luxembourg and/or with CDP will, where applicable, have an ISIN and/or a Common Code. All Registered Notes will initially be in the form of a Global Certificate. Definitive Certificates will only be available, in the case of Notes initially represented by a Global Certificate, in amounts specified in the relevant Pricing Supplement.

Transfers of Registered Notes

Transfers of interests in Global Certificates within CDP, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

In the case of Registered Notes to be cleared through CDP, Euroclear or Clearstream, Luxembourg, transfers may be made at any time by a holder of an interest in a Global Certificate in accordance with the relevant rules and regulations of the applicable clearing systems.

TAXATION

SINGAPORE

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines issued by IRAS and MAS in force as at the date of this Information Memorandum and are subject to any changes in such laws or administrative guidelines, or the interpretation of those laws or guidelines, occurring after such date, which changes could be made on a retroactive basis. These laws and guidelines are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Information Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive tax incentive(s)) may be subject to special rules or tax rates. It should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. Prospective Noteholders are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership or disposal of the Notes, including the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that neither the Issuer, the Arrangers nor any other persons involved in the MTN Programme accept responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of the Notes.

In addition, the disclosure below is on the assumption that the IRAS regards each Tranche of the Notes as "debt securities" for the purposes of the ITA and that distribution payments made under each Tranche of the Notes will be regarded as interest payable on indebtedness and holders thereof may therefore enjoy the tax concessions and exemptions available for qualifying debt securities ("**QDS**"), provided that the other conditions for the Qualifying Debt Securities Scheme ("**QDS Scheme**") or the Qualifying Debt Securities Plus Scheme ("**QDS Plus Scheme**") (as the case may be) are satisfied.

1. Interest and other payments

Interest, discount income, "prepayment fee", "redemption premium" and "break cost" (references in this tax disclosure to the terms in quotation marks as defined in the ITA) derived by a Noteholder who is not resident in Singapore and who does not have any permanent establishment in Singapore is not subject to tax, as such income is likely to be regarded as arising from a source outside Singapore.[1] If, however, should such income be regarded as being sourced in Singapore, they can nonetheless be exempt from tax, including withholding of tax, if the Notes qualify as "qualifying debt securities" for the purposes of the ITA as discussed below.

Subject to the following paragraphs in this Singapore Taxation disclosure, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

[1] The assumption is that the Issuer will issue the Notes outside Singapore and not through a branch or otherwise in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is 17% with effect from Year of Assessment 2010. The applicable rate for non-resident individuals is 20%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.

Notwithstanding the above, with effect from 29 December 2009, the said deeming provisions of Section 12(6) of the ITA would not apply to payments for any arrangement, management, service or guarantee relating to any loan or indebtedness under Section 12(6A) of the ITA, where:

(i) the arrangement, management or service is performed outside Singapore; or

(ii) the guarantee is provided, for or on behalf of a person resident in Singapore or a permanent establishment in Singapore by a non-resident person who:

  (A) is not an individual and is not incorporated, formed or registered in Singapore; and

  (B) (1) does not by himself or in association with others, carry on a business in Singapore and does not have a permanent establishment in Singapore; or

    (2) carries on a business in Singapore (by himself or in association with others) or has a permanent establishment in Singapore, but (a) the arrangement, management or service is not performed through; or (b) the giving of the guarantee is not effectively connected with, that business carried on in Singapore or through that permanent establishment.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium or break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the ITA.

The terms "break cost", "prepayment fee" and "redemption premium" are defined in the ITA as follows:

> "break cost" means, in relation to debt securities, qualifying debt securities or qualifying project debt securities, any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;
>
> "prepayment fee" means, in relation to debt securities, qualifying debt securities or qualifying project debt securities, any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

“redemption premium” means, in relation to debt securities, qualifying debt securities or qualifying project debt securities, any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

As the MTN Programme is wholly arranged by DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited, each of which is a financial sector incentive (bond market) company (as defined in the ITA) any Tranche of the Notes issued as debt securities under the MTN Programme during the period from the date of this Information Memorandum to 31 December 2018 (the “**Relevant Notes**”) would be “qualifying debt securities” for the purposes of the ITA, to which the following treatments shall apply:

(a) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the Comptroller of Income Tax in Singapore (the “**Comptroller**”) may direct, of a return on debt securities for the Relevant Notes within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require to the MAS and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using funds from that person’s operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the “**Specified Income**”) from the Relevant Notes paid by the Issuer and derived by a holder who is not resident in Singapore and (i) who does not have any permanent establishment in Singapore or (ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such operation in Singapore, are exempt from Singapore tax;

(b) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the Comptroller may direct, of a return on debt securities for the Relevant Notes within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require to the MAS), Specified Income from the Relevant Notes paid by the Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is generally subject to tax at a concessionary rate of 10%; and

(c) subject to:

    (i) the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Specified Income) derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

    (ii) the Issuer, or such other person as the Comptroller may direct, furnishing to the MAS a return on debt securities for the Relevant Notes within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require,

payments of Specified Income derived from the Relevant Notes are not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

(a) if during the primary launch of any Tranche of Relevant Notes, the Relevant Notes of such Tranche are issued to fewer than four (4) persons and 50% or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by a related party or related parties of the Issuer, such Relevant Notes would not qualify as “qualifying debt securities”; and

(b) even though a Tranche of Relevant Notes are "qualifying debt securities", if, at any time during the tenure of such Tranche of Relevant Notes, 50% or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Specified Income derived from such Relevant Notes held by:

    (i) any related party of the Issuer; or

    (ii) any other person who acquires such Relevant Notes with funds obtained, directly or indirectly, from any related party of the Issuer,

    shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term "related party", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

Notwithstanding that the Issuer is permitted to make payments of Specified Income in respect of the Relevant Notes without deduction or withholding for tax under Section 45 or Section 45A of the ITA, **any person whose Specified Income (whether it is interest, discount income, prepayment fee, redemption premium or break cost) derived from the Relevant Notes is not exempt from tax is required to include such income in a return of income made under the ITA.**

Under the QDS Plus Scheme, subject to certain conditions having been fulfilled (including the furnishing by the Issuer or such other person as the Comptroller may direct, of a return on debt securities in respect of the qualifying debt securities within such period as the Comptroller may specify and such other particulars in connection with the qualifying debt securities as the Comptroller may require to the MAS), income tax exemption is granted on Specified Income derived by any investor from qualifying debt securities (excluding Singapore Government Securities) which:

(a) are issued during the period from 16 February 2008 to 31 December 2018;

(b) have an original maturity date of not less than 10 years;

(c) either –

    (i) if they are issued before 28 June 2013, cannot be redeemed, called, exchanged or converted within 10 years from the date of their issue; or

    (ii) if they are issued on or after 28 June 2013, cannot have their tenure shortened to less than 10 years from the date of their issue, except under such circumstances as may be prescribed by regulations; and

(d) cannot be re-opened with a resulting tenure of less than 10 years to the original maturity date.

In addition, the tax exemption on Specified Income from qualifying debt securities under the QDS Plus Scheme will not apply to any Specified Income derived from qualifying debt securities issued on or after 28 June 2013 that is derived on or after the date on which the tenure of any portion of those qualifying debt securities is shortened to less than 10 years from the date of their issue, where the shortening of the tenure occurs under such circumstances as may be prescribed by regulations.

The MAS has also released a circular FSD Cir 02/2013 entitled "Extension and Refinement of Tax Concessions for Promoting the Debt Market" dated 28 June 2013 providing details in respect of the refinement of the QDS Plus Scheme to allow debt securities with certain standard early termination clauses to qualify for the QDS Plus Scheme at the point of issuance. Examples of standard early termination clauses include clauses which provide for early termination due to a taxation event, default event, change of control event, change of shareholding event or change in listing status of an issuer. Subsequently, should the debt securities be redeemed prematurely due to standard early termination clauses (i.e. before the 10^{th} year), the income tax exemption granted to income exempt under the QDS Plus Scheme prior to redemption will not be clawed back. Instead, the QDS Plus status of the debt securities will be revoked prospectively for outstanding debt securities, if any. The outstanding debt securities may still enjoy tax benefits under the qualifying debt securities scheme if the other conditions for qualifying debt securities continue to be met. This refinement of the QDS Plus Scheme will take effect for debt securities that are issued on or after 28 June 2013.

In determining an investor's income that is to be exempted from tax under the QDS Plus Scheme, prescribed conditions apply in relation to how the investor's losses, expenses and capital allowances which are attributable to the exempt income are to be treated.

However, even if a Tranche of the Relevant Notes are "qualifying debt securities" which qualify under the QDS Plus Scheme, if, at any time during the tenure of such Tranche of Relevant Notes, 50% or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Specified Income from such Relevant Notes derived by:

(a) any related party of the Issuer; or

(b) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Relevant Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Relevant Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Noteholders who adopt or are adopting Singapore Financial Reporting Standard 39 – Financial Instruments: Recognition and Measurement ("**FRS 39**"), may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Relevant Notes, irrespective of disposal, in accordance with FRS 39. Please see the section below on "*Adoption of FRS 39 treatment for Singapore income tax purposes*".

3. Adoption of FRS 39 treatment for Singapore income tax purposes

The IRAS has issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 - Financial Instruments: Recognition & Measurement" (the "**FRS 39 Circular**"). Legislative amendments to give effect to the tax treatment set out in the FRS 39 Circular have been enacted in Section 34A of the ITA.

The FRS 39 Circular and Section 34A of the ITA generally apply, subject to certain "opt-out" provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes. According to the FRS 39 Circular, for financial assets on revenue account classified as:

(a) "fair value through profit or loss", gains or losses recognised in the profit and loss account will be taxed or allowed as a deduction even though they are unrealised;

(b) "available-for-sale", only the cumulative gains or losses (which had been recognised in equity in the balance sheet) that are transferred to the profit and loss account upon de-recognition will be taxed or allowed as a deduction;

(c) "held-to-maturity" and loans, the interest income based on the amount shown in the accounts, which is calculated under the effective interest method under FRS 39, will be taxed.

The FRS 39 Circular refers to the application of the effective interest method under FRS 39 and states that the "effective interest method" is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period and the "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

However, for debt securities that are classified as financial assets on capital account, the FRS Circular indicates that interest income reflected in the profit and loss account under FRS 39 will be adjusted to that based on the coupon/contractual rate for Singapore income tax purposes.

In this regard, Section 34A of the ITA provides that where interest from debt securities is chargeable to tax under Section 10(1)(d) of the ITA (i.e. as passive income rather than as income from a trade or business), such interest will be computed based on the contractual interest rate and not the effective interest rate. "Contractual interest rate", in relation to any financial instrument, means the interest rate specified in the financial instrument. A gain from discounts or premiums on debt securities, being a gain chargeable to tax under Section 10(1)(d) of the ITA, shall be deemed to accrue only on the maturity of the debt securities and to be equal to the difference between the amount received on the maturity or redemption of the debt securities and the amount for which the debt securities were first issued.

Noteholders who may be subject to the tax treatment under the FRS 39 Circular and Section 34A of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Relevant Notes.

4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

BERMUDA

The following is a general description of certain Bermuda tax considerations relating to the Notes and is based on laws and relevant interpretations thereof in effect as at the date of this Information Memorandum all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Bermuda or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which Bermuda or other tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the relevant tax laws. It is emphasised that none of the Issuer, the Group, the Arrangers nor any other persons involved in the MTN Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.

1. Tax

Under current Bermuda legislation, there is no withholding tax, capital gains tax, income or profits tax, capital transfer tax, estate duty or inheritance tax payable in Bermuda by the Issuer or any shareholders who are resident outside Bermuda. Furthermore, the Issuer has obtained from the Minister of Finance in Bermuda, under the Exempted Undertakings Tax Act, 1966 (as amended), an assurance that, in the event of there being enacted in Bermuda any legislation which in the future may impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 28 March 2016, which may upon application be extended to 31 March 2035, be applicable to the Issuer or to any of its operations, or to shares, debentures or other obligations of the Issuer except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Issuer or to land in Bermuda leased or let to the Issuer.

2. Stamp duty

As an exempted company, the Issuer is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. None of the Issuer, the shareholders and the Noteholders, as the case may be (other than persons ordinarily resident in Bermuda), is subject to stamp duty or other similar duty in relation to the Notes (including the transfer thereof).

HONG KONG

The following summary of certain Hong Kong tax consequences of the purchase, ownership and disposition of the Notes is based upon laws, regulations, decisions and practice now in effect, all of which are subject to prospective change and possibly retroactive change. The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisors concerning the application of Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

1. Withholding tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

2. Profits tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong,

and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

3. Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of Noteholders is maintained outside Hong Kong) of a Note.

4. Estate duty

Hong Kong estate duty has been abolished with respect to all deaths occurring on or after 11 February 2006.

SUBSCRIPTION, PURCHASE AND DISTRIBUTION

The Programme Agreement provides for Notes to be offered from time to time through one or more Dealers. The price at which a Series or Tranche will be issued will be determined prior to its issue between the Issuer and the relevant Dealer(s). The obligations of the Dealers under the Programme Agreement will be subject to certain conditions set out in the Programme Agreement. Each Dealer (acting as principal) will subscribe or procure subscribers for Notes from the Issuer pursuant to the Programme Agreement.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed that, and each further Dealer appointed under the MTN Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of such Tranche, as determined and certified to the Issuer by the Issuing and Paying Agent, by such Dealer (or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager), of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the MTN Programme will be required to represent, warrant and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Dealer has acknowledged that this Information Memorandum has not been registered as a prospectus with the MAS. Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Bermuda

The Notes may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 of Bermuda. Non-Bermudian persons may not carry on or engage in any trade or business in Bermuda unless such persons are authorised to do so under applicable Bermuda legislation. Engaging in the activity of offering or marketing the Notes in Bermuda to persons in Bermuda may be deemed to be carrying on investment business in Bermuda.

General

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Information Memorandum or any other document or any Pricing Supplement, in any country or jurisdiction (other than Singapore) where action for that purpose is required.

Each Dealer has agreed that it will comply with all applicable securities laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers Notes or any interest therein or rights in respect thereof or has in its possession or distributes, any other document or any Pricing Supplement.

Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Notes or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.

GENERAL AND OTHER INFORMATION

INFORMATION ON DIRECTORS

1. (a) The names and positions of the Directors are set out below:

Name	Position
Mr Lim Kia Hong	Chairman and Chief Executive Officer
Mr Lim Kiah Meng	Vice-Chairman and Executive Director
Mr Lim Hwee Hai	Executive Director
Madam Lim Hwee Noi	Executive Director
Mr Lee Hiok Chuan	Independent Non-Executive Director
Ms Ong Wui Leng	Independent Non-Executive Director
Mr Ma Shiu Sun, Michael	Independent Non-Executive Director

(b) No Director is or has been involved in any of the following events:

(i) a petition under any bankruptcy laws filed in any jurisdiction against such person or any partnership in which he was a partner or any corporation of which he was a director or an executive officer;

(ii) a conviction of any offence, other than a traffic offence, or judgment, including findings in relation to fraud, misrepresentation or dishonesty, given against him in any civil proceedings which may lead to such a conviction or judgment, or so far as such person is aware, any criminal investigation pending against him; or

(iii) the subject of any order, judgment or ruling of any court of competent jurisdiction, tribunal or government body, permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

(c) As at the Latest Practicable Date, none of the Directors is related by blood or marriage to one another nor are any of them related by blood or marriage to any substantial shareholder of the Issuer, save that Mr Lim Kia Hong, Mr Lim Kiah Meng and Madam Lim Hwee Noi are siblings, and Mr Lim Hwee Hai is the spouse of Madam Lim Hwee Noi.

(d) No option to subscribe for Shares or debentures of the Issuer has been granted to, or was exercised by, any Director during the last financial year ended 31 December 2012 up to the Latest Practicable Date.

(e) The interests of the Directors and substantial shareholders of the Issuer in the Shares as at the Latest Practicable Date are as follows:

Directors

Name of Director	Personal Interests	Family Interests	Joint Interest[1]	Corporate Interests[2]	Total Number of Issued Ordinary Shares Held	Percentage of the Issued Share Capital of the Company
Lim Kiah Meng[4]	5,403,200	650,000	534,000	178,640,000	185,227,200	66.86%
Lim Kia Hong[4]	5,771,108	608,000	-	178,640,000	185,019,108	66.79%
Lim Hwee Hai[3]	3,331,200	3,579,158	-	-	6,910,358	2.49%
Lim Hwee Noi[3][4]	3,579,158	3,331,200	-	-	6,910,358	2.49%
Lee Hiok Chuan	83,333	-	-	-	83,333	0.03%
Ong Wui Leng	83,333	-	-	-	83,333	0.03%

Notes:

(1) 534,000 Shares are jointly held by Mr Lim Kiah Meng and his spouse.

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

(3) 3,331,200 Shares and 3,579,158 Shares are beneficially owned by Mr Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr Lim and Madam Lim are spouses, so they are deemed to have an interest in their spouse's Shares.

(4) In addition to the interests disclosed above, Mr Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 608,000 Shares on behalf of six beneficiaries aged below 18. Out of these 608,000 Shares, 400,000 Shares and 208,000 Shares are beneficially owned by the children of Mr Lim Kiah Meng and Mr Lim Kia Hong respectively, and are included in the family interest of Mr Lim Kiah Meng and Mr Lim Kia Hong as disclosed above.

Substantial Shareholders

Name of Substantial Shareholder	Personal Interests	Family Interests	Corporate Interests[1]	Other Interests[2]	Total Number of Issued Ordinary Shares Held
Yeo Seng Chong	700,000	1,220,000	13,050,000	-	14,970,000
Lim Mee Hwa	1,220,000	700,000	13,050,000	-	14,970,000
Yeoman Capital Management Pte. Ltd.	-	-	300,000	12,750,000	13,050,000

Notes:

(1) Mr Yeo Seng Chong and Madam Lim Mee Hwa each have 50% direct interest in Yeoman Capital Management Pte. Ltd.

(2) Yeoman Capital Management Pte Ltd holds the Shares of the Issuer as an investment manager.

SHARE CAPITAL

2. As at the date of this Information Memorandum, there is only one (1) class of ordinary shares in the Issuer. The rights and privileges attached to the Shares are stated in the Bye-Laws of the Issuer.

3. The issued share capital of the Issuer as at the date of this Information Memorandum is as follows:

Share Designation	Issued Share(s)	Issued Share Capital (HK$'000)
Ordinary Shares	277,033,332	27,703

BORROWINGS

4. Save as disclosed in Appendix V and in paragraph 5 below, the Issuer has as at the Latest Practicable Date no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

5. The Group has taken up bank loans to finance the Hotel Acquisition in October 2013. In addition, the Group has also utilised certain existing but previously undrawn and revolving trade and working capital facilities since 30 June 2013.

WORKING CAPITAL

6. The Directors are of the opinion that, after taking into account the present banking facilities and the net proceeds of the issue of the Notes, the Issuer will have adequate working capital for its present requirements.

CHANGES IN ACCOUNTING POLICIES

7. Save as disclosed in Appendix V, there have been no significant changes in the accounting policies of the Issuer since its audited financial accounts for FY2012.

MATERIAL ADVERSE CHANGE

8. There has been no material adverse change in the financial position or business of the Issuer or the Group since 31 December 2012.

LITIGATION

9. There are no legal or arbitration proceedings pending or, to the best of the knowledge of the Issuer, having made all due and careful enquiries, threatened against the Issuer or any of its subsidiaries, the outcome of which may have, or have had during the 12 months prior to the date of this Information Memorandum, a material adverse effect on the financial position of the Issuer or the Group.

CONSENT

10. The Auditor has given and has not withdrawn its written consent to the issue of this Information Memorandum with the references herein to its name and reports in the form and context in which they appear in this Information Memorandum.

DOCUMENTS AVAILABLE FOR INSPECTION

11. Copies of the following documents may be inspected at the principal place of business of the Issuer at 604 Eastern Harbour Centre, 28 Hoi Chak Street, Quarry Bay, Hong Kong and at the specified office of the Singapore Issuing and Paying Agent at One Temasek Avenue, #03-01 Millenia Tower, Singapore 039192 during normal business hours for a period of six months from the date of this Information Memorandum:

    (a) the Memorandum of Association and Bye-Laws of the Issuer;

    (b) the Trust Deed;

    (c) the consent letter referred to in paragraph 10 above;

    (d) the audited consolidated financial statements of the Group for FY2010, FY2011 and FY2012; and

    (e) unaudited condensed consolidated financial statements of the Group for the first six months ended 30 June 2013.

FUNCTIONS, RIGHTS AND OBLIGATIONS OF THE TRUSTEE

12. The functions, rights and obligations of the Trustee are set out in the Trust Deed.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Deloitte.
德勤

TO THE MEMBERS OF SiS INTERNATIONAL HOLDINGS LIMITED
新龍國際集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 95, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2010 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2011

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	2010 Continuing operations HK$'000	2010 Discontinued operations HK$'000	2010 Total HK$'000	2009 Continuing operations HK$'000 (restated)	2009 Discontinued operations HK$'000 (restated)	2009 Total HK$'000 (restated)
Revenue	5	**158,641**	**5,170,603**	**5,329,244**	12,776	3,870,976	3,883,752
Cost of sales		**(138,420)**	**(4,926,271)**	**(5,064,691)**	(1,446)	(3,718,357)	(3,719,803)
Gross Profit		**20,221**	**244,332**	**264,553**	11,330	152,619	163,949
Other gains and losses	6	**123,928**	**39,050**	**162,978**	74,546	35,670	110,216
Distribution costs		**(2,068)**	**(84,036)**	**(86,104)**	(2,097)	(76,574)	(78,671)
Administrative expenses		**(31,408)**	**(58,266)**	**(89,674)**	(20,748)	(45,087)	(65,835)
Share of results of associates		**38,584**	**–**	**38,584**	26,708	–	26,708
Share of result of a jointly controlled entity		**4,230**	**–**	**4,230**	–	–	–
Finance costs	7	**(594)**	**(2,887)**	**(3,481)**	–	(2,472)	(2,472)
Profit before tax		**152,893**	**138,193**	**291,086**	89,739	64,156	153,895
Income tax expense	8	**(19,993)**	**(23,710)**	**(43,703)**	(10,539)	(9,272)	(19,811)
Profit for the year attributable to owners of the Company	9	**132,900**	**114,483**	**247,383**	79,200	54,884	134,084
Earnings per share (in HK cents)	13						
Basic		**49.0**	**42.2**	**91.2**	29.2	20.3	49.5
Diluted		**48.9**	**42.2**	**91.1**	29.2	20.3	49.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 *HK$'000*	2009 *HK$'000*
Profit for the year	**247,383**	134,084
Other comprehensive income		
Gain on fair value changes of available-for-sale investments	**30,182**	7,762
Reclassification of the cumulative exchange difference attributable to disposed subsidiary to income statement	**–**	2,254
Reclassification of the cumulative exchange difference attributable to disposed associate to income statement	**(976)**	–
Exchange realignment arising on translation of foreign operations *(note)*	**13,793**	3,256
Share of exchange reserve of associates and a jointly controlled entity	**16,203**	5,130
Other comprehensive income for the year attributable to owners of the Company	**59,202**	18,402
Total comprehensive income for the year attributable to owners of the Company	**306,585**	152,486

Note: Includes an amount of HK$26,804,000 (2009: HK$11,414,000) relating to the Disposal Group (see Note 1) and will be recognised as part of the gain on disposal on completion of the disposal.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTES	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Non-current assets				
Investment properties	*14*	**699,924**	191,175	196,873
Property, plant and equipment	*15*	**23,890**	27,114	23,825
Interests in associates	*16*	**163,206**	133,459	109,372
Interests in a jointly controlled entity	*17*	**17,242**	–	–
Available-for-sale investments	*18*	**62,854**	28,382	12,610
Deposits for acquisition of investment properties		**–**	20,323	–
Deferred tax assets	*28*	**–**	459	351
		967,116	400,912	343,031
Current assets				
Inventories		**139,641**	236,115	297,567
Trade and other receivables, deposits and prepayments	*19*	**90,720**	582,379	578,729
Derivative financial instruments	*20*	**–**	697	–
Tax recoverable		**31**	–	1,864
Investments held-for-trading	*21*	**45,607**	42,501	33,682
Pledged bank deposits	*22*	**–**	21,086	20,369
Bank balances and cash	*23*	**59,901**	217,349	131,096
		335,900	1,100,127	1,063,307
Assets classified as held for sale	*24*	**1,386,035**	65,000	–
		1,721,935	1,165,127	1,063,307
Current liabilities				
Trade payables, other payables and accruals	*25*	**116,473**	505,948	407,578
Bills payable	*26*	**–**	19,171	74,758
Deposits received for investments properties held for sale		**705**	3,500	–
Derivative financial instruments	*20*	**–**	–	1,938
Tax payable		**8,357**	11,139	6,873
Bank loans	*27*	**226,176**	32,365	71,639
		351,711	572,123	562,786
Liabilities associated with assets classified as held for sale	*24*	**1,043,476**	684	–
		1,395,187	572,807	562,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTES	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Net current assets		**326,748**	592,320	500,521
Total assets less current liabilities		**1,293,864**	993,232	843,552
Non-current liabilities				
Deferred tax liabilities	28	**37,331**	24,021	14,234
Net assets		**1,256,533**	969,211	829,318
Capital and reserves				
Share capital	29	**27,235**	27,102	27,102
Share premium		**61,129**	58,238	58,238
Reserves		**97,481**	39,194	20,753
Retained profits		**1,070,688**	844,677	723,225
Total equity		**1,256,533**	969,211	829,318

The consolidated financial statements on pages 28 to 95 were approved and authorised for issue by the Board of Directors on 29 March 2011 and are signed on its behalf by:

LIM Kiah Meng
DIRECTOR

LIM Kia Hong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital HK$'000	Share premium HK$'000	Investments reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000	Contributed surplus HK$'000 (note)	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2009	27,102	58,238	109	13,735	919	2,860	3,130	723,225	829,318
Profit for the year	–	–	–	–	–	–	–	134,084	134,084
Other comprehensive income for the year	–	–	7,762	10,640	–	–	–	–	18,402
Total comprehensive income for the year	–	–	7,762	10,640	–	–	–	134,084	152,486
Recognition of equity-settled share based payments	–	–	–	–	–	–	958	–	958
Transfer to retained profits on disposal of a subsidiary	–	–	–	–	(919)	–	–	919	–
Dividend recognised as distribution *(Note 12)*	–	–	–	–	–	–	–	(13,551)	(13,551)
At 31 December 2009	27,102	58,238	7,871	24,375	–	2,860	4,088	844,677	969,211
Profit for the year	–	–	–	–	–	–	–	247,383	247,383
Other comprehensive income for the year	–	–	30,182	29,020	–	–	–	–	59,202
Total comprehensive income for the year	–	–	30,182	29,020	–	–	–	247,383	306,585
Recognition of equity-settled share based payments	–	–	–	–	–	–	125	–	125
Issue of shares under employee share option plan	133	2,891	–	–	–	–	(731)	–	2,293
Reversal on lapse of share options	–	–	–	–	–	–	(309)	309	–
Dividend recognised as distribution *(Note 12)*	–	–	–	–	–	–	–	(21,681)	(21,681)
At 31 December 2010	**27,235**	**61,129**	**38,053**	**53,395**	**–**	**2,860**	**3,173**	**1,070,688**	**1,256,533**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 HK$'000	2009 HK$'000
Operating activities		
Profit before taxation	**291,086**	153,895
Adjustments for:		
Share of results of associates	**(38,584)**	(26,708)
Share of result of a jointly controlled entity	**(4,230)**	–
Loss on deemed disposal of an associate	**212**	–
Finance costs	**3,481**	2,472
(Reversal of) allowance for doubtful debts provided, net	**(4,694)**	9,907
Reversal of write-down of inventories, net	**(8,269)**	(2,409)
Dividend income from investments held-for-trading	**(3,656)**	(4,141)
Dividend income from available-for-sale investments	**(456)**	(1,088)
Interest income	**(1,545)**	(973)
Loss on disposal of a subsidiary	**–**	2,254
Share-based payments expense	**125**	958
Gain on disposal of available-for-sale investments	**(7)**	(679)
Gain on disposal of an associate	**(2,675)**	–
Impairment loss of available-for-sale investments	**6,903**	–
Increase in fair value of investment properties	**(109,389)**	(58,565)
Gain on disposal of investment properties	**(5,000)**	–
Loss (gain) on fair value changes on derivative financial instruments	**1,338**	(2,635)
Depreciation of property, plant and equipment	**2,854**	3,127
Loss on disposal of property, plant and equipment	**118**	1
Operating cash flows before movements in working capital	**127,612**	75,416
(Increase) decrease in inventories	**(277,438)**	67,036
Increase in trade and other receivables, deposits and prepayments	**(303,355)**	(7,339)
Increase in investments held-for-trading	**(3,106)**	(8,819)
Dividend received from investments held-for-trading	**3,656**	4,141
Increase in trade payables, other payables and accruals	**299,222**	94,780
Increase (decrease) in bills payable	**113,194**	(57,810)
Cash (used in) generated from operations	**(40,215)**	167,405
Hong Kong Profits Tax paid, net	**(14,271)**	(4,103)
Overseas Tax paid	**(1,317)**	(547)
Interest paid	**(3,481)**	(2,472)
Net cash (used in) from operating activities	**(59,284)**	160,283

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 *HK$'000*	2009 *HK$'000*
Investing activities		
Dividend received from associates	**9,496**	7,751
Dividend received from available-for-sale investments	**456**	1,088
Interest received	**1,545**	973
Increase in pledged bank deposits	**(478)**	(535)
Proceeds from disposal of available-for-sale investments	**33**	679
Purchase of available-for-sale investments	**(6,936)**	(8,010)
Purchase of property, plant and equipment	**(4,279)**	(6,376)
Acquisition of investment properties	**(383,446)**	–
Acquisition of a jointly controlled entity	**(12,679)**	–
Deposits received for disposal of investment properties	**705**	3,500
Deposits for acquisition of investment properties	**–**	(20,323)
Proceeds from disposal of investment properties	**66,500**	–
Proceeds from disposal of property, plant and equipment	**361**	9
Proceeds from disposal of an associate	**13,165**	–
Repayments of staff advances	**–**	491
Net cash used in investing activities	**(315,557)**	(20,753)
Financing activities		
Issue of shares	**2,293**	–
Dividends paid	**(21,681)**	(13,551)
New bank loans raised	**744,106**	188,551
Repayment of bank loans	**(370,891)**	(228,739)
Net cash from (used in) financing activities	**353,827**	(53,739)
Net (decrease) increase in cash and cash equivalents	**(21,014)**	85,791
Cash and cash equivalents at 1 January	**217,349**	131,096
Effect of foreign exchange rate changes	**4,283**	462
Cash and cash equivalents at 31 December	**200,618**	217,349

1. GENERAL

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

The Company acts as an investment holding company and provides corporate management services to group companies. The principal activities of its subsidiaries are set out in note 38.

On 26 November 2010, a wholly-owned subsidiary of the Company entered into an agreement with Jardine OneSolution (BVI) Limited for the disposal of its entire interest in certain wholly-owned subsidiaries; namely SiS International Limited, SiS Technologies Pte. Ltd. and SiS Distribution (M) Sdn. Bhd. (the "Disposal Group") which are engaged in distribution of IT products. The transaction was completed on 3 January 2011. Details of the disposal are set out in note 24(a).

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

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

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

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 17 Leases

As part of the improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

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

Amendments to HKAS 17 Leases (cont'd)

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. As a result of the reclassification of prepaid lease payments with pervious carrying amounts of HK$14,869,000 and HK$19,426,000 as at 1 January 2009 and 31 December 2009 respectively to property, plant and equipment, the carrying amounts of property, plant and equipment are increased by HK$14,869,000 and HK$19,426,000 from HK$8,956,000 and HK$7,688,000 to HK$23,825,000 and HK$27,114,000 respectively. The carrying amount of such leasehold land at 31 December 2010 of HK$19,398,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

The Group did not, as at 1 January 2009 and 31 December 2009, have any non-current bank loans that contain a repayment on demand clause and therefore reclassification of the comparative figures is not required. As at 31 December 2010, bank loans that contain such on demand clause with aggregate carrying amount of HK$226,176,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

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

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*
[2] *Effective for annual periods beginning on or after 1 July 2010*
[3] *Effective for annual periods beginning on or after 1 July 2011*
[4] *Effective for annual periods beginning on or after 1 January 2013*
[5] *Effective for annual periods beginning on or after 1 January 2012*
[6] *Effective for annual periods beginning on or after 1 January 2011*
[7] *Effective for annual periods beginning on or after 1 February 2010*

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of HKFRS 9 may have an impact on measurement and classification of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. Should HKAS 12 be early applied to the current year's financial statements and the presumption is not rebutted, deferred tax liabilities at 1 January 2009, 31 December 2009 and 31 December 2010 would have been reduced by HK$4,170,000, HK$13,137,000 and HK$28,489,000 respectively and deferred tax expense recognised in the income statement for the years ended 31 December 2009 and 2010 would have been reduced by HK$8,967,000 and HK$15,352,000 and the profit would have been increased by the same amount respectively.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

Basis of consolidation

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

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

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

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

Investments in associates

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments in associates (cont'd)

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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are 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 an associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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 a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Investment properties that are classified as held for sale are measured at their fair values at the end of the reporting period. Other non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment, including building held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, pledged bank deposits and bank balances are measured at amortised cost using the effective interest method, less any impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the consolidated income statement.

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 as available-for-sale or are not classified as any other categories of financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investments reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in investments reserve is reclassified to profit or loss.

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

For financial assets carried at amortised cost, an impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investments reserve. In respect of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial liabilities and equity instruments

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.

Equity instruments

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

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities (including trade and other payables, bills payable and bank loans) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives of the Group do not qualify for hedge accounting and thus they are deemed as financial assets held for trading or financial liabilities held for trading.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Impairment loss on assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Inventories

Inventories, representing trading merchandise, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

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

Revenue from the sale of goods is recognised when goods are delivered and title are passed.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

Rental income from operating leases where the Group is the lessor is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Operating lease payments where the Group is the lessee are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in translation reserve under equity.

From 1 January 2010 onwards, on the disposal of a foreign operation (including a disposal of the Group's entire interest in a foreign operation, loss of control over a subsidiary or loss of significant influence over an associate, that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Share-based payment

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserves under equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Retirement benefit costs

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

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 profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SEGMENTAL INFORMATION

Information reported to the Group’s chief operating decision maker, executive directors, for the purpose of allocating resources to segments and assessment of segment performance focused on each of three geographical locations, i.e. Hong Kong, Singapore and Malaysia, in relation to distribution of information technology (“IT”) products and property investment. This is the basis upon which the operation of the Group is organised.

4. SEGMENTAL INFORMATION (cont'd)

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

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

The Disposal Group is engaged in distribution of certain brands of IT products, which represent major lines of the Group's distribution of IT products business operating independently in each of the geographical areas, Hong Kong, Singapore and Malaysia. After the disposal, the Group is restricted from carrying on business that compete with those of the Disposal Group in these territories within a certain period of time. The disposal constituted discontinued operations.

During the year, the Group started the business of distribution of separate lines of IT products in Hong Kong, Singapore and Malaysia.

Segment revenue and results

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

	For the year ended 31 December 2010								
	Distribution of IT products						Property Investment	Consolidated	
	Hong Kong		Singapore		Malaysia				
	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*
SEGMENT REVENUE									
External sales	65,710	3,037,591	82,281	1,569,581	1,845	563,431	8,805	158,641	5,170,603
Segment profit (loss)	(579)	100,730	9,852	33,845	96	5,139	121,196	130,565	139,714
Income from investments held-for-trading and available-for-sale investments								6,487	868
Impairment loss on available-for-sale investments								(6,903)	–
Gain on disposal of an associate								2,675	–
Loss on deemed disposal of an associate								(212)	–
Other unallocated income								6,397	498
Share of results of associates								38,584	–
Share of result of a jointly controlled entity								4,230	–
Finance costs								(594)	(2,887)
Unallocated corporate expenses								(28,336)	–
Profit before tax								152,893	138,193

4. SEGMENTAL INFORMATION (cont'd)

Segment revenue and results (cont'd)

	For the year ended 31 December 2009								
	Distribution of IT products						Property Investment	Consolidated	
	Hong Kong		Singapore		Malaysia				
	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*
SEGMENT REVENUE									
External sales	1,955	2,361,475	564	1,092,839	–	416,662	10,257	12,776	3,870,976
Segment profit (loss)	(8)	59,836	83	2,752	–	1,378	67,527	67,602	63,966
Income from investments held-for-trading and available-for-sale investments								12,188	2,073
Loss on disposal of a subsidiary								(2,254)	–
Other unallocated income								6,103	589
Share of results of associates								26,708	–
Finance costs								–	(2,472)
Unallocated corporate expenses								(20,608)	–
Profit before tax								89,739	64,156

The accounting policies adopted in preparing the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments, share of results of associates and a jointly controlled entity, gain on disposal of an associate, loss on disposal of a subsidiary, investment income, finance costs and other corporate expenses. This is the measure reported to the chief operating decision maker, who are the executive directors, for the purposes of resource allocation and performance assessment.

4. SEGMENTAL INFORMATION (cont'd)

Segment assets and liabilities

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

	As at 31 December 2010				
	Distribution of IT products			Property Investment	Consolidated
	Hong Kong	Singapore	Malaysia		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	84,854	138,909	4,526	695,778	924,067
Interests in associates					163,206
Interests in a jointly controlled entity					17,242
Unallocated corporate assets					198,501
Total segment assets					1,303,016
Assets classified as held for sale					1,386,035
Consolidated total assets					2,689,051
LIABILITIES					
Segment liabilities	53,020	35,531	54	7,167	95,772
Unallocated corporate liabilities					293,270
Total segment liabilities					389,042
Liabilities associated with assets held for sale					1,043,476
Consolidated total liabilities					1,432,518

4. SEGMENTAL INFORMATION (cont'd)

Segment assets and liabilities (cont'd)

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

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

- All assets are allocated to reportable segments other than bank balances and deposits and other corporate assets, interests in associates and a jointly controlled entity, available-for-sale investments, investments held-for-trading, deferred tax assets and assets relating to discontinued operations.

- All liabilities are allocated to reportable segments other than current and deferred tax liabilities, other corporate liabilities and liabilities relating to discontinued operations.

4. SEGMENTAL INFORMATION (cont'd)

Other segment information

Segment results from continuing and discontinued operations, and segment assets presented above includes the following:

For the year ended 31 December 2010

	Distribution of IT products						Property Investment	Unallocated	Consolidated	
	Hong Kong		Singapore		Malaysia					
	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Continuing operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*
Capital additions	–	670	303	1,913	–	910	404,252	–	404,555	3,493
(Reversal of) allowance for doubtful debts	–	(3,080)	–	(2,462)	–	848	–	–	–	(4,694)
Depreciation	–	271	14	1,109	–	1,034	232	194	440	2,414
Increase in fair value of investment properties	–	–	–	–	–	–	109,389	–	109,389	–
Reversal of write-down of inventories	–	(2,300)	–	(1,905)	–	(4,064)	–	–	–	(8,269)

For the year ended 31 December 2009

	Distribution of IT products						Property Investment	Unallocated	Consolidated	
	Hong Kong		Singapore		Malaysia					
	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Continuing operations *HK$'000*	Continuing operations *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*
Capital additions	–	35	16	320	–	922	–	5,083	5,099	1,277
Allowance for doubtful debts	–	94	–	3,028	–	6,785	–	–	–	9,907
Depreciation	–	591	2	1,155	–	899	181	299	482	2,645
Increase in fair value of investment properties	–	–	–	–	–	–	58,565	–	58,565	–
Allowance for (reversal of) write-down of inventories	(13)	(265)	(569)	(2,316)	–	754	–	–	(582)	(1,827)

4. SEGMENTAL INFORMATION (cont'd)

Geographical information

The majority of the Group's revenue from continuing operations from external customers by geographical location of the customers are attributed to the group entities' countries of domiciles (i.e. Hong Kong, Singapore and Malaysia). There are no major customers contributing over 10% of the Group's revenue in both years.

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

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**683,622**	202,798
Singapore	**37,016**	30,850
Malaysia	**–**	1,943
The People's Republic of China ("PRC")	**3,176**	3,021
	723,814	238,612

5. REVENUE

Revenue represents the net amount received and receivable for goods sold and gross rental income received and receivable from properties rented for the year. An analysis of the Group's revenue for the year is as follows:

	2010		2009	
	Continuing operations	**Discontinued operations**	Continuing operations	Discontinued operations
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Distribution of IT products	**149,836**	**5,170,603**	2,519	3,870,976
Renting of investment properties	**8,805**	**–**	10,257	–
	158,641	**5,170,603**	12,776	3,870,976

6. OTHER GAINS AND LOSSES

	2010		2009	
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*
Dividend income from available-for-sale investments	**454**	**2**	1,086	2
Dividend income from investments held-for-trading	**3,026**	**630**	3,423	718
Discount on early settlement to suppliers	**–**	**15,263**	–	13,958
Exchange gain, net	**5,721**	**19,926**	5,593	13,570
(Loss) gain on fair value changes on derivative financial instruments	**–**	**(1,388)**	–	2,635
Interest on bank deposits	**1,047**	**498**	434	539
Impairment loss on available-for-sale investments	**(6,903)**	**–**	–	–
Gain on disposal of available-for-sale investments	**–**	**7**	679	–
Gain on disposal of an associate	**2,675**	**–**	–	–
Gain on disposal of investment properties	**5,000**	**–**	–	–
Loss on deemed disposal of an associate	**(212)**	**–**	–	–
Loss on disposal of a subsidiary	**–**	**–**	(2,254)	–
Change in fair value of investments held-for-trading	**3,007**	**229**	7,000	1,353
Change in fair value of investment properties	**109,389**	**–**	58,565	–

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

	2010		2009	
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*
Current tax				
Hong Kong	**186**	**16,723**	19	9,930
Singapore	**1,678**	**4,165**	96	–
Others	**–**	**342**	–	536
	1,864	**21,230**	115	10,466
Deferred taxation	**18,129**	**2,480**	10,424	(1,194)
Income tax expense for the year	**19,993**	**23,710**	10,539	9,272

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

Singapore Corporate Income Tax is calculated at 17% of the estimated assessable profit for both years.

Others are calculated at the rates prevailing in the respective jurisdictions.

8. INCOME TAX EXPENSE (cont'd)

The tax charge for the year from continuing operations can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Profit before tax from continuing operations	**152,893**	89,739
Tax at the domestic income tax rate of 16.5% *(note)*	**25,227**	14,807
Tax effect of share of results of associates	**(6,366)**	(4,407)
Tax effect of share of result of a jointly controlled entity	**(698)**	–
Tax effect of expenses not deductible for tax purpose	**4,280**	1,888
Tax effect of income not taxable for tax purpose	**(4,732)**	(3,895)
Tax effect of tax losses/deductible temporary differences not recognised	**140**	1,035
Utilisation of tax losses/deductible temporary differences previously not recognised	**(41)**	(198)
Effect of different tax rates of subsidiaries	**49**	–
Withholding tax on share of result of an associate	**2,299**	1,893
Others	**(165)**	(584)
Tax charge for the year for continuing operations	**19,993**	10,539

Note:

Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operation of the Group is substantially based.

9. PROFIT FOR THE YEAR

	2010		2009	
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*
Profit for the year has been arrived at after charging:				
Cost of inventories recognised as an expense	**131,353**	**4,923,780**	160	3,712,097
Staff costs *(note)*	**19,842**	**95,511**	16,038	72,573
Auditor's remuneration	**1,133**	**–**	652	715
Allowance for doubtful debts provided	**–**	**6,980**	–	9,907
Write-down of inventories	**–**	**1,210**	2	1,981
Depreciation of property, plant and equipment	**440**	**2,414**	482	2,645
Operating lease rentals in respect of rented premises	**–**	**14,364**	174	13,500
Share of tax of associates (included in share of results of associates)	**10,958**	**–**	12,338	–
Loss on disposal of property, plant and equipment	**–**	**118**	–	1
and after crediting:				
Gross rental income from investment properties	**8,805**	**–**	10,257	–
Less: Direct operating expenses	**(1,817)**	**–**	(1,285)	–
Net rental income	**6,988**	**–**	8,972	–
Reversal of allowance for doubtful debts provided	**–**	**11,674**	–	–
Reversal of write-down of inventories	**–**	**9,479**	584	3,808

Note:

Staff costs include emoluments to the directors as set out in note 10 and retirement benefit schemes contributions and share-based payments of HK$6,042,000 (2009: HK$4,827,000) and HK$125,000 (2009: HK$958,000) respectively.

10. 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	Performance related bonus HK$'000 (note)	Contributions to retirement benefit scheme HK$'000	Share-based payments HK$'000	2010 Total HK$'000
Executive directors:						
Mr. Lim Kiah Meng	**126**	**3,433**	**1,500**	**34**	**10**	**5,103**
Mr. Lim Kia Hong	**126**	**3,432**	**1,500**	**40**	**10**	**5,108**
Mr. Lim Hwee Hai	**126**	**3,448**	**1,500**	**24**	**10**	**5,108**
Madam Lim Hwee Noi	**126**	**1,896**	**1,000**	**27**	**10**	**3,059**
	504	**12,209**	**5,500**	**125**	**40**	**18,378**
Independent non-executive directors:						
Mr. Lee Hiok Chuan	**250**	**–**	**–**	**–**	**3**	**253**
Mr. Woon Wee Teng	**250**	**–**	**–**	**–**	**3**	**253**
Ms. Ong Wui Leng	**250**	**–**	**–**	**–**	**3**	**253**
	750	**–**	**–**	**–**	**9**	**759**
	1,254	**12,209**	**5,500**	**125**	**49**	**19,137**

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

No directors waived any of their emoluments during the two years ended 31 December 2009 and 2010.

Note: The performance related bonus is determined by reference to the performance of the Company and individual directors and approved by the Remuneration Committee.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2009: three) were directors of the Company whose emoluments are disclosed in note 10 above. The emoluments of the remaining one (2009: two) individual were as follow:

	2010	2009
	HK$'000	*HK$'000*
Salaries and other benefits	**2,763**	3,947
Contributions to retirement benefit scheme	**12**	31
Share-based payment expense	**9**	99
	2,784	4,077

Their emoluments were within the following bands:

	2010	2009
	No. of employees	*No. of employees*
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	**1**	–

12. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year ended 31 December 2009 of 8.0 HK cents per share (2009: 5.0 HK cents per share in respect of the year ended 31 December 2008)	**21,681**	13,551
Final and special dividend, proposed in respect of the year ended 31 December 2010 of totally 12.0 HK cents per share (2009: 8.0 HK cents per share)	**32,928**	21,681

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

13. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK$247,383,000 (2009: HK$134,084,000).

	2010	2009
Weighted average number of ordinary shares for the purpose of basic earnings per share	**271,066,889**	271,016,661
Effect of dilutive potential ordinary share: Share options issued by the Company	**500,318**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**271,567,207**	271,016,661

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

The diluted earnings per share for 2009 does not take into account outstanding share options at the end of the reporting period as the exercise price of those options is higher than the average market price for shares in 2009.

The calculation of basic and diluted earnings per share for the continuing and discontinued operation is based on the profit for the year from the continuing and discontinued operations of HK$132,900,000 (2009: HK$79,200,000) and HK$114,483,000 (2009: HK$54,884,000) respectively and the denominators detailed above.

14. INVESTMENT PROPERTIES

	2010	2009
	HK$'000	*HK$'000*
At 1 January	**191,175**	196,873
Exchange realignment	**2,641**	737
Additions	**403,769**	–
Increase in fair value recognised in income statement	**109,389**	58,565
Transfer to assets classified as held for sale	**(7,050)**	(65,000)
At 31 December	**699,924**	191,175

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

	2010	2009
	HK$'000	*HK$'000*
Hong Kong		
under long lease	**621,000**	125,000
under medium-term lease	**39,400**	34,900
Singapore		
freehold	**18,780**	14,127
under long lease	**17,568**	14,127
The PRC		
under medium-term lease	**3,176**	3,021
	699,924	191,175

All of the Group's property interests which are held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model.

The fair values of the investment properties in Hong Kong and the PRC, and Singapore as at the end of the reporting period have been arrived at on the basis of valuation carried out on that date by DTZ Debenham Tie Leung Ltd. and Knight Frank Pte Ltd respectively, which are independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and 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 2009					
As originally stated	3,820	7,346	26,720	3,688	41,574
Effect of change in accounting policy	15,068	–	–	–	15,068
As restated	18,888	7,346	26,720	3,688	56,642
Exchange realignment	–	113	361	59	533
Additions	5,083	368	925	–	6,376
Disposals	–	–	(47)	–	(47)
At 31 December 2009 as restated	23,971	7,827	27,959	3,747	63,504
Exchange realignment	–	446	1,133	236	1,815
Additions	–	657	1,604	2,018	4,279
Disposals	–	–	(5,539)	(2,591)	(8,130)
Reclassify to assets held for sale	–	(6,770)	(25,055)	(1,241)	(33,066)
At 31 December 2010	23,971	2,160	102	2,169	28,402
DEPRECIATION					
At 1 January 2009					
As originally stated	538	6,256	23,274	2,550	32,618
Effect of change in accounting policy	199	–	–	–	199
As restated	737	6,256	23,274	2,550	32,817
Exchange realignment	–	111	320	52	483
Provided for the year	101	814	1,694	518	3,127
Eliminated on disposals	–	–	(37)	–	(37)
At 31 December 2009 as restated	838	7,181	25,251	3,120	36,390
Exchange realignment	–	411	955	169	1,535
Provided for the year	114	406	1,344	990	2,854
Eliminated on disposals	–	–	(5,417)	(2,234)	(7,651)
Reclassify to assets held for sale	–	(6,278)	(22,090)	(248)	(28,616)
At 31 December 2010	952	1,720	43	1,797	4,512
CARRYING VALUES					
At 31 December 2010	23,019	440	59	372	23,890
At 31 December 2009 (restated)	23,133	646	2,708	627	27,114
At 1 January 2009 (restated)	18,151	1,090	3,446	1,138	23,825

15. 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:

Leasehold land	Over the unexpired term of the lease
Building	2% – 2.5%
Leasehold improvements	20% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	15% – 50%
Motor vehicles	20%

16. INTERESTS IN ASSOCIATES

	2010	2009
	HK$'000	*HK$'000*
Cost of investment in associates		
Listed overseas	**29,850**	29,850
Unlisted	**–**	280
Share of post-acquisition profits, net of dividend received	**133,356**	103,329
	163,206	133,459
Fair value of listed associate	**359,110**	182,448

16. INTERESTS IN ASSOCIATES (cont'd)

Details of the associates as at 31 December 2009 and 2010 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 2010	2009	Principal activities
SiS Distribution (Thailand) Public Company Limited (listed on the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	**47.8%**	49.1%	Distribution of IT products and provision of services
Infinitiq Solution Pte. Limited	Limited company	Singapore	Ordinary	**35.7%**	35.7%	Manufacture and design of IP communication solution
Havoq Research Pte. Limited	Limited company	Singapore	Ordinary	**50%**	50%	Inactive
ECS Pericomp Sdn. Bhd. *(Note)*	Limited company	Malaysia	Ordinary	**–**	20%	Marketing of microcomputers, peripherals, software and the provision of computer maintenance services

Note:

In April 2010, the Group disposed of its entire 20% interest in ECS Pericomp Sdn. Bhd. to ECS ICT Berhad (“ECS ICT”), pursuant to a group reorganization and preparation for listing of the shares of ECS ICT on the Stock Exchange of Malaysia, for a consideration of Malaysian dollars 6,900,000 (equivalent to HK$16,698,000) settled by 1,000,000 ordinary shares in ECS ICT valued at Malaysian dollars 1.46 per share (equivalent to HK$3,533,000 and representing 0.8% interest in ECS ICT) and the balance for cash of Malaysian dollars 5,440,000 (equivalent to HK$13,165,000). A disposal gain of HK$2,675,000 is recognised in the income statement.

16. INTERESTS IN ASSOCIATES (cont'd)

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

	2010	2009
	HK$'000	*HK$'000*
Total assets	**922,023**	864,280
Total liabilities	**(584,421)**	(551,900)
Net assets	**337,602**	312,380
Group's share of net assets of associates	**163,206**	133,459
Revenue	**3,471,114**	3,419,209
Profit for the year	**80,343**	60,589
Group's share of profits of associates for the year	**38,584**	26,708

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

	2010	2009
	HK$'000	*HK$'000*
Unrecognised share of (losses) gain of associates for the year	**(750)**	71
Accumulated unrecognised share of losses of associates	**(1,626)**	(876)

17. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	2010 HK$'000	2009 HK$'000
Cost of investments	12,679	–
Share of post-acquisition profits and reserves	4,563	–
	17,242	–

Particulars of the Group's jointly controlled entity which was acquired during the year are as follows:

Name of company	Form of business structure	Country of incorporation/ operation	Proportion of capital held indirectly by the Company	Principal activities
Hangxin Electronic Industrial Co. Ltd. ("Hangxin") 杭州杭鑫電子工業有限公司	Limited company	The PRC	25.6%	Manufacture of electronic products

Hangxin is jointly controlled by the Group and the other shareholders by virtue of contractual arrangements among shareholders. All major decisions of Hangxin require unanimous consent from all the shareholders.

The excess of the proportionate share of net asset value over the consideration for the acquisition of Hangxin of HK$3,124,000 was recognised and included as income in the determination of the Group's share of profit of a jointly controlled entity.

17. INTERESTS IN A JOINTLY CONTROLLED ENTITY (cont'd)

The summarised financial information of the Group's interest in the jointly controlled entity, which is accounted for using the equity method, is set out below:

	HK$'000
Non-current assets	7,634
Current assets	22,496
Current liabilities	(12,888)
Income recognised in profit or loss	11,682
Expenses recognised in profit or loss	(10,576)
Other comprehensive income	333

18. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	HK$'000	*HK$'000*
Equity securities, listed overseas, at fair value	**52,762**	19,072
Equity securities, unlisted, at cost	**8,792**	8,010
Club debentures, unlisted, at cost	**1,300**	1,300
	62,854	28,382

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

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**84,198**	596,432
Less: allowance for doubtful debts	**(15)**	(25,855)
	84,183	570,577
Deposits, prepayments and other receivables	**6,537**	11,802
	90,720	582,379

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows an average credit period of 30 – 60 days to its trade customers. No credit period is granted to customers for renting of properties. No interest is charged on overdue debts.

Included in the trade receivable balance are debts with total carrying amount of HK$33,464,000 (2009: HK$225,222,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the Group considered that the default risk is low after assessing the creditworthiness, past payment history of the debtors and settlement after the reporting date. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are in good quality.

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

	2010	2009
	HK$'000	*HK$'000*
Overdue:		
Within 30 days	**33,395**	164,442
31 to 90 days	**48**	52,381
91 to 120 days	**–**	933
Over 120 days	**21**	7,466
	33,464	225,222

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

Movement in the allowance for doubtful debts deducted from the trade receivable are as follows:

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	25,855	15,789
Exchange realignment	1,232	197
Impairment losses recognised on receivables	6,980	9,907
Amounts written off as uncollectible	(6,655)	(38)
Amounts recovered during the year	(11,674)	–
Reclassify to assets held for sale	(15,723)	–
Balance at end of the year	15	25,855

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$15,000 (2009: HK$25,855,000) which have either been in severe financial difficulties or with default payments. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of the Disposal Group held for sale.

	2010 HK$'000	2009 HK$'000
Within 30 days	486,257	322,772
31 to 90 days	333,390	211,889
91 to 120 days	36,827	25,781
Over 120 days	14,652	10,135
	871,126	570,577

20. DERIVATIVE FINANCIAL INSTRUMENTS

The Disposal Group enters into foreign currency forward contracts to manage its exposure to currency fluctuations risk of certain trade payables denominated in United States Dollars ("USD"). Under the contracts, the Disposal Group is required to buy varying amounts of USD at specified spot rates at specified intervals until maturity of the respective contracts. These derivatives are not accounted for under hedge accounting.

Foreign currency forward contracts outstanding as at 31 December 2010 were reclassified to assets held for sale.

21. INVESTMENTS HELD-FOR-TRADING

	2010 HK$'000	2009 HK$'000
Equity securities, listed overseas, at fair value	**45,477**	42,152
Equity securities, listed in Hong Kong, at fair value	**130**	349
	45,607	42,501

The fair values are determined based on the quoted market bid prices available on the relevant exchanges.

22. PLEDGED BANK DEPOSITS

Pledged bank deposits which carries fixed interest rates ranging from 1.5% to 3.7% per annum with maturity date less than six months have been pledged to secure banking facilities granted to the Group. The deposits which are held by the Disposal Group are classified to assets held for sale on 31 December 2010.

23. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits which carry interest at market rates ranging from 0.001% to 4.44% (2009: 0.001% to 4.55%) per annum with an original maturity of three months or less.

Bank balances that are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amount to HK$44,971,000 (2009: HK$40,923,000).

24. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

	Assets		Liabilities	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Disposal Group *(note a)*	**1,378,985**	–	**1,043,453**	–
Investment properties *(note b)*	**7,050**	65,000	**23**	684
	1,386,035	65,000	**1,043,476**	684

24. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES (cont'd)

Notes:

(a) Disposal of subsidiaries

On 26 November 2010, the Group entered into an agreement for the disposal of its entire interest of the Disposal Group at a consideration of US$70 million (equivalent to HK$546,000,000) received on date of completion, 3 January 2011 and a balance payment equivalent to the estimated net asset value as defined in the agreement of the Disposal Group ("Net Asset Value Payment"). Net Asset Value Payment is receivable within 14 business days after the completion of the determination of the net asset value which is expected to be within 2011.

The assets and liabilities attributable to the Disposal Group, which are presented below, are classified as assets held for sale and liabilities associated with assets held for sale and are presented separately in the consolidated statement of financial position. The gain, net of transaction costs, arising on the disposal is estimated to be approximately HK$513 million and will be recognised in the financial statements for the year ending 31 December 2011.

	HK$'000
Property, plant and equipment	4,450
Deferred tax assets	358
Inventories	390,629
Trade and other receivables, deposits and prepayments	819,409
Tax recoverable	459
Pledged bank deposits	22,963
Bank balances and cash	140,717
Total assets classified as held for sale	1,378,985
Trade payables, other payables and accruals	706,992
Bills payable	134,157
Derivative financial instruments	641
Tax payable	11,287
Bank loans	181,552
Deferred tax liabilities	8,824
Total liabilities associated with assets held for sale	1,043,453

During the year, the Disposal Group contributed HK$20,456,000 (2009: HK$158,591,000) to the Group's net operating cash flows, paid HK$2,446,000 (2009: HK$541,000) in respect of investing activities and contributed HK$2,039,000 (2009: paid HK$90,188,000) in respect of financing activities.

24. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES (cont'd)

Notes: (cont'd)

(b) Disposal of investment properties

On 28 October 2010, a subsidiary of the Group entered into a provisional sale and purchase agreement for the disposal of a property in Hong Kong, at consideration of HK$7,050,000 of which deposit of HK$705,000 had been received. The transaction was completed on 11 January 2011. The investment properties is stated at fair value which has been arrived at by reference to the consideration received on disposal. As at 31 December 2010, the liabilities associated with the investment properties to be disposed of represent rental deposits of HK$23,000 which were assigned to the purchaser on completion.

On 29 December 2009, a subsidiary of the Group entered into a provisional sale and purchase agreement for the disposal of properties, the Carpark Nos. 1-64 at the seventh floor of United Centre, 95 Queensway in Hong Kong, at consideration of HK$70,000,000. The transaction was completed with consideration received on 8 March 2010. The investment properties are stated at fair value which have been arrived at on the basis of valuation carried out on that date by DTZ Debenham Tie Leung Ltd., which is independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties. The liabilities associated with the investment properties disposed of were rental deposits of HK$684,000 which were assigned to the purchaser on completion.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The average credit period on purchase of goods is 30 to 60 days. The Group has policies in place to ensure that all payables are paid within the credit time frame.

Trade payables that are denominated in United States dollars, currency other than the functional currencies of the relevant group entities amounted to HK$47,997,000 (2009: HK$320,390,000) arising from continuing operations.

The following is an aged analysis of the trade payables based on the invoice date at the end of the reporting period. The analysis includes those of the Disposal Group.

	2010 ***HK$'000***	2009 *HK$'000*
Within 30 days	**512,527**	298,151
31 to 90 days	**139,914**	91,295
91 to 120 days	**2,612**	2,421
Over 120 days	**5,028**	8,234
Trade payables	**660,081**	400,101

26. BILLS PAYABLE

The following is an aged analysis of bill payable at the end of the reporting period. The analysis includes those of the Disposal Group.

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**26,920**	16,544
31 to 90 days	**107,237**	2,627
	134,157	19,171

The effective interest rates of the bills are 1.7% (2009: 2.7%) per annum.

27. BANK LOANS

The bank loans which are secured and repayable within one year according to HK Int 5 *(see Note 2)* carry variable interest rates ranging from 0.8% to 1.9% (2009: 3.8% to 5.6%) per annum.

28. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for financial reporting purposes:

	2010	2009
	HK$'000	*HK$'000*
Deferred tax assets	**–**	459
Deferred tax liabilities	**(37,331)**	(24,021)
	(37,331)	(23,562)

28. DEFERRED TAXATION (cont'd)

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

	Accelerated tax depreciation HK$'000	Allowances for doubtful debts/ inventories HK$'000	Revaluation of investment properties HK$'000	Tax losses HK$'000	Undistributed earnings of an associate HK$'000	Others HK$'000	Total HK$'000
At 1 January 2009	(2,424)	2,940	(4,170)	3,267	(5,166)	(8,330)	(13,883)
Credit (charge) to income statement	178	(394)	(8,967)	1,483	(1,893)	(7)	(9,600)
Effect of change in tax rate	14	(87)	–	(16)	–	459	370
Exchange realignment	(2)	29	–	44	(290)	(230)	(449)
At 1 January 2010	**(2,234)**	**2,488**	**(13,137)**	**4,778**	**(7,349)**	**(8,108)**	**(23,562)**
Charge to income statement	**(594)**	**(575)**	**(15,352)**	**(1,581)**	**(2,299)**	**(208)**	**(20,609)**
Exchange realignment	**(11)**	**51**	**–**	**43**	**(952)**	**(757)**	**(1,626)**
Reclassify to Disposal Group	**14**	**(608)**	**–**	**–**	**–**	**9,060**	**8,466**
At 31 December 2010	**(2,825)**	**1,356**	**(28,489)**	**3,240**	**(10,600)**	**(13)**	**(37,331)**

Others mainly represents deferred tax liabilities of approximately S$1,461,000 (equivalent to HK$8,851,000) (2009: S$1,461,000 (equivalent to HK$8,097,000)) recognised on the gain on partial disposal of a subsidiary (which has since become an associate of the Group) by a Singapore subsidiary in prior years. No tax liability was recognised in the year of disposal as the gain would not be subject to Singapore tax if the proceeds were not remitted to another Singapore entity. During the year ended 31 December 2005, the sale proceeds receivable was assigned to another Singapore subsidiary. Such transfer may give rise to potential tax liability on the gain if the assignment of the receivable is deemed as equivalent to remittance of funds to the assignee. As a result, a deferred tax liability was recognised and was expected to be transferred to current tax liability on determination of the taxability of the gain.

At the end of the reporting period, the Group has unrecognised deductible temporary differences of HK$20,197,000 (2009: HK$20,197,000) and unutilised tax losses of HK$20,116,000 (2009: HK$6,282,000).

A deferred tax asset has been recognised in respect of the tax losses of HK$19,268,000 (2009: HK$6,034,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$848,000 (2009: HK$248,000) and the deductible temporary differences due to the unpredictability of future profit streams.

29. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Nominal value	
	2010	2009	**2010**	2009
			HK$'000	*HK$'000*
Authorised	**350,000,000**	350,000,000	**35,000**	35,000
Issued and fully paid				
At beginning of year	**271,016,661**	271,016,661	**27,102**	27,102
Allotted during the year	**1,333,334**	–	**133**	–
At end of year	**272,349,995**	271,016,661	**27,235**	27,102

In November and December of 2010, 1,333,334 ordinary shares were issued and allotted under the share option scheme at a price of HK$1.72 per share giving a total cash consideration of HK$2,293,000.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

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

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes appropriate actions to adjust the Group's capital structure. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Derivative financial instruments	**–**	697
Available-for-sale investments	**62,854**	28,382
Investments held-for-trading	**45,607**	42,501
Loans and receivables (including cash and cash equivalents)	**148,559**	810,259
Financial liabilities		
Financial liabilities stated at amortised cost	**325,733**	484,152

The above information does not include financial instruments classified as assets held for sale.

b. Financial risk management objectives

The Group's financial instruments include available-for-sale investments, investments held-for-trading, trade and other receivables, pledged bank deposits, bank balances, trade and other payables, derivative financial instruments, bank loans, and bills payable. Details of the financial instruments are disclosed in the respective notes.

The management monitors and manages the financial risk of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk

The Group's activities expose it primarily to the risks of changes in foreign currency rates, interest rates and equity price.

(i) *Currency risk*

Majority of the purchase of goods of the Group are denominated in United States dollars. Certain bank balances are denominated in United States dollars, Australian dollars, Singapore dollars, New Zealand dollars and Malaysian dollars, the currencies other than the functional currencies of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities excluding those assets and liabilities classified as held for sale at the reporting date are as follows:

	Assets		Liabilities	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars	**3,284**	35,549	**49,616**	320,390
Australian dollars	**23,580**	17,896	**–**	–
Singapore dollars	**2,141**	509	**–**	–
New Zealand dollars	**2,129**	1,929	**–**	–
Malaysian dollars	**13,370**	–	**–**	–

In order to reduce the risks associated with currency fluctuation, the Group has entered into foreign currency forward contracts to monitor against its exposures to changes of United States dollars exchange rate.

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk (cont'd)

(i) Currency risk (cont'd)

Sensitivity analysis

The following analysis indicates the change in the Group's post-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments at that date, and all other variables are held constant.

	2010		2009	
	Increase (decrease) in foreign exchange rates	**Increase (decrease) in post-tax profit**	Increase (decrease) in foreign exchange rates	Increase (decrease) in post-tax profit
	%	***HK$'000***	*%*	*HK$'000*
United States dollars	**1.5**	**(580)**	1.5	(3,568)
	(1.5)	**580**	(1.5)	3,568
Australian dollars	**10.0**	**2,358**	10.0	1,790
	(10.0)	**(2,358)**	(10.0)	(1,790)
Singapore dollars	**10.0**	**214**	10.0	51
	(10.0)	**(214)**	(10.0)	(51)
New Zealand dollars	**10.0**	**213**	10.0	193
	(10.0)	**(213)**	(10.0)	(193)
Malaysian dollars	**5.0**	**669**	–	–
	(5.0)	**(669)**	–	–

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

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk (cont'd)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the floating-rate bank loans.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the financial liabilities which are non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amounts of bank loans, outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2009: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2009: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by HK$1,889,000 (2009: decrease/increase by HK$402,000).

(iii) Price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the price of the respective listed equity securities classified as held-for-trading investments had been 10% (2009: 10%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by HK$4,561,000 (2009: increase/decrease by HK$4,250,000) as a result of the changes in fair value of held-for-trading investments.

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk (cont'd)

(iii) Price risk (cont'd)

Sensitivity analysis (cont'd)

If the price of the respective listed equity securities classified as available-for-sale investments had been 10% (2009: 10%) higher/lower, the Group's available-for-sale investments and investment reserve would increase/decrease by HK$5,276,000 (2009: HK$1,907,000). However, any significant or prolonged decrease in the fair value of available-for-sale investments below the Group's cost that requires recognizing impairment loss in profit or loss, the Group's post-tax profit for the year would decrease by the amount of impairment loss recognised.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated certain staff for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit-standings, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flow.

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Liquidity risk (cont'd)

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

	Weighted average interest rate	On demand	Within 3 months	3 – 6 months	7 – 12 months	1 – 2 years	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010								
Non-derivative financial liabilities								
Trade and other payables	N/A	–	(99,557)	–	–	–	(99,557)	(99,557)
Bank loans	1.0	(226,176)	–	–	–	–	(226,176)	(226,176)
		(226,176)	(99,557)	–	–	–	(325,733)	(325,733)

	Weighted average interest rate	On demand	Within 3 months	3 – 6 months	7 – 12 months	1 – 2 years	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009								
Non-derivative financial liabilities								
Trade and other payables	N/A	–	(432,616)	–	–	–	(432,616)	(432,616)
Bills payables	2.7	–	(19,300)	–	–	–	(19,300)	(19,171)
Bank loans	4.7	(32,747)	–	–	–	–	(32,747)	(32,365)
		(32,747)	(451,916)	–	–	–	(484,663)	(484,152)
Derivative financial instruments								
Foreign exchange forward contracts								
– cash inflows			109,235	68,720	69,416	7,722	255,093	
– cash outflows			(108,839)	(68,565)	(69,270)	(7,705)	(254,379)	
			396	155	146	17	714	697

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Liquidity risk (cont'd)

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2010 and 31 December 2009, the aggregate undiscounted principal amounts of these bank loans amounted to HK$226,176,000 and HK$32,365,000 respectively. Subsequent to 31 December 2010, the Group has settled all outstanding of these bank loans at its discretion.

c. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions and dealer quotes for similar instruments.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 2 based on the degree to which the fair value is observable.

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

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

31. FINANCIAL INSTRUMENTS (cont'd)

c. Fair value (cont'd)

	At 31 December 2010		
	Level 1	**Level 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at FVTPL			
Non-derivative financial assets held for trading	45,607	–	45,607
Available-for-sale financial assets			
Listed equity securities	52,762	–	52,762
Total	98,369	–	98,369

	At 31 December 2009		
	Level 1	Level 2	Total
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at FVTPL			
Derivative financial assets	–	697	697
Non-derivative financial assets held for trading	42,501	–	42,501
Available-for-sale financial assets			
Listed equity securities	19,072	–	19,072
Total	61,573	697	62,270

There were no transfers between Level 1 and 2 in both years.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2010	2009
	HK$'000	*HK$'000*
Within one year	**549**	13,105
In the second to fifth year inclusive	**–**	12,965
	549	26,070

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

The Group as lessor

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

	2010	2009
	HK$'000	*HK$'000*
Within one year	**13,494**	8,359
In the second to fifth year inclusive	**16,593**	9,654
	30,087	18,013

33. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 21 May 2007. Pursuant to the Scheme, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

On 20 August 2007, 4,750,000, 5,000,000 and 400,000 numbers of share options were granted to certain directors and employees of the Group and directors of an associate respectively at an exercise price of HK$1.72 per share and at a cash consideration of HK$10.00 per grantee. Details of the options are as follows:

Number of share options outstanding at 31 December 2010	Vesting period	Exercise period
749,997	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017
2,433,334	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017
2,433,340	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017

The movements in the options are as follows:

Grantee	At 1 January 2009 and 1 January 2010	Lapsed during the year	Exercised during the year	At 31 December 2010
Directors	3,166,671	(533,334)	–	2,633,337
Employees and others	4,316,668	–	(1,333,334)	2,983,334
	7,483,339	(533,334)	(1,333,334)	5,616,671

The weighted average share price at the date of exercise of the share options during the year was HK$3.07.

No options were exercised nor lapsed during the year ended 31 December 2009.

No options were granted during the two years ended 31 December 2009 and 2010.

33. SHARE OPTION SCHEME (cont'd)

The fair values of these share options granted to the directors, employees and others at the date of grant ranged from HK$0.548 per share to HK$0.580 per share with an estimated total fair value of the options of HK$5,621,000. Options were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effect of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years.

The fair values of options granted were calculated using the following inputs:

Grant date share price	HK$1.62
Exercise price	HK$1.72
Expected volatility	48.36% – 50.27%
Option life	3.9 – 4.9 years
Dividend yield	2.78%
Risk-free interest rate	4.113% – 4.210%

34. 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.

35. PLEDGE OF ASSETS

At 31 December 2010, the Group's investment properties and bank deposits with carrying values of HK$456,000,000 (2009: HK$65,000,000) and HK$22,963,000 (2009: HK$21,086,000) respectively were pledged to secure bank loans and general banking facilities granted to the Group.

36. RELATED PARTY TRANSACTIONS

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

	Associates		**Related companies**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of goods	**480**	–	**–**	–
Purchase of goods	**1,607**	437	**–**	–
Income from management service	**2,373**	1,957	**–**	–
Operating lease rentals expense	**–**	–	**9,734**	9,352

Amounts due from the associates outstanding at 31 December 2010 included in other receivables amount to HK$210,000 (2009: HK$171,000). The amounts are unsecured, interest free and repayable on demand.

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

Apart from the above, remunerations paid and payable to the executive directors of the Company who are considered to be the key management personnels are disclosed in note 10. The remuneration of directors are determined by the Remuneration Committee having regard to the Group's operating result, performance of individuals and market trends.

37. OTHER COMMITMENTS

Capital expenditure in respect of a acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounted to HK$900,000 (2009: Nil).

38. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2009 and 2010 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 2010 %	2009 %	Principal activities
Direct subsidiaries:						
SiS Distribution Limited	British Virgin Islands	Ordinary	US$45,001	**100**	100	Investment holding
SiS Investment Holdings Limited	British Virgin Islands	Ordinary	US$1	**100**	100	Investment holding
SiS TechVentures Corp.	British Virgin Islands	Ordinary	US$1	**100**	100	Investment holding
Indirect subsidiaries:						
Computer Zone Limited	Hong Kong	Ordinary	HK$2	**100**	100	Property investment
Ever Wealthy Limited	Hong Kong	Ordinary	HK$1	**100**	100	Inactive
Faith Prosper Ltd.	British Virgin Islands	Ordinary	US$1	**100**	100	Inactive
Gain Best Limited	Hong Kong	Ordinary	HK$1	**100**	–	Property investment
Gold Kite Limited	Hong Kong	Ordinary	HK$1	**100**	100	Investment holding
Maxima Technology Limited	British Virgin Islands	Ordinary	US$1	**100**	100	Inactive
Qool Labs Pte. Ltd.	Singapore	Ordinary	S$2	**100**	100	Distribution of IT and communication products
Qool International Limited	Hong Kong	Ordinary	HK$1	**100**	–	Distribution of IT and communication products
Qool Distribution (M) Sdn Bhd	Malaysia	Ordinary	RM2	**100**	–	Distribution of IT and communication Products
QR Capital Limited (formerly known as SiS Capital Limited)	Hong Kong	Ordinary	HK$1	**100**	100	Property investment

38. 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 2010 %	2009 %	Principal activities
Indirect subsidiaries (cont'd):						
SiS Asia Pte. Ltd.	Singapore	Ordinary	S$2	**100**	100	Investment holding, provision of hardware, software and corporate management services
SiS Capital Limited	Hong Kong	Ordinary	HK$1	**100**	–	Inactive
SiS China Limited	Hong Kong	Ordinary	HK$2	**100**	100	Property investment
SiS Distribution (M) Sdn. Bhd.	Malaysia	Ordinary	RM$7,500,000	**100**	100	Distribution of IT products and provision of computer training services
SiS HK Limited	Hong Kong	Ordinary	HK$400,000	**100**	100	Investment holding
SiS International Limited	Hong Kong	Ordinary	HK$100,000	**100**	100	Distribution of IT products, investment trading and property investment
SiS Macau Limited	Macau	Ordinary	MOP25,000	**100**	100	Distribution of IT products
SiS Netrepreneur Ventures Corp.	British Virgin Islands	Ordinary	US$1	**100**	100	Investment holding

38. 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 2010 %	2009 %	Principal activities
Indirect subsidiaries (cont'd):						
SiS Technologies Pte. Ltd.	Singapore	Ordinary	S$1,000,000	**100**	100	Distribution of IT products and provision of training and consultancy services
SiS Technologies (Thailand) Pte. Ltd.	Singapore	Ordinary	S$2	**100**	100	Investment holding
UC Capital Limited	Hong Kong	Ordinary	HK$1	**100**	–	Inactive

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Deloitte.
德勤

TO THE MEMBERS OF SiS INTERNATIONAL HOLDINGS LIMITED
新龍國際集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 97, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2012

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	5	**1,328,274**	158,641
Cost of sales		**(1,262,186)**	(138,420)
Gross profit		**66,088**	20,221
Other income	6	**3,556**	1,771
Other gains and losses	7	**(13,061)**	12,768
Distribution costs		**(9,056)**	(2,068)
Administrative expenses		**(49,520)**	(31,408)
Change in fair value of investment properties		**129,550**	109,389
Share of results of associates		**19,041**	38,584
Share of result of a jointly controlled entity		**645**	4,230
Finance costs	8	**(448)**	(594)
Profit before tax		**146,795**	152,893
Income tax expense	9	**(24,100)**	(19,993)
Profit for the year from continuing operations	10	**122,695**	132,900
Discontinued operations	11		
Profit for the year from discontinued operations		**–**	114,483
Gain on disposal of subsidiaries constituting discontinued operations		**549,885**	–
Profit for the year attributable to owners of the Company		**672,580**	247,383
Earnings per share	15	*HK Cents*	*HK Cents*
From continuing and discontinued operations			
Basic		**243.8**	91.2
Diluted		**243.0**	91.1
From continuing operations			
Basic		**44.5**	49.0
Diluted		**44.3**	48.9
From discontinued operations			
Basic		**199.3**	42.2
Diluted		**198.7**	42.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**672,580**	247,383
Other comprehensive income (expense):		
Gain on fair value changes of available-for-sale investments	**13,161**	30,182
Reclassification for cumulative fair value gain attributable to disposal of available-for-sale investments to profit or loss	**(3,941)**	–
Reclassification of the cumulative exchange difference attributable to disposed subsidiaries to profit or loss	**(26,804)**	–
Reclassification of the cumulative exchange difference attributable to disposed associate to profit or loss	**–**	(976)
Exchange realignment arising on translation of foreign operations	**(196)**	13,793
Exchange realignment arising on translation of associates and a jointly controlled entity	**(7,379)**	16,203
Revaluation gain on property, plant and equipment upon transfer to investment properties	**933**	–
Other comprehensive (expense) income for the year	**(24,226)**	59,202
Total comprehensive income for the year attributable to owners of the Company	**648,354**	306,585

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000
Non-current assets			
Investment properties	16	**835,067**	699,924
Property, plant and equipment	17	**21,373**	23,890
Interests in associates	18	**216,708**	163,206
Interests in a jointly controlled entity	19	**17,887**	17,242
Available-for-sale investments	20	**107,767**	62,854
		1,198,802	967,116
Current assets			
Inventories		**153,257**	139,641
Trade and other receivables, deposits and prepayments	21	**135,376**	90,720
Tax recoverable		**5**	31
Investments held-for-trading	22	**51,937**	45,607
Bank balances and cash	23	**585,398**	59,901
		925,973	335,900
Assets classified as held for sale	24	–	1,386,035
		925,973	1,721,935
Current liabilities			
Trade payables, other payables and accruals	25	**151,179**	116,473
Deposits received for investments properties held for sale		–	705
Derivative financial instruments	26	**5,429**	–
Tax payable		**31,542**	8,357
Bank loans	27	–	226,176
		188,150	351,711
Liabilities associated with assets classified as held for sale	24	–	1,043,476
		188,150	1,395,187

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000
Net current assets		**737,823**	326,748
Total assets less current liabilities		**1,936,625**	1,293,864
Non-current liabilities			
Deferred tax liabilities	28	**56,907**	37,331
Net assets		**1,879,718**	1,256,533
Capital and reserves			
Share capital	29	**27,703**	27,235
Share premium		**71,367**	61,129
Reserves		**70,604**	97,481
Retained profits		**1,710,044**	1,070,688
Total equity attributable to owners of the Company		**1,879,718**	1,256,533

The consolidated financial statements on pages 27 to 97 were approved and authorised for issue by the Board of Directors on 28 March 2012 and are signed on its behalf by:

LIM Kiah Meng
DIRECTOR

LIM Kia Hong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital HK$'000	Share premium HK$'000	Investments reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Contributed surplus HK$'000 (note)	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010	27,102	58,238	7,871	24,375	–	2,860	4,088	844,677	969,211
Profit for the year	–	–	–	–	–	–	–	247,383	247,383
Other comprehensive income for the year	–	–	30,182	29,020	–	–	–	–	59,202
Total comprehensive income for the year	–	–	30,182	29,020	–	–	–	247,383	306,585
Recognition of equity-settled share based payments	–	–	–	–	–	–	125	–	125
Issue of shares under employee share option plan	133	2,891	–	–	–	–	(731)	–	2,293
Reversal on lapse of share options	–	–	–	–	–	–	(309)	309	–
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	–	–	(21,681)	(21,681)
At 31 December 2010	**27,235**	**61,129**	**38,053**	**53,395**	**–**	**2,860**	**3,173**	**1,070,688**	**1,256,533**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**672,580**	**672,580**
Other comprehensive income (expense) for the year	**–**	**–**	**9,220**	**(34,379)**	**933**	**–**	**–**	**–**	**(24,226)**
Total comprehensive income (expense) for the year	**–**	**–**	**9,220**	**(34,379)**	**933**	**–**	**–**	**672,580**	**648,354**
Issue of shares under employee share option plan	**468**	**10,238**	**–**	**–**	**–**	**–**	**(2,651)**	**–**	**8,055**
Dividend recognised as distribution *(Note 14)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(33,224)**	**(33,224)**
At 31 December 2011	**27,703**	**71,367**	**47,273**	**19,016**	**933**	**2,860**	**522**	**1,710,044**	**1,879,718**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 HK$'000	2010 HK$'000
Operating activities			
Profit before taxation		**146,795**	291,086
Adjustments for:			
Share of results of associates		**(19,041)**	(38,584)
Share of result of a jointly controlled entity		**(645)**	(4,230)
Loss on deemed disposal of an associate		**34**	212
Finance costs		**448**	3,481
Allowance for (reversal of) doubtful debts provided, net		**33**	(4,694)
Allowance for (reversal of write-down of) inventories		**633**	(8,269)
Dividend income from investments held-for-trading		**(4,061)**	(3,656)
Dividend income from available-for-sale investments		**(5,740)**	(456)
Interest income		**(2,247)**	(1,545)
Share-based payments expense		**–**	125
Gain on disposal of available-for-sale investments		**(3,941)**	(7)
Gain on disposal of an associate		**–**	(2,675)
Impairment loss of available-for-sale investments		**10,395**	6,903
Increase in fair value of investment properties		**(129,550)**	(109,389)
Gain on fair value change of investments held-for-trading		**(3,330)**	(3,237)
Gain on disposal of investment properties		**–**	(5,000)
Loss on fair value changes on derivative financial instruments		**5,429**	1,338
Depreciation of property, plant and equipment		**610**	2,854
(Gain) loss on disposal of property, plant and equipment		**(266)**	118
Operating cash flows before movements in working capital		**(4,444)**	124,375
Increase in inventories		**(5,544)**	(277,438)
Increase in trade and other receivables, deposits and prepayments		**(30,600)**	(303,355)
(Increase) decrease in investments held-for-trading		**(3,000)**	131
Dividend received from investments held-for-trading		**4,061**	3,656
Increase in trade payables, other payables and accruals		**3,825**	299,222
Increase in bills payable		**–**	113,194
Cash used in operations		**(35,702)**	(40,215)
Hong Kong Profits Tax refund (paid), net		**19**	(14,271)
Overseas Tax paid		**(775)**	(1,317)
Interest paid		**(448)**	(3,481)
Net cash used in operating activities		**(36,906)**	(59,284)

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 HK$'000	2010 HK$'000
Investing activities			
Dividend received from associates		**12,768**	9,496
Dividend received from available-for-sale investments		**5,740**	456
Interest received		**2,247**	1,545
Increase in pledged bank deposits		**–**	(478)
Proceeds from disposal of available-for-sale investments		**8,060**	33
Purchase of available-for-sale investments		**(49,985)**	(6,936)
Purchase of property, plant and equipment		**(3,081)**	(4,279)
Acquisition of investment properties		**–**	(383,446)
Acquisition of an associate		**(55,095)**	–
Acquisition of a jointly controlled entity		**–**	(12,679)
Deposits received for disposal of investment properties		**–**	705
Proceeds from disposal of subsidiaries	11	**823,308**	–
Proceeds from disposal of investment properties		**6,322**	66,500
Proceeds from disposal of property, plant and equipment		**269**	361
Proceeds from disposal of an associate		**–**	13,165
Net cash from (used in) investing activities		**750,553**	(315,557)
Financing activities			
Issue of shares		**8,055**	2,293
Dividends paid		**(33,224)**	(21,681)
New bank loans raised		**–**	744,106
Repayment to Disposal Group	11	**(77,608)**	–
Repayment of bank loans		**(226,176)**	(370,891)
Net cash (used in) from financing activities		**(328,953)**	353,827
Net increase (decrease) in cash and cash equivalents		**384,694**	(21,014)
Cash and cash equivalents at 1 January		**200,618**	217,349
Effect of foreign exchange rate changes		**86**	4,283
Cash and cash equivalents at 31 December		**585,398**	200,618

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Gold Sceptre Limited and its ultimate parent is Summertown Limited, a company controlled by the executive directors of the Company. Both holding companies were incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section of the annual report.

The Company acts as an investment trading and investment holding company and provides corporate management services to group companies. The principal activities of its subsidiaries are set out in note 38.

On 26 November 2010, a wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") with Jardine OneSolution (BVI) Limited for the disposal of its entire interest in certain wholly-owned subsidiaries; namely SiS International Limited, SiS Technologies Pte. Ltd. and SiS Distribution (M) Sdn. Bhd. (the "Disposal Group") which were engaged in distribution of certain brands in IT products. The transaction was completed on 3 January 2011. Details of the transaction are set out in note 11.

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

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.

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

3 Effective for annual periods beginning on or after 1 January 2015.

4 Effective for annual periods beginning on or after 1 January 2012.

5 Effective for annual periods beginning on or after 1 July 2012.

6 Effective for annual periods beginning on or after 1 January 2014.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015. The application of HKFRS 9 may have significant impact on amounts reported in respect of the Group's presentation and measurement of available-for-sale investment. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK (SIC)-Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HK (SIC)-Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. Except for HKFRS 12, the application of other standards have no significant impact on amounts reported in the consolidated financial statements.

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

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for the Group’s consolidated financial statements for the annual period beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group’s investment properties of which the carrying amounts are presumed to be recovered through sale. Should HKAS 12 be early applied to the current year’s financial statements and the presumption is not rebutted, deferred tax liabilities at 1 January 2010, 31 December 2010 and 31 December 2011 would have been reduced by HK$13,137,000, HK$28,489,000 and HK$51,230,000 respectively and deferred tax expense recognised in the profit or loss for the years ended 31 December 2010 and 2011 would have been reduced by HK$15,352,000 and HK$22,741,000 and the profit would have been increased by the same amount respectively.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (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 profit or loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Investments 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 investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are 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 an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments in associates (cont'd)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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 a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Jointly controlled entities (cont'd)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Investment properties that are classified as held for sale are measured at their fair values at the end of the reporting period. Other non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition (cont'd)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment, including building held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

Leasing

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

Rental income from operating leases where the Group is the lessor is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Operating lease payments where the Group is the lessee are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables and bank balances are carried at amortised cost using the effective interest method, less any impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

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

A financial asset is classified as held-for-trading if:

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

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the consolidated income statement.

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 as available-for-sale or are not classified as any other categories of financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investments reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in investments reserve is reclassified to profit or loss.

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investments reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are either held-for-trading or it is those designated at FVTPL on initial recognition.

A financial liability is classified as held-for-trading if:

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

A financial liability other than a financial liability held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial liabilities and equity instruments (cont'd)

Other financial liabilities

Other financial liabilities (including trade and other payables and bank loans) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives of the Group do not qualify for hedge accounting and thus they are deemed as financial assets held-for-trading or financial liabilities held-for-trading.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Derecognition (cont'd)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inventories

Inventories, representing trading merchandise, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies (cont'd)

On the disposal of a foreign operation (including a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Share-based payment

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserves under equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Retirement benefit costs

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

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 profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SEGMENT INFORMATION

During the year, the Group's chief operating decision makers, who are the executive directors, have changed the basis of organisation of the Group and the information used by them for resource allocation and performance assessment purposes by focusing on the distribution of certain brands of mobile and IT products and property investment. In prior years, the basis and decision making were focused on geographical location, i.e. Hong Kong, Singapore and Malaysia for distribution of other brands of mobile and IT products. In addition, segment liabilities are no longer reportable to the chief operating decision maker. As the Group's operating segments information reported to the chief operating decision makers has been changed, the comparative information is reclassified to conform with current year's presentation.

4. SEGMENT INFORMATION (cont'd)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment for the year from continuing operations:

	For the year ended 31 December 2011		
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	1,312,566	15,708	1,328,274
Segment profit	25,915	143,013	168,928
Change in fair value of investments held-for-trading			3,330
Income from investments held-for-trading and available-for-sale investments			13,742
Impairment loss on available-for-sale investments			(10,395)
Loss on deemed disposal of an associate			(34)
Other unallocated income			2,247
Share of results of associates			19,041
Share of result of a jointly controlled entity			645
Finance costs			(448)
Unallocated corporate expenses			(50,261)
Profit before tax			146,795

4. SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

	For the year ended 31 December 2010		
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	149,836	8,805	158,641
Segment profit	9,369	121,196	130,565
Change in fair value of investments held-for-trading			3,007
Income from investments held-for-trading and available-for-sale investments			3,480
Impairment loss on available-for-sale investments			(6,903)
Gain on disposal of an associate			2,675
Loss on deemed disposal of an associate			(212)
Other unallocated income			6,397
Share of results of associates			38,584
Share of result of a jointly controlled entity			4,230
Finance costs			(594)
Unallocated corporate expenses			(28,336)
Profit before tax			152,893

The accounting policies adopted in preparing the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit/loss earned/incurred by each segment without allocation of central administration costs and corporate expenses, share of results of associates and jointly controlled entity, gain or loss on disposal of subsidiaries and associate, investment income and finance costs.

4. SEGMENT INFORMATION (cont'd)

Segment assets

The following is an analysis of the Group's assets of continuing operations by reportable segment:

	At 31 December 2011		
	Distribution of mobile and IT products	**Property investment**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	**286,509**	**856,270**	**1,142,779**
Interests in associates			**216,708**
Interests in a jointly controlled entity			**17,887**
Unallocated corporate assets			**747,401**
Consolidated total assets			**2,124,775**

	At 31 December 2010		
	Distribution of mobile and IT products	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	228,289	695,778	924,067
Interests in associates			163,206
Interests in a jointly controlled entity			17,242
Unallocated corporate assets			198,501
Consolidated total assets			1,303,016

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than bank deposits and unallocated corporate assets, interests in associates and a jointly controlled entity, available-for-sale investments, and investments held-for-trading.

4. SEGMENT INFORMATION (cont'd)

Other segment information

Segment results and segment assets from continuing operations presented above includes the following:

	For the year ended 31 December 2011			
	Distribution of mobile and IT products *HK$'000*	**Property investment** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Capital additions	**235**	**1,874**	**1,082**	**3,191**
Allowance for doubtful debts	**15**	**18**	**–**	**33**
Allowance for inventories	**633**	**–**	**–**	**633**
Depreciation	**118**	**276**	**216**	**610**
Increase in fair value of investment properties	**–**	**129,550**	**–**	**129,550**

	For the year ended 31 December 2010			
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Capital additions	303	404,252	–	404,555
Depreciation	14	232	194	440
Increase in fair value of investment properties	–	109,389	–	109,389

4. SEGMENT INFORMATION (cont'd)

Geographical information

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

Information about the Group's revenue from continuing operations by geographical location of the customers and non-current assets by geographical location of assets are set out below:

	Revenue		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**539,663**	73,107	**813,141**	683,622
Singapore	**781,110**	83,497	**39,871**	37,016
Malaysia	**7,280**	1,845	**16**	–
The People's Republic of China ("PRC")	**221**	192	**3,412**	3,176
	1,328,274	158,641	**856,440**	723,814

Major customer information

Revenue from customers contributing over 10% of the total revenue of the Group is from a customer with total amount of HK$339,313,000 (2010: HK$Nil) from distribution of mobile and IT products.

5. REVENUE

Revenue represents the net amount received and receivable for goods sold and gross rental income received and receivable from properties rented for the year. An analysis of the Group's revenue from continuing operations for the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Distribution of mobile and IT products	**1,312,566**	149,836
Leasing of investment properties	**15,708**	8,805
	1,328,274	158,641

6. OTHER INCOME

	2011 HK$'000	2010 HK$'000
The amount includes:		
Interest on bank deposits	**2,247**	1,047

7. OTHER GAINS AND LOSSES

	2011 HK$'000	2010 HK$'000
Change in fair value of investments held-for-trading	**3,330**	3,007
Dividend income from investments held-for-trading	**4,061**	3,026
Dividend income from available-for-sale investments	**5,740**	454
Exchange (loss) gain, net	**(14,541)**	5,721
Loss in fair value of derivative financial instruments	**(5,429)**	–
Impairment loss on unlisted available-for-sale investments	**(10,395)**	(6,903)
Gain on disposal of listed available-for-sale investments	**3,941**	–
Gain on disposal of an associate	**–**	2,675
Gain on disposal of investment properties	**–**	5,000
Gain on disposal of property, plant and equipment	**266**	–
Loss on deemed disposal of an associate	**(34)**	(212)
	(13,061)	12,768

8. FINANCE COSTS

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

9. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Current tax:		
Hong Kong	**1,446**	186
Singapore	**2,452**	1,678
	3,898	1,864
Deferred taxation *(note 28)*	**20,202**	18,129
	24,100	19,993

9. INCOME TAX EXPENSE (cont'd)

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

Singapore Corporate Income Tax is calculated at 17% of the estimated assessable profit for the year.

The income tax expense for the year from continuing operations can be reconciled to the profit before tax per the consolidated income statement as follows:

	2011	2010
	HK$'000	*HK$'000*
Profit before tax	**146,795**	152,893
Tax at the domestic income tax rate of 16.5% *(note)*	**24,221**	25,227
Tax effect of share of results of associates	**(3,136)**	(6,366)
Tax effect of share of result of a jointly controlled entity	**(107)**	(698)
Tax effect of expenses not deductible for tax purpose	**5,076**	4,280
Tax effect of income not taxable for tax purpose	**(4,169)**	(4,732)
Tax effect of tax losses/deductible temporary differences not recognised	**2,709**	140
Utilisation of tax losses/deductible temporary differences previously not recognised	**(55)**	(41)
Effect of different tax rates of subsidiaries	**105**	49
Withholding tax on share of result of an associate	**246**	2,299
Others	**(790)**	(165)
Income tax expense	**24,100**	19,993

Note:

Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operation of the Group is substantially based.

10. PROFIT FOR THE YEAR

	2011 *HK$'000*	2010 *HK$'000*
Profit for the year from continuing operations has been arrived at after charging:		
Cost of inventories recognised as an expense *(note 1)*	**1,259,808**	131,353
Staff costs *(note 2)*	**41,276**	19,842
Auditor's remuneration	**1,505**	1,133
Allowance for doubtful debts provided	**33**	–
Depreciation of property, plant and equipment	**610**	440
Operating lease rentals in respect of rented premises	**938**	–
Share of tax of associates (included in share of results of associates)	**14,163**	10,958
and after crediting:		
Dividend income from investments held-for-trading	**4,061**	3,026
Gross rental income from investment properties	**15,708**	8,805
Less: Direct operating expenses	**(2,136)**	(1,817)
Net rental income	**13,572**	6,988

Notes:

(1) Cost of inventories includes allowance for inventories of HK$633,000 (2010: HK$NIL).

(2) Staff costs include emoluments to directors as set out in note 12.

Included in staff costs are retirement benefit schemes contributions and share-based payments for directors and other staff of HK$776,000 (2010: HK$415,000) and HK$Nil (2010: HK$125,000) respectively.

11. DISCONTINUED OPERATIONS

On 26 November 2010, the Group entered into an agreement for the disposal of its entire interests in the Disposal Group ("Agreement"). The total consideration was about US$123,593,000 (equivalent to HK$964,025,000) of which US$70,000,000 (equivalent to HK$546,000,000) was received as deposit on 3 January 2011 on which the Group ceased control over the Disposal Group, and the balance payment of US$53,593,000 (equivalent to HK$418,025,000) equivalent to the net asset value of the Disposal Group ("Net Asset Value Payment"), as defined in the Agreement was received on 27 June 2011. The Net Asset Value Payment is subject to adjustment on the value of certain assets and liabilities, if their realisable values are different from the carrying amounts at the date of completion, within a two years period.

The following is an analysis of assets and liabilities of the Disposal Group over which control was lost:

	HK$'000
Property, plant and equipment	4,450
Deferred tax assets	358
Inventories	390,629
Trade and other receivables, deposits and prepayments	819,409
Tax recoverable	459
Amount due from Group entities	77,608
Pledged bank deposit	22,963
Bank deposits and cash	140,717
Trade payables, other payables and accruals	(706,992)
Bills payable	(134,157)
Derivative financial instruments	(641)
Tax payable	(11,287)
Bank loans	(181,552)
Deferred tax liabilities	(8,824)
Net assets of Disposal Group disposed of	413,140

11. DISCONTINUED OPERATIONS (cont'd)

Gain and cash inflow arising on disposal recognised on the consolidated financial statements for the year ended 31 December 2011 are as follows:

	HK$'000
Consideration settled by cash	964,025
Net assets of Disposal Group disposed of	(413,140)
Potential tax liabilities accrued *(note below)*	(27,804)
Cumulative translation reserve in respect of disposal of Disposal Group recognised in prior years	26,804
Gain on disposal	549,885

	HK$'000
Consideration received	964,025
Bank balances and cash disposed of	(140,717)
Net cash inflow arising on disposal	823,308

Note: Under a deed entered into on 3 January 2011, the Group covenanted to indemnify the buyer and the Disposal Group against any tax liability of the Disposal Group arising from any event on or before completion of the transaction. An accrual of tax liabilities in a total amount of HK$27,804,000 is included in arriving at the gain on disposal of the Disposal Group. Based on the directors' best estimation, they are of the opinion that the potential liabilities, provision and allowances are adequately made in arriving at the net assets of the Disposal Group at the date of disposal.

11. DISCONTINUED OPERATIONS (cont'd)

The results of the Disposal Group for the current and prior years were as follows:

	1.1.2011 to 3.1.2011	1.1.2010 to 31.12.2010
	HK$'000	*HK$'000*
Revenue	–	5,170,603
Cost of sales	–	(4,926,271)
Other gains and losses	–	39,050
Distribution costs	–	(84,036)
Administrative expenses	–	(58,266)
Finance costs	–	(2,887)
Profit before tax	–	138,193
Income tax expense	–	(23,710)
Profit for the year	–	114,483

The cash flows contributed by the Disposal Group for the current and prior years are as follows:

	1.1.2011 to 3.1.2011	1.1.2010 to 31.12.2010
	HK$'000	*HK$'000*
Net cash inflows used in operating activities	–	20,456
Net cash outflows used in investing activities	–	(2,446)
Net cash inflows from financing activities	–	2,039
Net cash inflows	–	20,049

12. DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the directors during the year are as follows:

	Fees	Salaries and other benefits	Performance bonus	Contributions to retirement benefit scheme	Share-based payments	2011 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. Lim Kiah Meng	126	3,776	2,000	38	–	5,940
Mr. Lim Kia Hong	126	3,775	3,500	40	–	7,441
Mr. Lim Hwee Hai	126	3,793	2,000	21	–	5,940
Madam Lim Hwee Noi	126	2,000	1,000	21	–	3,147
	504	13,344	8,500	120	–	22,468
Independent non-executive directors:						
Mr. Lee Hiok Chuan	280	–	–	–	–	280
Mr. Woon Wee Teng *(resigned on 4 November 2011)*	250	–	–	–	–	250
Ms. Ong Wui Leng	280	–	–	–	–	280
	810	–	–	–	–	810
	1,314	13,344	8,500	120	–	23,278

12. DIRECTORS' EMOLUMENTS (cont'd)

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Contributions to retirement benefit scheme HK$'000	Share-based payments HK$'000	2010 Total HK$'000
Executive directors:						
Mr. Lim Kiah Meng	126	3,433	1,500	34	10	5,103
Mr. Lim Kia Hong	126	3,432	1,500	40	10	5,108
Mr. Lim Hwee Hai	126	3,448	1,500	24	10	5,108
Madam Lim Hwee Noi	126	1,896	1,000	27	10	3,059
	504	12,209	5,500	125	40	18,378
Independent non-executive directors:						
Mr. Lee Hiok Chuan	250	–	–	–	3	253
Mr. Woon Wee Teng	250	–	–	–	3	253
Ms. Ong Wui Leng	250	–	–	–	3	253
	750	–	–	–	9	759
	1,254	12,209	5,500	125	49	19,137

The performance bonus is determined by reference to the performance of the individual directors.

No directors waived any of their emoluments during the two years ended 31 December 2010 and 2011.

No payment for loss of office to Mr. Woon Wee Teng was made in the current year.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2010: four) were directors whose emoluments are disclosed in note 12 above. The emolument of the remaining one (2010: one) individual, which is within the band of HK$1,500,001 to HK$2,000,000 (2010: HK$2,500,001 to HK$3,000,000), is as follow:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**1,760**	2,763
Contributions to retirement benefit scheme	**12**	12
Share-based payment expense	**–**	9
	1,772	2,784

14. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year ended 31 December 2010 of 8.0 HK cents per share (2010: 8.0 HK cents per share in respect of the year ended 31 December 2009)	**22,149**	21,681
Special dividend, paid in respect of the year ended 31 December 2010 of 4.0 HK cents per share	**11,075**	–
	33,224	21,681

A final dividend of 5.0 HK cents per share and a special dividend of 9.0 HK cents per share for the year ended 31 December 2011 have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting. The final dividend of 8.0 HK cents per share together with a special dividend of 4.0 HK cents per share for the year end 31 December 2010 was approved during the last annual general meeting and had been recognized as distribution during the year.

15. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK$672,580,000 (2010: HK$247,383,000) and the weighted average number of ordinary shares calculated below.

	2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	**275,844,153**	271,066,889
Effect of dilutive potential ordinary share:		
Share options issued by the Company	**959,560**	500,318
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**276,803,713**	271,567,207

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

The calculation of basic and diluted earnings per share from continuing and discontinued operations are based on the profit for the year from the continuing and discontinued operations of HK$122,695,000 (2010: HK$132,900,000) and HK$549,885,000 (2010: HK$114,483,000) respectively and the denominators detailed above.

16. INVESTMENT PROPERTIES

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**699,924**	191,175
Exchange realignment	**(407)**	2,641
Additions	**–**	403,769
Increase in fair value recognised in profit or loss	**129,550**	109,389
Transfer to assets classified as held for sale	**–**	(7,050)
Reclassified from property, plant and equipment	**6,000**	–
At 31 December	**835,067**	699,924

16. INVESTMENT PROPERTIES (cont'd)

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

	2011	2010
	HK$'000	*HK$'000*
Hong Kong		
under long lease	**748,000**	621,000
under medium-term lease	**44,900**	39,400
Singapore		
freehold	**20,186**	18,780
under long lease	**18,569**	17,568
The PRC		
under medium-term lease	**3,412**	3,176
	835,067	699,924

All of the Group's property interests which are held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model.

The fair values of the investment properties in Hong Kong and the PRC, and Singapore as at the end of the reporting period have been arrived at on the basis of valuation carried out on that date by DTZ Debenham Tie Leung Ltd. and Knight Frank Pte Ltd respectively, which are independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties and where appropriate by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and 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 2010	23,971	7,827	27,959	3,747	63,504
Exchange realignment	–	446	1,133	236	1,815
Additions	–	657	1,604	2,018	4,279
Disposals	–	–	(5,539)	(2,591)	(8,130)
Reclassify to assets held for sale	–	(6,770)	(25,055)	(1,241)	(33,066)
At 31 December 2010	**23,971**	**2,160**	**102**	**2,169**	**28,402**
Exchange realignment	**–**	**–**	**(1)**	**(30)**	**(31)**
Acquisition of subsidiaries	**–**	**25**	**85**	**–**	**110**
Additions	**–**	**1,140**	**860**	**1,081**	**3,081**
Disposals	**–**	**–**	**(46)**	**(778)**	**(824)**
Fair value change upon reclassification	**933**	**–**	**–**	**–**	**933**
Reclassify to investment properties	**(6,016)**	**–**	**–**	**–**	**(6,016)**
At 31 December 2011	**18,888**	**3,325**	**1,000**	**2,442**	**25,655**
DEPRECIATION					
At 1 January 2010	838	7,181	25,251	3,120	36,390
Exchange realignment	–	411	955	169	1,535
Provided for the year	114	406	1,344	990	2,854
Eliminated on disposals	–	–	(5,417)	(2,234)	(7,651)
Reclassify to assets held for sale	–	(6,278)	(22,090)	(248)	(28,616)
At 31 December 2010	**952**	**1,720**	**43**	**1,797**	**4,512**
Exchange realignment	**–**	**–**	**–**	**(3)**	**(3)**
Provided for the year	**99**	**153**	**67**	**291**	**610**
Eliminated on disposals	**–**	**–**	**(43)**	**(778)**	**(821)**
Eliminated on reclassification to investment properties	**(16)**	**–**	**–**	**–**	**(16)**
At 31 December 2011	**1,035**	**1,873**	**67**	**1,307**	**4,282**
CARRYING VALUES					
At 31 December 2011	**17,853**	**1,452**	**933**	**1,135**	**21,373**
At 31 December 2010	23,019	440	59	372	23,890

17. 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:

Leasehold land and building	2%, or over the term of the lease, whichever is shorter
Leasehold improvements	20% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	20% – 33%
Motor vehicles	20%

18. INTERESTS IN ASSOCIATES

	2011 *HK$'000*	2010 *HK$'000*
Cost of investment in associates		
Listed overseas	**29,850**	29,850
Unlisted	**55,095**	–
Share of post-acquisition reserves and profits, net of dividend received	**139,596**	117,485
Exchange realignment	**(7,833)**	15,871
	216,708	163,206
Fair value of a listed associate	**310,442**	359,110

18. INTERESTS IN ASSOCIATES (cont'd)

Details of the associates as at 31 December 2010 and 2011 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 2011	2010	Principal activities
SiS Distribution (Thailand) Public Company Limited (listed on the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	**47.2%**	47.8%	Distribution of IT products and provision of services
Infinitiq Solution Pte. Limited	Limited company	Singapore	Ordinary	**35.7%**	35.7%	Inactive
Havoq Research Pte. Limited	Limited company	Singapore	Ordinary	**50%**	50%	Inactive
Information Technology Consultants Limited	Limited company	Bangladesh	Ordinary	**29.5%**	–	Provision of financial services and mobile banking solutions

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

	2011 *HK$'000*	2010 *HK$'000*
Total assets	**1,653,749**	922,023
Total liabilities	**(1,191,441)**	(584,421)
Net assets	**462,308**	337,602
Group's share of net assets of associates	**220,910**	163,206
Revenue	**5,715,476**	3,471,114
Profit for the year	**39,536**	80,343
Group's share of profits of associates for the year	**19,041**	38,584

18. INTERESTS IN ASSOCIATES (cont'd)

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

	2011 *HK$'000*	2010 *HK$'000*
Unrecognised share of losses of associates for the year	–	(750)
Accumulated unrecognised share of losses of associates	**(1,626)**	(1,626)

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	2011 *HK$'000*	2010 *HK$'000*
Cost of investments	**12,679**	12,679
Share of post-acquisition profits and reserves	**5,208**	4,563
	17,887	17,242

Details of the jointly controlled entity as at 31 December 2010 and 2011 are as follows:

Name of company	Form of business	Country of incorporation/ operation	Proportion of capital held indirectly by the Company 2011	2010	Principal activities
Hangxin Electronic Industrial Co. Ltd. ("Hangxin") 杭州杭鑫電子工業有限公司	Limited company	PRC	**25.6%**	25.6%	Manufacture of electronic products

Hangxin is jointly controlled by the Group and the other shareholders by virtue of contractual arrangements amongst shareholders. All major decisions of Hangxin require unanimous consent from all the equity holders.

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY (cont'd)

The summarised financial information of the Group's interest in the jointly controlled entity, which is accounted for using the equity method, is set out below:

	2011	2010
	HK$'000	*HK$'000*
Non-current assets	**17,469**	7,634
Current assets	**19,679**	22,496
Current liabilities	**(11,732)**	(12,888)
Non-current liabilities	**(7,529)**	–
Income recognised in profit or loss	**29,087**	11,682
Expenses recognised in profit or loss	**(28,442)**	(10,576)
Other comprehensive income	**–**	333

20. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	HK$'000	*HK$'000*
Equity securities, listed overseas, at fair value	**76,372**	52,762
Equity securities, unlisted, at cost	**30,095**	8,792
Club debentures, unlisted, at cost	**1,300**	1,300
	107,767	62,854

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

During the year, the Group invested in a number of unlisted entities carrying on IT related business and development of hospitality business with total amount of HK$22,295,000 and HK$7,800,000 for potential capital appreciation and strategic investment purposes respectively.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**96,616**	84,198
Less: allowance for doubtful debts	**(15)**	(15)
	96,601	84,183
GST receivable	**30,005**	3,644
Deposits, prepayments and other receivables	**8,770**	2,893
	135,376	90,720

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. No credit period is granted to customers for renting of properties. Rental is payable on presentation of demand note in advance. No interest is charged on overdue debts.

Included in the trade receivable balance are debts with total carrying amount of HK$47,915,000 (2010: HK$33,464,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the Group considered that the default risk is low after considering the creditworthiness and past payment history of the debtors and settlement after the reporting date. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are in good quality.

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

	2011	2010
	HK$'000	*HK$'000*
Overdue:		
Within 30 days	**32,982**	33,395
31 to 90 days	**9,889**	48
91 to 120 days	**1,739**	–
Over 120 days	**3,305**	21
	47,915	33,464

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

Movement in the allowance for doubtful debts deducted from the trade receivables are as follows:

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**15**	25,855
Exchange realignment	**–**	1,232
Impairment losses recognised on receivables	**33**	6,980
Amounts written off as uncollectible	**(33)**	(6,655)
Amounts recovered during the year	**–**	(11,674)
Reclassify to assets held for sale	**–**	(15,723)
Balance at end of the year	**15**	15

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$15,000 (2010: HK$15,000) which have either been in severe financial difficulties or with default payments.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period. The analysis for those at 31 December 2010 includes those of the Disposal Group classified as held for sale.

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**68,677**	486,257
31 to 90 days	**15,448**	333,390
91 to 120 days	**8,676**	36,827
Over 120 days	**3,800**	14,652
	96,601	871,126

22. INVESTMENTS HELD-FOR-TRADING

	2011 HK$'000	2010 HK$'000
Equity securities		
listed overseas, at fair value	**51,610**	45,477
listed in Hong Kong, at fair value	**327**	130
	51,937	45,607

The fair values are determined based on the quoted market bid prices available on the relevant exchanges.

23. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits which carry interest at market rates ranging from 0.001% to 4.5% (2010: 0.001% to 4.4%) per annum with an original maturity of three months or less.

Bank balances that are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amount to HK$336,580,000 (2010: HK$44,971,000).

24. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

	Assets		Liabilities	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Disposal Group *(note a)*	–	1,378,985	–	1,043,453
Investment properties *(note b)*	–	7,050	–	23
	–	1,386,035	–	1,043,476

Notes:

(a) Disposal of subsidiaries

The assets of HK$1,378,985 and liabilities of HK$1,043,453 at 31 December 2010 attributable to the Disposal Group, which are presented separately in the consolidated statement of financial position at 31 December 2010 as assets held for sale and liabilities associated with assets held for sale. Details of the disposal are disclosed in note 11.

(b) Disposal of investment properties

On 28 October 2010, a subsidiary of the Company entered into a provisional sale and purchase agreement with a non-related party for the disposal of a property in Hong Kong, at a consideration of HK$7,050,000 of which deposit of HK$705,000 was received before the end of the preceding reporting period. The transaction was completed on 11 January 2011. The fair value of the investment properties stated in the statement of financial position at 31 December 2010 was arrived at by reference to the consideration received on disposal and the liabilities associated with the investment properties at the same date, representing rental deposits of HK$23,000, were assigned to the purchaser on completion.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The average credit period on purchase of goods is 30 to 60 days. The Group has policies in place to ensure that all payables are paid within the credit time frame.

Trade payables that are denominated in United States dollars, currency other than the functional currencies of the relevant group entities arising from continuing operations amounted to HK$16,848,000 (2010: HK$47,997,000).

The following is an aged analysis of the trade payables based on the invoice date at the end of the reporting period. The analysis for those at 31 December 2010 includes those of the Disposal Group which are included in liabilities associated with assets classified as held for sale.

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**97,089**	512,527
31 to 90 days	**6,529**	139,914
91 to 120 days	**373**	2,612
Over 120 days	**–**	5,028
Trade payables	**103,991**	660,081

26. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into foreign currency forward contracts with total principal amount of US$15,000,000 to buy varying amounts of Singapore dollars ("S$") at specified rates ranging from S$1.2207 to S$1.2625 to US$1. These contracts will be maturing ranging from 8 March 2012 to 3 May 2012.

Foreign currency forward contracts which were entered into by the Disposal Group to manage its exposure to currency fluctuation risk of certain trade payables denominated in US$ outstanding as at 31 December 2010 were classified under assets held for sale.

27. BANK LOANS

Bank loans outstanding at 31 December 2010 were secured and carried variable interest rates ranging from 0.8% to 1.9% per annum and were fully repaid during the year ended 31 December 2011.

28. DEFERRED TAXATION

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

	Accelerated tax depreciation	Allowances for doubtful debts/ inventories	Revaluation of investment properties	Tax losses	Undistributed earnings of an associate	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	(2,234)	2,488	(13,137)	4,778	(7,349)	(8,108)	(23,562)
Charge to profit or loss	(594)	(575)	(15,352)	(1,581)	(2,299)	(208)	(20,609)
Exchange realignment	(11)	51	–	43	(952)	(757)	(1,626)
Reclassify to Disposal Group	14	(608)	–	–	–	9,060	8,466
At 31 December 2010	**(2,825)**	**1,356**	**(28,489)**	**3,240**	**(10,600)**	**(13)**	**(37,331)**
(Charge) credit to profit or loss	**(214)**	**–**	**(22,741)**	**2,999**	**(246)**	**–**	**(20,202)**
Exchange realignment	**–**	**–**	**–**	**–**	**626**	**–**	**626**
At 31 December 2011	**(3,039)**	**1,356**	**(51,230)**	**6,239**	**(10,220)**	**(13)**	**(56,907)**

At the end of the reporting period, the Group has unrecognised deductible temporary differences of HK$35,526,000 (2010: HK$20,197,000) and unutilised tax losses of HK$39,416,000 (2010: HK$20,116,000). A deferred tax asset has been recognised in respect of the tax losses of HK$37,812,000 (2010: HK$19,268,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$1,604,000 (2010: HK$848,000) and the deductible temporary differences due to the unpredictability of future assessable profit streams.

29. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Nominal value	
	2011	2010	**2011**	2010
			HK$'000	*HK$'000*
Authorised	**350,000,000**	350,000,000	**35,000**	35,000
Issued and fully paid				
At beginning of year	**272,349,995**	271,016,661	**27,235**	27,102
Allotted during the year	**4,683,337**	1,333,334	**468**	133
At end of year	**277,033,332**	272,349,995	**27,703**	27,235

During the year, 4,683,337 (2010: 1,333,334) ordinary shares were allotted under the share option scheme at a price of HK$1.72 per share (2010: HK$1.72 per share) giving a total consideration of HK$8,055,000 (2010: HK$2,293,000) settled in cash.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

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

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes appropriate actions to adjust the Group's capital structure. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2011	2010
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**107,767**	62,854
Investments held-for-trading	**51,937**	45,607
Loans and receivables (including cash and cash equivalents)	**716,999**	148,559
Financial liabilities		
Derivative financial instruments	**5,429**	–
Financial liabilities stated at amortised cost	**114,008**	325,733

The comparatives of the above information do not include financial instruments of the Disposal Group and accordingly, the below analysis does not include information.

b. Financial risk management objectives

The Group's financial instruments include available-for-sale investments, investments held-for-trading, trade and other receivables, bank deposits, trade and other payables, derivative financial instruments and bank loans. Details of the financial instruments are disclosed in the respective notes.

The management monitors and manages the financial risk of the Group through internal risk assessment. 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.

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk

The Group's activities expose it primarily to the risks of changes in foreign currency rates and equity price.

(i) Currency risk

Majority of the purchase of goods of the Group are denominated in United States dollars. Certain bank balances are denominated in United States dollars, Australian dollars, Singapore dollars, New Zealand dollars, Malaysian dollars, Indonesia dollars and Taiwan dollars, the currencies other than the functional currencies of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities excluding those assets and liabilities classified as held-for-sale at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars	**75,604**	3,284	**16,848**	47,997
Australian dollars	**77,951**	23,580	**–**	–
Singapore dollars	**286,517**	2,141	**–**	–
New Zealand dollars	**2,186**	2,129	**–**	–
Malaysian dollars	**32,892**	13,370	**–**	–
Indonesia dollars	**21,112**	–	**–**	–
Taiwan dollars	**3,949**	–	**–**	–

The Group currently does not have currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

Sensitivity analysis

The following analysis indicates the change in the Group's post-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk at that date, and all other variables are held constant.

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk (cont'd)

(i) Currency risk (cont'd)

Sensitivity analysis (cont'd)

	2011		2010	
	Increase (decrease) in foreign exchange rates	**Increase (decrease) in post-tax profit**	Increase (decrease) in foreign exchange rates	Increase (decrease) in post-tax profit
	%	***HK$'000***	%	*HK$'000*
Non-derivative financial instruments				
United States dollars	**1.5**	**881**	1.5	(671)
	(1.5)	**(881)**	(1.5)	671
Australian dollars	**10.0**	**7,795**	10.0	2,358
	(10.0)	**(7,795)**	(10.0)	(2,358)
Singapore dollars	**5.0**	**14,326**	10.0	214
	(5.0)	**(14,326)**	(10.0)	(214)
New Zealand dollars	**10.0**	**219**	10.0	213
	(10.0)	**(219)**	(10.0)	(213)
Malaysian dollars	**5.0**	**1,645**	5.0	669
	(5.0)	**(1,645)**	(5.0)	(669)
Indonesia dollars	**10**	**2,111**	N/A	N/A
	(10)	**(2,111)**	N/A	N/A
Taiwan dollars	**10**	**395**	N/A	N/A
	(10)	**(395)**	N/A	N/A
Derivative financial instruments				
Singapore dollars	**5.0**	**4,653**	N/A	N/A
	(5.0)	**(4,653)**	N/A	N/A

Since Hong Kong dollars are pegged to United States dollars, sensitivity analysis on currency risk exposure to United States dollars has not been presented as the impact of the fluctuation of United States dollars against Hong Kong dollars is insignificant.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Market risk (cont'd)

(ii) Price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the price of the respective listed equity securities classified as held-for-trading investments had been 10% (2010: 10%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by HK$5,188,000 (2010: increase/decrease by HK$4,561,000) as a result of the changes in fair value of held-for-trading investments.

If the price of the respective listed equity securities classified as available-for-sale investments had been 10% (2010: 10%) higher/lower, the Group's available-for-sale investments and investment reserve would increase/decrease by HK$7,637,000 (2010: HK$5,276,000). However, any significant or prolonged decrease in the fair value of available-for-sale investments below the Group's cost that requires recognizing impairment loss in profit or loss, the Group's post-tax profit for the year would decrease by the amount of impairment loss recognised.

(iii) Interest rate risk

The bank balances comprise short term bank deposits at floating interest rate. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

In addition, the Group was exposed to cash flow interest rate risk in relation to the floating-rate bank loans at the end of the prior reporting period. The bank loans were early repaid at the management's discretion during the year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would increase/decrease by HK$2,927,000 (2010: decrease/increase by HK$945,000). The analysis is prepared assuming the amounts of bank balances and bank loans outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated certain staff for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and unlisted equity securities at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers, the Group's concentration of credit risk by geographical location of customers are mainly in Hong Kong and Singapore which accounted for majority of the trade receivables at 31 December 2011.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit-standings, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Liquidity risk (cont'd)

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flow. For derivative financial instruments, the tables have been drawn up based on the undiscounted gross cash (inflows) and outflows on those derivatives that require gross cash settlement based on their contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows.

	Weighted average interest rate	On demand	Within 3 months	3 – 6 months	Total undiscounted cash flows	Carrying amount at 31.12.2011
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011						
Non-derivative financial liabilities						
Trade and other payables	N/A	–	114,008	–	114,008	114,008
Derivative financial instruments						
Foreign currency forward contracts						
– cash inflows		–	(37,884)	(73,687)	(111,571)	
– cash outflows		–	39,000	78,000	117,000	
		–	1,116	4,313	5,429	5,429

31. FINANCIAL INSTRUMENTS (cont'd)

b. Financial risk management objectives (cont'd)

Liquidity risk (cont'd)

	Weighted average interest rate	On demand	Within 3 months	3 – 6 months	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2010						
Non-derivative financial liabilities						
Trade and other payables	N/A	–	99,557	–	99,557	99,557
Bank loans	1.0	226,176	–	–	226,176	226,176
		226,176	99,557	–	325,733	325,733

The bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis.

c. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

- 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; and

- the fair value of derivative instruments is calculated using quoted forward rates and discounted using the applicable yield for the duration of the instruments.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 2 based on the degree to which the fair value is observable.

31. FINANCIAL INSTRUMENTS (cont'd)

c. Fair value (cont'd)

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

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	31 December 2011			31 December 2010
	Level 1	**Level 2**	**Total**	Level 1
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Financial assets at FVTPL				
Non-derivative financial assets held-for-trading	**51,937**	–	**51,937**	45,607
Available-for-sale financial assets				
Listed equity securities	**76,371**	–	**76,371**	52,762
Total	**128,308**	–	**128,308**	98,369
Financial liabilities to FVTPL				
Derivative financial instruments	–	**5,429**	**5,429**	–

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

32. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors at hat are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on the on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In applying the entity's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, the directors of the Company have taken into consideration the intrinsic value of the available for sale investments in unlisted equity securities (note 20) and the present value of the estimated future cash flows from the underlying business of the investee companies. Where the actual cash flows generated from the investment is less than expected, a material impairment loss may arise. As at 31 December 2011, impairment loss provided on available for sale investments amounted to HK$10,395,000.

33. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to HK$257,000 (2010: HK$549,000).

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

33. OPERATING LEASES (cont'd)

The Group as lessor

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

	2011 HK$'000	2010 HK$'000
Within one year	**13,279**	13,494
In the second to fifth year inclusive	**7,644**	16,593
	20,923	30,087

The above information for year ended 31 December 2010 does not include leases entered into by the Disposal Group.

34. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 21 May 2007. Pursuant to the Scheme, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

Share options were granted on 20 August 2007 to certain directors and employees of the Group and directors of an associate at an exercise price of HK$1.72 per share and at a cash consideration of HK$10.00 per grantee. At 31 December 2011, the number of options which remained outstanding under the share option scheme was 933,334 (2010: 5,616,671) which, if exercised in full, represents 0.3% (2010: 2%) of the enlarged capital of the Company. Details of the share options outstanding are as follows:

Number of share options	Vesting period	Exercise period
133,332	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017
400,000	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017
400,002	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017

34. SHARE OPTION SCHEME (cont'd)

The movements in the shares options during the two years ended 31 December 2010 and 31 December 2011 are as follows:

Grantee	Outstanding at 1 January 2010	Lapsed during the year	Exercised during the year	Outstanding at 1 January 2011	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2011
Directors	3,166,671	(533,334)	–	**2,633,337**	–	**(2,300,003)**	**333,334**
Employees and others	4,316,668	–	(1,333,334)	**2,983,334**	–	**(2,383,334)**	**600,000**
	7,483,339	(533,334)	(1,333,334)	**5,616,671**	–	**(4,683,337)**	**933,334**

The weighted average share price at the date of exercise of the share options during the year was HK$3.25.

No options were granted during the two years ended 31 December 2010 and 2011.

The fair values of these share options granted to the directors, employees and others at the date of grant ranged from HK$0.548 per share to HK$0.580 per share with an estimated total fair value of the options of HK$5,621,000. Options were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effect of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years.

The fair values of options granted were calculated using the following inputs:

Grant date share price	HK$1.62
Exercise price	HK$1.72
Expected volatility	48.36% – 50.27%
Option life	3.9 – 4.9 years
Dividend yield	2.78%
Risk-free interest rate	4.113% – 4.210%

35. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

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.

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.

36. PLEDGE OF ASSETS

At 31 December 2011, the Group's investment properties with carrying values of HK$560,000,000 (2010: HK$456,000,000) were pledged to secure general banking facilities available to the Group.

37. RELATED PARTY TRANSACTIONS

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

	Associates		**Related companies**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of goods	**–**	480	**–**	–
Purchase of goods	**–**	1,607	**–**	–
Income from management service	**3,732**	2,373	**–**	–
Operating lease rentals expense	**–**	–	**729**	9,734

The information for the year 2010 included those entered into by the Disposal Group.

Amounts due from the associates outstanding at 31 December 2011 included in other receivables amount to HK$314,000 (2010: HK$210,000). The amounts are unsecured, interest free and repayable on demand.

Two directors have controlling interest in one of the related companies. All executive directors (and their associates) together have joint control over the other related company.

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

38. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2010 and 2011 are as follows:

Name of subsidiary	Country of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2011	2010	
			%	%	
Direct subsidiaries:					
SiS Distribution Limited	British Virgin Islands	US$45,001	**100**	100	Investment holding
SiS Investment Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
SiS TechVentures Corp.	British Virgin Islands	US$1	**100**	100	Investment holding
Indirect subsidiaries:					
Computer Zone Limited	Hong Kong	HK$2	**100**	100	Property investment
East Wealth Limited	Hong Kong	HK$1	**100**	–	Inactive
Ever Wealthy Limited	Hong Kong	HK$1	**100**	100	Investment holding
Faith Prosper Ltd.	British Virgin Islands	US$1	**100**	100	Investment holding
Gain Best Limited	Hong Kong	HK$1	**100**	100	Property investment
Gold Kite Limited	Hong Kong	HK$1	**100**	100	Investment holding
Maxima Technology Limited	British Virgin Islands	US$1	**100**	100	Inactive
Qool Bangladesh Limited	Bangladesh	TK1,000,000	**99**	–	Investment holding

38. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2011 %	2010 %	
Indirect subsidiaries: (cont'd)					
Qool Labs Pte. Ltd.	Singapore	S$2	**100**	100	Distribution of IT and communication products
Qool International Limited	Hong Kong	HK$1	**100**	100	Distribution of IT and communication products
Qool Distribution (M) Sdn. Bhd.	Malaysia	RM2	**100**	100	Distribution of IT and communication products
QR Capital Limited	Hong Kong	HK$1	**100**	100	Property investment
SiS Asia Pte. Ltd.	Singapore	S$2	**100**	100	Investment holding, provision of hardware, software and corporate management services
SiS Capital Limited	Hong Kong	HK$1	**100**	100	Investment holding
SiS Capital (Bangladesh) Pte. Ltd.	Singapore	S$2	**100**	–	Investment holding
SiS China Limited	Hong Kong	HK$2	**100**	100	Property investment
SiS Distribution (M) Sdn. Bhd.	Malaysia	RM$7,500,000	**–**	100	Distribution of IT products and provision of computer training services

38. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2011 %	2010 %	Principal activities
Indirect subsidiaries: (cont'd)					
SiS HK Limited	Hong Kong	HK$400,000	**100**	100	Investment holding
SiS (India) Pte. Ltd.	Singapore	S$2	**100**	–	Inactive
SiS International Limited	Hong Kong	HK$100,000	**–**	100	Distribution of IT products, investment training and property investment
SiS Macau Limited	Macau	MOP25,000	**100**	100	Distribution of IT products
SiS Netrepreneur Ventures Corp.	British Virgin Islands	US$1	**100**	100	Investment holding
SiS Technologies Pte. Ltd.	Singapore	S$1,000,000	**–**	100	Distribution of IT products and provision of training and consulting services
SiS Technologies (Thailand) Pte. Ltd.	Singapore	S$2	**100**	100	Investment holding
Synergy Technologies (Asia) Limited	Hong Kong	HK$5,000,000	**100**	–	Distribution of mobile phone products
UC Capital Limited	Hong Kong	HK$1	**100**	100	Inactive
W-Data Technologies Limited	British Virgin Islands	US$1	**100**	–	Inactive

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

39. FINANCIAL POSITION OF THE COMPANY

Below is a summary of the financial position of the Company at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
Assets		
Interest in unlisted subsidiaries	**1,305,772**	507,424
Other assets	**38,122**	14,884
Bank balances and cash	**117,544**	20,648
	1,461,438	542,956
Liabilities		
Payables and accruals	**(86,530)**	(28,286)
Net assets	**1,374,908**	514,670
Share capital	**27,703**	27,235
Share premium	**71,367**	61,129
Reserves	**1,275,838**	426,306
Total equity	**1,374,908**	514,670

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Deloitte.
德勤

TO THE MEMBERS OF SiS INTERNATIONAL HOLDINGS LIMITED
新龍國際集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 93, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 March 2013

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations			
Revenue	5	**2,098,168**	1,328,274
Cost of sales		**(1,968,406)**	(1,262,186)
Gross profit		**129,762**	66,088
Other income		**7,545**	13,357
Other gains and losses	6	**40,881**	(22,862)
Distribution costs		**(22,454)**	(9,056)
Administrative expenses		**(48,965)**	(49,520)
Change in fair value of investment properties		**99,458**	129,550
Share of results of associates		**(74,835)**	19,041
Share of result of a jointly controlled entity		**(851)**	645
Finance costs		**(475)**	(448)
Profit before tax		**130,066**	146,795
Income tax expense	7	**(2,465)**	(1,359)
Profit for the year from continuing operations	8	**127,601**	145,436
Discontinued operations	9		
Gain on disposal of subsidiaries constituting discontinued operations		**31,742**	549,885
Profit for the year attributable to owners of the Company		**159,343**	695,321
		HK Cents	*HK Cents*
Earnings per share	13		
From continuing and discontinued operations			
Basic		**57.5**	252.0
Diluted		**57.4**	251.2
From continuing operations			
Basic		**46.1**	52.7
Diluted		**46.0**	52.5
From discontinued operations			
Basic		**11.4**	199.3
Diluted		**11.4**	198.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 *HK$'000*	2011 *HK$'000* (Restated)
Profit for the year	**159,343**	695,321
Other comprehensive income (expense):		
Gain on fair value changes of available-for-sale investments	**669**	13,161
Reclassification for cumulative fair value gain attributable to disposal of available-for-sale investments to profit or loss	**(27,893)**	(3,941)
Reclassification of cumulative exchange difference attributable to disposed subsidiaries to profit or loss	**–**	(26,804)
Exchange realignment arising on translation of foreign operations	**21**	(196)
Exchange realignment arising on translation of associates and a jointly controlled entity	**4,230**	(7,379)
Revaluation gain on property, plant and equipment upon transfer to investment properties	**–**	933
Other comprehensive expense for the year	**(22,973)**	(24,226)
Total comprehensive income for the year attributable to owners of the Company	**136,370**	671,095

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	NOTES	**31.12.2012 HK$'000**	31.12.2011 HK$'000 (Restated)	1.1.2011 HK$'000 (Restated)
Non-current assets				
Investment properties	14	**1,212,458**	835,067	699,924
Property, plant and equipment	15	**23,572**	21,373	23,890
Interests in associates	16	**141,239**	216,708	163,206
Interests in a jointly controlled entity	17	**9,043**	17,887	17,242
Available-for-sale investments	18	**87,163**	107,767	62,854
Deferred tax assets	26	**272**	–	–
		1,473,747	1,198,802	967,116
Current assets				
Inventories		**76,119**	153,257	139,641
Trade and other receivables, deposits and prepayments	19	**194,214**	135,376	90,720
Tax recoverable		**136**	5	31
Investments held-for-trading	20	**10,876**	51,937	45,607
Pledged deposits	21	**341,189**	–	–
Bank balances and cash	21	**410,009**	585,398	59,901
		1,032,543	925,973	335,900
Assets classified as held for sale	22	**2,367**	–	1,386,035
		1,034,910	925,973	1,721,935
Current liabilities				
Trade payables, other payables and accruals	23	**144,157**	151,179	116,473
Bills payable		**5,107**	–	–
Deposits received for investment properties held for sale		**–**	–	705
Derivative financial instruments	24	**–**	5,429	–
Tax payable		**33,860**	31,542	8,357
Bank loans	25	**297,000**	–	226,176
		480,124	188,150	351,711
Liabilities associated with assets classified as held for sale		**–**	–	1,043,476
		480,124	188,150	1,395,187

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	NOTES	**31.12.2012** **HK$'000**	31.12.2011 HK$'000 (Restated)	1.1.2011 HK$'000 (Restated)
Net current assets		**554,786**	737,823	326,748
Total assets less current liabilities		**2,028,533**	1,936,625	1,293,864
Non-current liabilities				
Deferred tax liabilities	*26*	**–**	5,677	8,842
Net assets		**2,028,533**	1,930,948	1,285,022
Capital and reserves				
Share capital	*27*	**27,703**	27,703	27,235
Share premium		**71,367**	71,367	61,129
Reserves		**47,631**	70,604	97,481
Retained profits		**1,881,832**	1,761,274	1,099,177
Total equity attributable to owners of the Company		**2,028,533**	1,930,948	1,285,022

The consolidated financial statements on pages 27 to 93 were approved and authorised for issue by the Board of Directors on 25 March 2013 and are signed on its behalf by:

LIM Kia Hong
DIRECTOR

LIM Kiah Meng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital HK$'000	Share premium HK$'000	Investments reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Contributed surplus HK$'000 (remark)	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2011 as originally stated	27,235	61,129	38,053	53,395	–	2,860	3,173	1,070,688	1,256,533
Effect of changes in accounting policies *(Note 2)*	–	–	–	–	–	–	–	28,489	28,489
At 1 January 2011 as restated	27,235	61,129	38,053	53,395	–	2,860	3,173	1,099,177	1,285,022
Profit for the year	–	–	–	–	–	–	–	695,321	695,321
Other comprehensive income (expense) for the year	–	–	9,220	(34,379)	933	–	–	–	(24,226)
Total comprehensive income (expense) for the year	–	–	9,220	(34,379)	933	–	–	695,321	671,095
Issue of shares under employee share option scheme	468	10,238	–	–	–	–	(2,651)	–	8,055
Dividend recognised as distribution *(Note 12)*	–	–	–	–	–	–	–	(33,224)	(33,224)
At 31 December 2011 as restated	**27,703**	**71,367**	**47,273**	**19,016**	**933**	**2,860**	**522**	**1,761,274**	**1,930,948**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**159,343**	**159,343**
Other comprehensive income (expense) for the year	**–**	**–**	**(27,224)**	**4,251**	**–**	**–**	**–**	**–**	**(22,973)**
Total comprehensive income (expense) for the year	**–**	**–**	**(27,224)**	**4,251**	**–**	**–**	**–**	**159,343**	**136,370**
Dividend recognised as distribution *(Note 12)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(38,785)**	**(38,785)**
At 31 December 2012	**27,703**	**71,367**	**20,049**	**23,267**	**933**	**2,860**	**522**	**1,881,832**	**2,028,533**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 *HK$'000*	2011 *HK$'000*
Operating activities		
Profit before taxation	**130,066**	146,795
Adjustments for:		
Share of results of associates	**74,835**	(19,041)
Share of result of a jointly controlled entity	**851**	(645)
Loss on deemed disposal of an associate	**73**	34
Finance costs	**475**	448
Allowance for doubtful debts provided, net	**495**	33
Allowance for inventories	**3,306**	633
Dividend income from available-for-sale investments	**(1,313)**	(5,740)
Interest income	**(2,743)**	(2,247)
Gain on disposal of available-for-sale investments	**(27,893)**	(3,941)
Impairment loss on interest in a jointly controlled entity	**9,043**	–
Impairment loss of available-for-sale investments	**–**	10,395
Increase in fair value of investment properties	**(99,458)**	(129,550)
Gain on fair value change of investments held-for-trading	**(3,961)**	(3,330)
(Gain) loss on fair value changes on derivative financial instruments	**(4,374)**	5,429
Depreciation of property, plant and equipment	**1,586**	610
Loss (gain) on disposal of property, plant and equipment	**32**	(266)
Unrealised exchange difference	**(11,316)**	–
Operating cash flows before movements in working capital	**69,704**	(383)
Decrease (increase) in inventories	**73,867**	(5,544)
Increase in trade and other receivables, deposits and prepayments	**(21,973)**	(30,600)
Decrease (increase) in investments held-for-trading	**45,022**	(3,000)
(Decrease) increase in trade payables, other payables and accruals	**(44,369)**	3,825
Increase in bills payable	**5,107**	–
Cash from (used in) operations	**127,358**	(35,702)
Hong Kong Profits Tax (paid) refund, net	**(2,992)**	19
Overseas Tax paid	**(3,530)**	(775)
Interest paid	**(475)**	(448)
Net cash from (used in) operating activities	**120,361**	(36,906)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	**2012** **HK$'000**	2011 HK$'000
Investing activities			
Dividend received from associates		**3,741**	12,768
Dividend received from available-for-sale investments		**1,313**	5,740
Interest received		**2,743**	2,247
Placement of pledged deposits		**(341,189)**	–
Proceeds from disposal of available-for-sale investments		**30,984**	8,060
Purchase of available-for-sale investments		**(9,711)**	(49,985)
Purchase of property, plant and equipment		**(3,771)**	(3,081)
Acquisition of investment properties		**(278,036)**	–
Acquisition of an associate		**–**	(55,095)
Proceeds from disposal of subsidiaries	9	**31,742**	823,308
Proceeds from disposal of investment properties		**–**	6,322
Proceeds from disposal of property, plant and equipment		**–**	269
Net settlement on maturity of derivative financial instruments		**(1,055)**	–
Net cash (used in) from investing activities		**(563,239)**	750,553
Financing activities			
Issue of shares		**–**	8,055
Dividends paid		**(38,785)**	(33,224)
New bank loans raised		**487,000**	–
Repayment to Disposal Group		**–**	(77,608)
Repayment of bank loans		**(190,000)**	(226,176)
Net cash from (used in) financing activities		**258,215**	(328,953)
Net (decrease) increase in cash and cash equivalents		**(184,663)**	384,694
Cash and cash equivalents at 1 January		**585,398**	200,618
Effect of foreign exchange rate changes		**9,274**	86
Cash and cash equivalents at 31 December, represented by bank balances and cash		**410,009**	585,398

1. GENERAL

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

The Company acts as an investment trading and investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries are set out in note 36.

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets;
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets; and
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009-2011 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered entirely through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the directors have determined that the presumption set out in the amendments to HKAS 12 is not rebutted.

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

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets (continued)

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group had recognised deferred taxes on change in fair value of investment properties on the basis that the carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$28,489,000 and HK$51,230,000 as at 1 January 2011 and 31 December 2011, respectively, with the corresponding credit being recognised in retained profits. The change in accounting policy has resulted in the Group's income tax expense for the years ended 31 December 2011 and 31 December 2012 being reduced by HK$22,741,000 and HK$21,483,000 respectively and profit for the respective years being increased by the same amount.

As a result of the adjustments, the basic and diluted earnings per share from continuing and discontinued operations for the year ended 31 December 2011 have been increased by 8.2 HK cents from 243.8 HK cents and 243.0 HK cents to 252.0 HK cents and 251.2 HK cents respectively whereas the basic and diluted earnings per share for the year ended 31 December 2012 have been increased by 7.8 HK cents and 7.7 HK cents respectively.

Amendments to HKAS 1 Presentation of Financial Statements (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

Various amendments to HKFRSs were issued in June 2012, the title of which is *Annual Improvements to HKFRSs (2009-2011 Cycle)*. The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group applies for the first time the amendments to HKAS 1 in advance of its effective date (which is the financial period beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2011 without the related notes.

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments HKAS[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] *Effective for annual periods beginning on or after 1 January 2013.*
[2] *Effective for annual periods beginning on or after 1 January 2014.*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 July 2012.*

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for the Group for the annual period beginning on 1 January 2015.

The directors anticipate that the adoption of HKFRS 9 may have an impact on amounts reported in the consolidated financial statements in relation to the investments classified under available-for-sale. It is not practicable to estimate the effect until a detailed review has been completed.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation-Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC)-Int 13 Jointly Controlled Entities-Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

The directors consider that the application of HKFRS 10, HKFRS 11, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011), together with amendments relating to the transitional guidance on the application of these HKFRSs issued in July 2012, does not have any impact on the amounts reported in the consolidated financial statements.

The directors expect that the application of HKFRS 12, a disclosure standard applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities, will result in more extensive disclosure in the consolidated financial statements.

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for the Group for the annual period beginning on 1 January 2013.

The directors anticipate that the application of the new standard may affect the unlisted equity securities classified under available-for-sale investments reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis-the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for the annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (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.

Income and expenses of subsidiaries acquired or disposed of in last year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Investments 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 investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (continued)

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 an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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 a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly controlled entities (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Investment properties that are classified as held for sale are measured at their fair values at the end of the reporting period. Other non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment, including building held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

Leasing

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

Rental income from operating leases where the Group is the lessor is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Operating lease payments where the Group is the lessee are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables and bank balances are carried at amortised cost using the effective interest method, less any impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

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

A financial asset is classified as held-for-trading if:

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

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the consolidated income statement.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or are not classified as any other categories of financial assets.

Equity and debt securities held by the Group that are classified as AFS and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investments reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are either held-for-trading or it is those designated at FVTPL on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss (continued)

A financial liability is classified as held-for-trading if:

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

A financial liability other than a financial liability held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables and bank loans) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset other than financial assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. 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.

Impairment loss of financial assets is set out in the section “impairment of financial assets” under “Financial instruments”.

Inventories

Inventories, representing trading merchandise, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (“foreign currencies”) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (including a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserves under equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Retirement benefit costs

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

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 “profit before tax” as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance focuses on the distribution of certain brands of mobile and IT products and property investment. No operating segments identified by the chief decision makers have been aggregated in arriving at the reportable segments of the Group. Segment liabilities have not been presented as these are not reportable to the chief operating decision makers.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment for the year from continuing operations:

	For the year ended 31 December 2012		
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	2,077,687	20,481	2,098,168
Segment profit	76,108	115,277	191,385
Change in fair value of investments held-for-trading			3,961
Income from investments held-for-trading and available-for-sale investments			31,649
Impairment loss on interests in a jointly controlled entity			(9,043)
Loss on deemed disposal of an associate			(73)
Share of results of associates			(74,835)
Share of result of a jointly controlled entity			(851)
Finance costs			(475)
Other unallocated income			14,828
Unallocated corporate expenses			(26,480)
Profit before tax			130,066

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	For the year ended 31 December 2011		
	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	1,312,566	15,708	1,328,274
Segment profit	25,915	143,013	168,928
Change in fair value of investments held-for-trading			3,330
Income from investments held-for-trading and available-for-sale investments			13,742
Impairment loss on available-for-sale investments			(10,395)
Loss on deemed disposal of an associate			(34)
Share of results of associates			19,041
Share of result of a jointly controlled entity			645
Finance costs			(448)
Other unallocated income			2,247
Unallocated corporate expenses			(50,261)
Profit before tax			146,795

The accounting policies adopted in preparing the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and corporate expenses, share of results of associates and a jointly controlled entity, gain or loss on disposal of subsidiaries and associate, investment income and finance costs.

4. SEGMENT INFORMATION (CONTINUED)

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	At 31 December 2012		
	Distribution of mobile and IT products	**Property investment**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	**174,797**	**1,329,979**	**1,504,776**
Interests in associates			**141,239**
Interests in a jointly controlled entity			**9,043**
Unallocated corporate assets			**853,599**
Consolidated total assets			**2,508,657**

	At 31 December 2011		
	Distribution of mobile and IT products	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	286,509	856,270	1,142,779
Interests in associates			216,708
Interests in a jointly controlled entity			17,887
Unallocated corporate assets			747,401
Consolidated total assets			2,124,775

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than bank deposits and unallocated corporate assets, interests in associates and a jointly controlled entity, available-for-sale investments, and investments held-for-trading.

4. SEGMENT INFORMATION (CONTINUED)

Other segment information

Segment results and segment assets presented above includes the following:

	For the year ended 31 December 2012			
	Distribution of mobile and IT products	**Property investment**	**Unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Capital additions	**3,371**	**278,436**	**–**	**281,807**
Allowance for doubtful debts	**449**	**–**	**46**	**495**
Allowance for inventories	**3,306**	**–**	**–**	**3,306**
Depreciation	**661**	**708**	**217**	**1,586**
Increase in fair value of investment properties	**–**	**99,458**	**–**	**99,458**

	For the year ended 31 December 2011			
	Distribution of mobile and IT products	Property investment	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	235	1,874	1,082	3,191
Allowance for doubtful debts	15	18	–	33
Allowance for inventories	633	–	–	633
Depreciation	118	276	216	610
Increase in fair value of investment properties	–	129,550	–	129,550

4. SEGMENT INFORMATION (CONTINUED)

Geographical information

Majority of the Group's revenue from continuing operations from external customers by geographical location of the customers are attributed to the group entities' countries of domicile (i.e. Hong Kong, Singapore, Malaysia and Japan).

Information about the Group's revenue from continuing operations by geographical location of the customers and non-current assets by geographical location of assets are set out below:

	Revenue		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and PRC	**1,427,229**	539,884	**943,756**	816,553
Singapore	**666,400**	781,110	**48,350**	39,871
Malaysia	**1,075**	7,280	**24**	16
Japan	**3,464**	–	**243,900**	–
	2,098,168	1,328,274	**1,236,030**	856,440

Non-current assets excluded financial instruments, deferred tax assets, interests in associates and a jointly controlled entity.

Major customer information

Revenue from customers contributing over 10% of the total revenue of the Group is from two (2011: one) customers with total amount of HK$596,899,000 (2011: HK$339,313,000) in relation to the segment of distribution of mobile and IT products.

5. REVENUE

Revenue represents the net amount received and receivable for goods sold and gross rental income received and receivable from properties leased for the year. An analysis of the Group's revenue for the year is as follows:

	2012	2011
	HK$000	*HK$000*
Distribution of mobile and IT products	**2,077,687**	1,312,566
Leasing of investment properties	**20,481**	15,708
	2,098,168	1,328,274

6. OTHER GAINS AND LOSSES

	2012 *HK$000*	2011 *HK$000*
Change in fair value of investments held-for-trading	**3,961**	3,330
Exchange gain (loss), net	**13,801**	(14,541)
Change in fair value of derivative financial instruments	**4,374**	(5,429)
Impairment loss on interests in a jointly controlled entity	**(9,043)**	–
Impairment loss on unlisted available-for-sale investments	**–**	(10,395)
Gain on disposal of listed available-for-sale investments	**27,893**	3,941
(Loss) gain on disposal of property, plant and equipment	**(32)**	266
Loss on deemed disposal of an associate	**(73)**	(34)
	40,881	(22,862)

7. INCOME TAX EXPENSE

	2012 *HK$000*	2011 *HK$000* (Restated)
Current tax:		
Hong Kong	**5,110**	1,446
Singapore	**3,297**	2,452
	8,407	3,898
Deferred taxation *(note 26)*	**(5,942)**	(2,539)
	2,465	1,359

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

Singapore Corporate Income Tax is calculated at 17% of the estimated assessable profit for the year.

7. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year from continuing operations can be reconciled to the profit before tax per the consolidated income statement as follows:

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit before tax	**130,066**	146,795
Tax at the domestic income tax rate of 16.5% *(note)*	**21,461**	24,221
Tax effect of share of results of associates	**12,348**	(3,136)
Tax effect of share of result of a jointly controlled entity	**140**	(107)
Tax effect of expenses not deductible for tax purpose	**9,552**	5,076
Tax effect of income not taxable for tax purpose	**(36,916)**	(26,910)
Tax effect of tax losses/deductible temporary differences not recognised	**4,976**	2,709
Utilisation of tax losses/deductible temporary differences previously not recognised	**(567)**	(55)
Effect of different tax rates of subsidiaries	**90**	105
Withholding tax on share of result of an associate	**(9,204)**	246
Others	**585**	(790)
Income tax expense	**2,465**	1,359

Note: Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operation of the Group is substantially based.

8. PROFIT FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Profit for the year from continuing operations has been arrived at after charging:		
Cost of inventories recognised as an expense *(note a below)*	**1,963,733**	1,259,808
Staff costs *(note b below)*	**45,467**	41,276
Auditor's remuneration	**1,385**	1,505
Allowance for doubtful debts provided	**495**	33
Depreciation of property, plant and equipment	**1,586**	610
Interest on bank loans wholly repayable within 5 years	**475**	448
Operating lease rentals in respect of rented premises	**1,710**	938
Share of tax (credit) charge of associates (included in share of results of associates)	**(2,399)**	14,163
and after crediting:		
Gross rental income from investment properties	**20,481**	15,708
Less: Direct operating expenses	**(4,674)**	(2,136)
Net rental income	**15,807**	13,572
Interest on bank deposits	**2,743**	2,247
Dividend income from investments held-for-trading	**2,443**	4,061
Dividend income from available-for-sale investments	**1,313**	5,740

Notes:

(a) Cost of inventories includes allowance for inventories of HK$3,306,000 (2011: HK$633,000).

(b) Staff costs include emoluments to directors as set out in note 10. Staff costs include retirement benefit schemes contributions for directors and other staff amounting to HK$1,396,000 (2011: HK$776,000).

9. DISCONTINUED OPERATIONS

Gain on disposal of subsidiaries constituting discontinued operations comprised of:

	2012	2011
	HK$'000	*HK$'000*
Gain recognised on disposal of subsidiaries	**–**	549,885
Gain on adjustment to consideration for disposal of subsidiaries	**31,742**	–
	31,742	549,885

The Group completed its disposal of its entire interests in SiS International Limited, SiS Technologies Pte. Ltd. and SiS Distribution (M) Sdn Bhd (the "Disposal Group") on 3 January 2011 on which date the Group ceased control over the Disposal Group. The total consideration was about US$123,593,000 (equivalent to HK$964,025,000) comprising cash of US$70,000,000 (equivalent to HK$546,000,000) and balance cash payment equivalent to the net asset value of the Disposal Group ("Net Asset Value Payment"), as defined in the Agreement. The Net Asset Value Payment is subject to adjustment on the value of certain assets and liabilities of the Disposal Group, if their realisable values are different from the carrying amounts at the date of completion, within a two years' period. During the year ended 31 December 2012, an adjustment to the Net Asset Value amounting to HK$31,742,000 was made on these assets and liabilities and was recognised as gain from discontinued operations during the year.

Gain and cash inflow arising on disposal recognised in the consolidated financial statements for the year ended 31 December 2011 upon the completion of the disposal were as follows:

	HK$'000
Consideration settled by cash	964,025
Net assets of Disposal Group disposed of	(413,140)
Potential tax liabilities accrued *(note below)*	(27,804)
Cumulative translation reserve in respect of disposal of Disposal Group recognised in prior years	26,804
Gain on disposal of Disposal Group constituting discontinued operations	549,885

9. DISCONTINUED OPERATIONS (CONTINUED)

	HK$'000
Consideration received	964,025
Bank balances and cash disposed of	(140,717)
Net cash inflow arising on disposal	823,308

Note: Under a deed entered into on 3 January 2011, the Group covenanted to indemnify the buyer and the Disposal Group against any tax liability of the Disposal Group arising from any event on or before completion of the transaction. An accrual of tax liabilities in a total amount of HK$27,804,000 was included in arriving at the gain on disposal of the Disposal Group. Based on the directors' best estimation, they were of the opinion that the potential liabilities, provision and allowances were adequately made in arriving at the net assets at the date of completion of the Disposal Group.

10. DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the directors and chief executive officer during the year are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Contributions to retirement benefit scheme HK$'000	2012 Total HK$'000
Executive directors:					
Mr. Lim Kia Hong (Chief executive officer)	126	4,584	1,500	50	6,260
Mr. Lim Kiah Meng	126	4,050	1,500	51	5,727
Mr. Lim Hwee Hai	126	4,084	1,500	34	5,744
Madam Lim Hwee Noi	126	2,147	1,000	32	3,305
	504	14,865	5,500	167	21,036
Independent non-executive directors:					
Mr. Lee Hiok Chuan	280	–	–	–	280
Ms. Ong Wui Leng	280	–	–	–	280
Mr. Ma Shiu Sun Michael (appointed on 2 February2012)	280	–	–	–	280
	840	–	–	–	840
	1,344	14,865	5,500	167	21,876

10. DIRECTORS' EMOLUMENTS (CONTINUED)

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Contributions to retirement benefit scheme HK$'000	2011 Total HK$'000
Executive directors:					
Mr. Lim Kia Hong (Chief executive officer)	126	3,775	3,500	40	7,441
Mr. Lim Kiah Meng	126	3,776	2,000	38	5,940
Mr. Lim Hwee Hai	126	3,793	2,000	21	5,940
Madam Lim Hwee Noi	126	2,000	1,000	21	3,147
	504	13,344	8,500	120	22,468
Independent non-executive directors:					
Mr. Lee Hiok Chuan	280	–	–	–	280
Mr. Woon Wee Teng (resigned on 4 November 2011)	250	–	–	–	250
Ms. Ong Wui Leng	280	–	–	–	280
	810	–	–	–	810
	1,314	13,344	8,500	120	23,278

The performance bonus is determined by reference to the performance of the individual directors.

No directors waived any of their emoluments during the two years ended 31 December 2011 and 31 December 2012.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2011: four) were directors whose emoluments are disclosed in note 10 above. The emolument of the remaining one (2011: one) individual is as follow:

	2012 **HK$'000**	2011 HK$'000
Salaries and other benefits	**1,860**	1,760
Contributions to retirement benefit scheme	**12**	12
	1,872	1,772

12. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year ended 31 December 2011 of 5.0 HK cents per share (2011: 8.0 HK cents per share in respect of the year ended 31 December 2010)	**13,852**	22,149
Special dividend, paid in respect of the year ended 31 December 2011 of 9.0 HK cents per share (2011: 4.0 HK cents per share in respect of the year ended 31 December 2010)	**24,933**	11,075
	38,785	33,224

A final dividend of 5.0 HK cents per share amounting to HK$13,852,000 and a special dividend of 3.0 HK cents per share amounting to HK$8,311,000 for the year ended 31 December 2012 have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting. The final dividend of 5.0 HK cents per share together with the special dividend of 9.0 HK cents per share for the year end 31 December 2011 were approved during the last annual general meeting and had been recognised as distribution during the year.

13. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK$159,343,000 (2011: HK$695,321,000) and the weighted average number of ordinary shares calculated below.

	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share	**277,033,332**	275,844,153
Effect of dilutive potential ordinary share:		
Share options issued by the Company	**377,752**	959,560
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**277,411,084**	276,803,713

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

The calculation of basic and diluted earnings per share from continuing and discontinued operations are based on the profit for the year from the continuing and discontinued operations of HK$127,601,000 (2011: HK$145,436,000) and HK$31,742,000 (2011: HK$549,885,000) respectively and the denominators detailed above.

14. INVESTMENT PROPERTIES

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**835,067**	699,924
Exchange realignment	**2,264**	(407)
Additions	**278,036**	–
Increase in fair value recognised in profit or loss	**99,458**	129,550
Transfer to assets classified as held for sale	**(2,367)**	–
Reclassified from property, plant and equipment	**–**	6,000
At 31 December	**1,212,458**	835,067

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

	2012	2011
	HK$'000	*HK$'000*
Hong Kong		
long lease	**867,400**	748,000
medium-term lease	**55,700**	44,900
Japan		
medium-term lease	**243,900**	–
Singapore		
freehold	**21,366**	20,186
long lease	**24,092**	18,569
The PRC		
medium-term lease	**–**	3,412
	1,212,458	835,067

Properties in Japan are held by trustee under a trust agreement.

All of the Group's property interests, which are held under operating leases to earn rentals or for capital appreciation purposes, are classified and accounted for as investment properties and are measured using the fair value model.

The fair values of the investment properties in Hong Kong and the PRC, Japan and Singapore as at the end of the reporting period have been arrived at on the basis of valuation carried out on that date by DTZ Debenham Tie Leung Ltd., CBRE HK Limited and Knight Frank Pte Ltd respectively, which are independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties and where appropriate by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and 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 2011	23,971	2,160	102	2,169	28,402
Exchange realignment	–	–	(1)	(30)	(31)
Acquisition of subsidiaries	–	25	85	–	110
Additions	–	1,140	860	1,081	3,081
Disposals	–	–	(46)	(778)	(824)
Fair value change upon reclassification	933	–	–	–	933
Reclassify to investment properties	(6,016)	–	–	–	(6,016)
At 31 December 2011	**18,888**	**3,325**	**1,000**	**2,442**	**25,655**
Exchange realignment	**–**	**–**	**1**	**120**	**121**
Additions	**–**	**1,140**	**2,631**	**–**	**3,771**
Disposals	**–**	**(24)**	**(153)**	**–**	**(177)**
At 31 December 2012	**18,888**	**4,441**	**3,479**	**2,562**	**29,370**
DEPRECIATION					
At 1 January 2011	952	1,720	43	1,797	4,512
Exchange realignment	–	–	–	(3)	(3)
Provided for the year	99	153	67	291	610
Eliminated on disposals	–	–	(43)	(778)	(821)
Eliminated on reclassification to investment properties	(16)	–	–	–	(16)
At 31 December 2011	**1,035**	**1,873**	**67**	**1,307**	**4,282**
Exchange realignment	**–**	**–**	**1**	**74**	**75**
Provided for the year	**100**	**434**	**760**	**292**	**1,586**
Eliminated on disposals	**–**	**(10)**	**(135)**	**–**	**(145)**
At 31 December 2012	**1,135**	**2,297**	**693**	**1,673**	**5,798**
CARRYING VALUES					
At 31 December 2012	**17,753**	**2,144**	**2,786**	**889**	**23,572**
At 31 December 2011	17,853	1,452	933	1,135	21,373

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Leasehold land and building	2%, or over the term of the lease of 65 to 897 years, whichever is shorter
Leasehold improvements	20% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	20%-33%
Motor vehicles	20%

16. INTERESTS IN ASSOCIATES

	2012	2011
	HK$'000	*HK$'000*
Cost of investment in associates		
Listed overseas	**29,850**	29,850
Unlisted	**55,095**	55,095
Share of post-acquisition profits and reserves, net of dividend received	**56,294**	131,763
	141,239	216,708
Fair value of a listed associate	**195,091**	310,442

Details of the principal associates at the end of the reporting period 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 2012	2011	Principal activities
SiS Distribution (Thailand) Public Company Limited (listed on the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	**47.0%**	47.2%	Distribution of mobile and IT products and provision of services
Information Technology Consultants Limited ("ITC")	Limited company	Bangladesh	Ordinary	**29.5%**	29.5%	Provision of financial services and mobile banking solutions

16. INTERESTS IN ASSOCIATES (CONTINUED)

Subsequent to the end of the reporting period, the Group acquired additional 14.1% interest in ITC at a consideration of HK$21,995,000.

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

	2012	2011
	HK$'000	*HK$'000*
Total assets	**1,373,707**	1,653,749
Total liabilities	**(1,062,832)**	(1,191,441)
Net assets	**310,875**	462,308
Group's share of net assets of associates	**141,239**	216,708
Total revenue	**5,513,039**	5,715,476
Total (loss) profit for the year	**(158,188)**	39,536
Group's share of the total (loss) profits of associates for the year	**(74,835)**	19,041

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

	2012	2011
	HK$'000	*HK$'000*
Unrecognised share of losses of associates for the year	**(76)**	–
Accumulated unrecognised share of losses of associates	**(1,702)**	(1,626)

17. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	2012	2011
	HK$'000	*HK$'000*
Cost of investments	**12,679**	12,679
Share of post-acquisition profits and reserves	**5,407**	5,208
	18,086	17,887
Less: impairment loss	**(9,043)**	–
	9,043	17,887

An impairment loss of HK$9,043,000 is recognised on the carrying amount of the interests in the jointly controlled entity as the directors anticipate that the carrying amount exceeds the recoverable amount.

Details of the jointly controlled entity at the end of the reporting period are as follows:

Name of company	Form of business	Country of incorporation/ operation	Proportion of capital held indirectly by the Company 2012	2011	Principal activities
Hangxin Electronic Industrial Co. Ltd. ("Hangxin") 杭州杭鑫電子工業有限公司	Limited company	PRC	**25.6%**	25.6%	Manufacture of electronic products

Hangxin is jointly controlled by the Group and the other equity-holders by virtue of contractual arrangements amongst equity-holders. All major decisions of Hangxin require unanimous consent from all the equity-holders.

17. INTERESTS IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

The summarised financial information of the Group's interest in the jointly controlled entity, which is accounted for using the equity method, is set out below:

	2012	2011
	HK$'000	*HK$'000*
Non-current assets	**20,463**	17,469
Current assets	**13,689**	19,679
Current liabilities	**(8,092)**	(11,732)
Non-current liabilities	**(7,974)**	(7,529)
Income recognised in profit or loss	**22,564**	29,087
Expenses recognised in profit or loss	**(23,415)**	(28,442)
Other comprehensive income	**–**	–

18. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	HK$'000	*HK$'000*
Equity securities		
Listed overseas, at fair value	**62,430**	76,372
Unlisted, at cost	**23,433**	30,095
Club debentures, unlisted, at cost	**1,300**	1,300
	87,163	107,767

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

The unlisted securities represent investment in entities carrying on IT related business and development of hospitality business for capital appreciation and strategic purposes.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**77,946**	96,616
Less: allowance for doubtful debts	**(464)**	(15)
	77,482	96,601
GST receivable	**10,287**	30,005
Amount due from trustee	**78,467**	–
Consumption tax receivable	**13,457**	–
Deposits, prepayments and other receivables	**14,521**	8,770
	194,214	135,376

The amount due from trustee represents rental deposits from tenants of properties and funds reserved for leasing operation held in bank by the trustee.

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. No credit period is granted to customers for renting of properties and related company. Rental is payable in advance on presentation of demand note. No interest is charged on overdue debts.

Included in the trade receivable balance are debts with total carrying amount of HK$36,238,000 (2011: HK$47,915,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after considering the creditworthiness and past payment history of the debtors and settlement after the end of the reporting period. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are in good quality.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

	2012	2011
	HK$'000	*HK$'000*
Overdue:		
Within 30 days	**17,856**	32,982
31 to 90 days	**11,202**	9,889
91 to 120 days	**3,148**	1,739
Over 120 days	**4,032**	3,305
	36,238	47,915

Movement in the allowance for doubtful debts deducted from the trade receivable are as follows:

	2012	2011
	HK$'000	*HK$'000*
Balance at beginning of the year	**15**	15
Impairment losses recognised	**495**	33
Amounts written off as uncollectible	**(46)**	(33)
Balance at end of the year	**464**	15

The allowance for doubtful debts are provided on individually impaired trade debtors which have either been in severe financial difficulties or default in payments.

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

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**43,792**	68,677
31 to 90 days	**22,004**	15,448
91 to 120 days	**4,051**	8,676
Over 120 days	**7,635**	3,800
	77,482	96,601

20. INVESTMENTS HELD-FOR-TRADING

	2012	2011
	HK$'000	*HK$'000*
Equity securities		
listed overseas, at fair value	**10,876**	51,610
listed in Hong Kong, at fair value	**–**	327
	10,876	51,937

The fair values are determined based on the quoted market bid prices available on the relevant exchanges.

21. BANK DEPOSITS

Pledged deposits and bank balances comprise of short-term bank deposits which carry interest at market rates ranging from 0.001% to 4.1% (2011: 0.001% to 4.5%) per annum with an original maturity of three months or less.

Pledged deposits and bank balances that are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amount to HK$476,756,000 (2011: HK$336,580,000).

22. ASSETS CLASSIFIED AS HELD FOR SALE

A sale and purchase agreement was entered on 31 July 2012 with a non-related party for the disposal of a property situated in the PRC, at a consideration of RMB1,900,000, equivalent to HK$2,367,000. The disposal was completed on 15 January 2013.

The fair value of the investment property at 31 December 2012 was arrived at by reference to the consideration on disposal less cost to sale.

23. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**35,402**	103,991
Rental deposits received	**42,095**	3,823
Accrued staff costs	**27,444**	23,125
Other payables and accruals	**39,216**	20,240
	144,157	151,179

The average credit period on purchase of goods is 30 to 60 days. The Group has policies in place to ensure that all payables are paid within the credit time frame.

Trade payables that are denominated in United States dollars, currency other than the functional currencies of the relevant group entities amounted to HK$30,054,000 (2011: HK$16,848,000).

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

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**23,329**	97,089
31 to 90 days	**11,991**	6,529
91 to 120 days	**7**	373
Over 120 days	**75**	–
	35,402	103,991

24. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign currency forward contracts with total principal amount of US$15,000,000 to buy varying amounts of Singapore dollars ("S$") at specified rates ranging from S$1.2207 to S$1.2625 to US$1 outstanding at the end of the proceeding period had been matured during the current year.

25. BANK LOANS

Bank loan outstanding at the end of the reporting period of Japanese Yen ("JPY") 3,300,000,000 (equivalent to HK$297,000,000) carries interest at 3-month JPY London Interbank Offer Rate plus 0.70% per annum. It is secured by bank deposits with carrying value of HK$341,189,000.

26. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Allowances for doubtful debts/ inventories HK$'000	Revaluation of investment properties HK$'000	Tax losses HK$'000	Undistributed earnings of an associate HK$'000	Others HK$'000	Total HK$'000
At 1 January 2011 as originally stated	(2,825)	1,356	(28,489)	3,240	(10,600)	(13)	(37,331)
Effect of changes in accounting policy *(note 2)*	–	–	28,489	–	–	–	28,489
At 1 January 2011 as restated	(2,825)	1,356	–	3,240	(10,600)	(13)	(8,842)
(Charge) credit to profit or loss (restated)	(214)	–	–	2,999	(246)	–	2,539
Exchange realignment	–	–	–	–	626	–	626
At 31 December 2011	**(3,039)**	**1,356**	**–**	**6,239**	**(10,220)**	**(13)**	**(5,677)**
(Charge) credit to profit or loss	**(3,773)**	**–**	**–**	**525**	**9,204**	**(14)**	**5,942**
Exchange realignment	**–**	**–**	**–**	**–**	**5**	**2**	**7**
At 31 December 2012	**(6,812)**	**1,356**	**–**	**6,764**	**(1,011)**	**(25)**	**272**

At the end of the reporting period, the Group has unrecognised deductible temporary differences of HK$51,765,000 (2011: HK$35,526,000) and unutilised tax losses of HK$53,082,000 (2011: HK$39,416,000). A deferred tax asset has been recognised in respect of the tax losses of HK$40,993,000 (2011: HK$37,812,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$12,089,000 (2011: HK$1,604,000) and the deductible temporary differences due to the unpredictability of future assessable profit streams. All tax losses can be brought forward indefinitely.

27. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Nominal value	
	2012	2011	**2012**	2011
			HK$'000	*HK$'000*
Authorised	**350,000,000**	350,000,000	**35,000**	35,000
Issued and fully paid				
At beginning of year	**277,033,332**	272,349,995	**27,703**	27,235
Allotted on exercise of share options at HK$1.72 per share	**–**	4,683,337	**–**	468
At end of year	**277,033,332**	277,033,332	**27,703**	27,703

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

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

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes appropriate actions to adjust the Group's capital structure. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Available-for-sale investments	**87,163**	107,767
Investments held-for-trading	**10,876**	51,937
Loans and receivables (including cash and cash equivalents)	**941,738**	716,999
Financial liabilities		
Derivative financial instruments	**–**	5,429
Financial liabilities stated at amortised cost	**355,275**	114,008

b. Financial risk management objectives

The Group's financial instruments include available-for-sale investments, investments held-for-trading, trade and other receivables, bank deposits, trade and other payables, derivative financial instruments and bank loans. Details of the financial instruments are disclosed in the respective notes.

The management monitors and manages the financial risk of the Group through internal risk assessment. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the risks of changes in foreign currency rates and equity price.

29. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (Continued)

Market risk (Continued)

(i) Currency risk

Certain purchase of goods of the Group are denominated in United States dollars. Certain bank balances are denominated in United States Dollar, Australian Dollar, Singapore Dollar, New Zealand Dollar, Malaysian Riggit, Indonesian Rupiah and Japanese Yen, the currencies other than the functional currencies of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States Dollar	**163,463**	75,604	**17,665**	16,848
Australian Dollar	**87,299**	77,951	**–**	–
Singapore Dollar	**231,231**	286,517	**12,388**	–
New Zealand Dollar	**2,364**	2,186	**–**	–
Malaysian Riggit	**26,234**	32,892	**–**	–
Indonesian Rupiah	**22,149**	21,112	**–**	–
Taiwanese Dollar	**–**	3,949	**–**	–
Japanese Yen	**29,386**	–	**–**	–

The Group currently does not have currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

Sensitivity analysis

The following analysis indicates the change in the Group's post-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk at that date, and all other variables are held constant.

29. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (Continued)

Market risk (Continued)

(i) *Currency risk (Continued)*

Sensitivity analysis (Continued)

	2012		2011	
	Increase (decrease) in foreign exchange rates	**Increase (decrease) in post-tax profit**	Increase (decrease) in foreign exchange rates	Increase (decrease) in post-tax profit
	%	***HK$'000***	%	*HK$'000*
Non-derivative financial instruments				
United States Dollar	**1.5**	**2,187**	1.5	881
	(1.5)	**(2,187)**	(1.5)	(881)
Australian Dollar	**10.0**	**8,729**	10.0	7,795
	(10.0)	**(8,729)**	(10.0)	(7,795)
Singapore Dollar	**5.0**	**10,942**	5.0	14,326
	(5.0)	**(10,942)**	(5.0)	(14,326)
New Zealand Dollar	**10.0**	**236**	10.0	219
	(10.0)	**(236)**	(10.0)	(219)
Malaysian Riggit	**5.0**	**1,312**	5.0	1,645
	(5.0)	**(1,312)**	(5.0)	(1,645)
Indonesian Rupiah	**10.0**	**2,215**	10.0	2,111
	(10.0)	**(2,215)**	(10.0)	(2,111)
Taiwanese Dollar	**N/A**	**N/A**	10.0	395
	N/A	**N/A**	(10.0)	(395)
Japanese Yen	**10.0**	**2,939**	N/A	N/A
	(10.0)	**(2,939)**	N/A	N/A
Derivative financial instruments				
Singapore Dollar	**N/A**	**N/A**	5.0	4,653
	N/A	**N/A**	(5.0)	(4,653)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

29. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (Continued)

Market risk (Continued)

(ii) Price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective listed equity securities classified as held-for-trading investments had been 10% (2011: 10%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by HK$1,088,000 (2011: HK$5,188,000) as a result of the changes in fair value of held-for-trading investments.

If the price of the respective listed equity securities classified as available-for-sale investments had been 10% (2011: 10%) higher/lower, the Group's available-for-sale investments and investment reserve would increase/decrease by HK$6,243,000 (2011: HK$7,637,000). However, any significant or prolonged decrease in the fair value of available-for-sale investments below the Group's cost requires recognising impairment loss in profit or loss. As such, the Group's post-tax profit for the year would decrease by the amount of impairment loss recognised.

(iii) Interest rate risk

The bank balances comprising bank deposits, and bank loans carrying interest at floating interest rate, thus exposing the Group to interest rate risk. The Group currently does not have any policy to hedge against interest rate risk and will consider hedging such exposure should the needs arise.

Sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 would increase/decrease by HK$2,664,000 (2011: HK$2,927,000). The analysis is prepared assuming the amounts of bank balances and bank loans outstanding at the end of the reporting period were outstanding for the whole year.

29. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (Continued)

Market risk (Continued)

(iii) Interest rate risk (Continued)

Sensitivity analysis (Continued)

A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the year end exposure does not reflect the exposure during the year.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated certain staff for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers, the Group's concentration of credit risk by geographical location of customers are mainly in Hong Kong and Singapore which accounted for majority of the trade receivables at 31 December 2012.

The Group has concentration of credit risk on loans and receivable of which 80% are liquid funds deposited with several banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

29. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (Continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flow. For derivative financial instruments, the tables have been drawn up based on the undiscounted gross cash inflows and outflows on those instruments that require gross cash settlement based on their contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows.

	Weighted average interest rate %	Within 3 months *HK$'000*	3-6 months *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 December *HK$'000*
2012					
Non-derivative financial liabilities					
Trade and other payables	N/A	**58,275**	**–**	**58,275**	**58,275**
Bank loans	0.8371	**–**	**297,000**	**297,000**	**297,000**
		58,275	**297,000**	**355,275**	**355,275**
2011					
Non-derivative financial liabilities					
Trade and other payables	N/A	114,008	–	114,008	114,008
Derivative financial instruments					
Foreign currency forward contracts					
– gross settlement					
– cash inflows		(37,884)	(73,687)	(111,571)	
– cash outflows		39,000	78,000	117,000	
		1,116	4,313	5,429	5,429

29. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

- 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; and

- the fair value of derivative instruments is calculated using quoted forward rates and discounted using the applicable yield for the duration of the instruments.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 and 2 based on the degree to which the fair value is observable.

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

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	2012	2011	
	Level 1	Level 1	Level 2
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at FVTPL			
Non-derivative financial assets held-for-trading	**10,876**	51,937	–
Available-for-sale financial assets			
Listed equity securities	**62,430**	76,372	–
Total	**73,306**	128,309	–
Financial liabilities at FVTPL			
Derivative financial instruments	**–**	–	5,429

There were no transfers between level 1 and 2 in the prior year.

30. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In applying the entity's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, the directors of the Company have taken into consideration the intrinsic value of the unlisted equity securities classified under available-for-sale investments and a jointly controlled entity and the present value of the estimated future cash flows from the underlying business of the investee companies. Where the actual cash flows generated from the investment is less than expected, a material impairment loss may arise. As at 31 December 2012, impairment loss on available-for-sale investments and interests in a jointly controlled entity amounted to HK$10,395,000 (2011: HK$10,395,000) and HK$9,043,000 (2011: nil) respectively.

31. OPERATING LEASES

The Group as lessee

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

	2012 ***HK$'000***	2011 *HK$'000*
Within one year	**2,176**	257
In the second to fifth years inclusive	**1,957**	–
	4,133	257

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

31. OPERATING LEASES (CONTINUED)

The Group as lessor

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

	2012	2011
	HK$'000	*HK$'000*
Within one year	**86,781**	13,279
In the second to fifth year inclusive	**169,997**	7,644
More than five years	**15,374**	–
	272,152	20,923

The Group has entered into an agreement with the trustee for the leasing activities of the property in Japan for a period of 3 years, whereby the Group is empowered to enter agreements with the lessees.

Leases are negotiated between the Group and the tenants with majority terms of 2 to 5 years.

32. SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Scheme") adopted by the Company on 21 May 2007, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

Share options were granted on 20 August 2007 to certain directors and employees of the Group and directors of an associate at an exercise price of HK$1.72 per share and at a cash consideration of HK$10.00 per grantee. At 31 December 2012, the number of options which remained outstanding under the Scheme was 933,334 (2011: 933,334) which, if exercised in full, represents 0.3% (2011: 0.3%) of the enlarged capital of the Company. Details of the share options are as follows:

Number of share options	**Vesting period**	**Exercise period**
133,332	21 August 2007-18 February 2008	18 February 2008-20 May 2017
400,000	21 August 2007-18 February 2009	18 February 2009-20 May 2017
400,002	21 August 2007-18 February 2010	18 February 2010-20 May 2017

32. SHARE OPTION SCHEME (CONTINUED)

The movements in the shares options during the two years ended 31 December 2011 and 31 December 2012 are as follows:

Grantee	Outstanding at 1 January 2011	Exercised during the year	**Outstanding at 1 January and 31 December 2012**
Directors	2,633,337	(2,300,003)	**333,334**
Employees and others	2,983,334	(2,383,334)	**600,000**
	5,616,671	(4,683,337)	**933,334**

The weighted average share price at the date of exercise of the share options during the year ended 31 December 2011 was HK$3.25.

No options were granted or lapsed during the two years ended 31 December 2011 and 2012 nor options exercised during the year ended 31 December 2012.

33. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes 5% of the employees' salaries costs or HK$1,250, before 30 June 2012, HK$1,000, whichever the lower, to the scheme.

Employees of the Group's subsidiaries incorporated in Singapore are members of pension schemes operated by the local governments. The subsidiaries contributions to the pension schemes are ranging from 6.5% to 16% of the employees' salaries.

34. PLEDGE OF ASSETS

At the end of the reporting period,

(a) The Group's investment properties with carrying values of HK$643,000,000 (2011: HK$560,000,000) were under legal charge to secure general banking facilities available to the Group but none of which had been utilised.

(b) Bank deposits of HK$341,189,000 were pledged to secure a bank loan drawn during the year.

35. RELATED PARTY TRANSACTIONS

The Group provides management service to an associate from which service income earned during the year amounts to HK$3,452,000 (2011: HK$3,732,000). The amount due from the associate at 31 December 2012 for the services provided included in trade and other receivables amounts to HK$1,371,000 (2011: HK$314,000).

Rental expenses of HK$889,000 (2011: HK$729,000) were incurred during the year for the lease of premises from two related companies.

Two executive directors and the spouse of one of them have ultimate controlling interest in one of the related companies. All executive directors (and their associates) together have ultimate joint control over the other related company.

Apart from the above, remunerations paid and payable to the executive directors of the Company who are considered to be the key management personnels are disclosed in note 10. The remuneration of directors are determined by the Remuneration Committee having regard to the Group's operating result, performance of individuals and market trends.

36. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Country of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2012	2011	
			%	%	
Direct subsidiaries:					
SiS Distribution Limited	British Virgin Islands	US$45,001	**100**	100	Investment holding
SiS Investment Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Indirect subsidiaries:					
Computer Zone Limited	Hong Kong	HK$2	**100**	100	Property investment
Ever Wealthy Limited	Hong Kong	HK$1	**100**	100	Investment holding
Faith Prosper Ltd.	British Virgin Islands	US$1	**100**	100	Investment holding
Gain Best Limited	Hong Kong	HK$1	**100**	100	Property investment
Gold Kite Limited	Hong Kong	HK$1	**100**	100	Investment holding
Qool Bangladesh Limited	Bangladesh	TK1,000,000	**99**	99	Investment holding
Qool Labs Pte. Ltd.	Singapore	S$2	**100**	100	Distribution of IT and communication products
Qool International Limited	Hong Kong	HK$1	**100**	100	Distribution of IT and communication products
Qool Distribution (M) Sdn Bhd	Malaysia	RM2	**100**	100	Distribution of IT and communication products

36. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2012 %	2011 %	Principal activities
QR Capital Limited	Hong Kong	HK$1	**100**	100	Property investment
SiS Asia Pte. Ltd.	Singapore	S$2	**100**	100	Investment holding, provision of hardware, software and corporate management services
SiS Assets Pte. Ltd	Singapore	S$1	**100**	N/A	Investment holding
SiS Capital Limited	Hong Kong	HK$1	**100**	100	Investment holding
SiS Capital (Bangladesh) Pte Ltd.	Singapore	S$2	**100**	100	Investment holding
SiS China Limited	Hong Kong	HK$2	**100**	100	Property investment
SiS HK Limited	Hong Kong	HK$400,000	**100**	100	Investment holding
SiS Netrepreneur Ventures Corp.	British Virgin Islands	US$1	**100**	100	Investment holding
SiS Technologies (Thailand) Pte. Ltd.	Singapore	S$2	**100**	100	Investment holding
Synergy Technologies (Asia) Limited	Hong Kong	HK$5,000,000	**100**	100	Distribution of mobile phone products
Tokutei Mokuteki Kaisha SSG 8	Japan	JPY470,000,000	**100**	N/A	Property investment

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

37. FINANCIAL POSITION OF THE COMPANY

Below is a summary of the financial position of the Company at the end of the reporting period:

	2012	2011
	HK$'000	*HK$'000*
Assets		
Interest in unlisted subsidiaries	**1,191,401**	1,305,772
Other assets	**25,104**	38,122
Bank balances and cash	**160,277**	117,544
	1,376,782	1,461,438
Liabilities		
Payables and accruals	**(32,410)**	(86,530)
Net assets	**1,344,372**	1,374,908
Share capital	**27,703**	27,703
Share premium	**71,367**	71,367
Reserves (note below)	**1,245,302**	1,275,838
Total equity	**1,344,372**	1,374,908

37. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement in reserves are presented below:

	Investments reserve	Share options reserve	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	–	3,173	29,186	393,959	426,318
Profit for the year	–	–	–	880,486	880,486
Other comprehensive income for the year	4,909	–	–	–	4,909
Total comprehensive income for the year	4,909	–	–	880,486	885,395
Issue of shares under employee share option scheme	–	(2,651)	–	–	(2,651)
Dividend recognised as distribution	–	–	–	(33,224)	(33,224)
At 31 December 2011	**4,909**	**522**	**29,186**	**1,241,221**	**1,275,838**
Profit for the year	**–**	**–**	**–**	**7,689**	**7,689**
Other comprehensive income for the year	**560**	**–**	**–**	**–**	**560**
Total comprehensive income for the year	**560**	**–**	**–**	**7,689**	**8,249**
Dividend recognised as distribution	**–**	**–**	**–**	**(38,785)**	**(38,785)**
At 31 December 2012	**5,469**	**522**	**29,186**	**1,210,125**	**1,245,302**

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2013

The directors (the "Directors") of SiS International Holdings Limited (the "Company") is pleased to announce that the consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with comparative figures for the corresponding period in 2012. The interim financial statements have been reviewed by the Company's auditor and audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended	
	NOTES	**30 June 2013 *HK$'000* (unaudited)**	30 June 2012 *HK$'000* (unaudited)
Revenue	*3*	**754,376**	1,159,338
Cost of sales		**(683,890)**	(1,102,433)
Gross profit		**70,486**	56,905
Other income		**10,900**	4,400
Other gains and losses	*4*	**(27,318)**	32,015
Distribution costs		**(14,870)**	(16,086)
Administrative expenses		**(31,892)**	(24,464)
Share of results of associates		**24,326**	(6,737)
Share of results of a joint venture		**413**	(503)
Finance costs		**(2,435)**	(104)
Profit before tax		**29,610**	45,426
Income tax credit (expense)	*5*	**1,951**	(2,372)
Profit for the period	*6*	**31,561**	43,054
Profit for the period attributable to:			
Owners of the Company		**31,079**	43,054
Non-controlling interests		**482**	–
		31,561	43,054
EARNINGS PER SHARE	*7*		
– Basic (HK cents)		**11.2**	15.5
– Diluted (HK cents)		**11.2**	15.5

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended	
	30 June	30 June
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**31,561**	43,054
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss		
Loss on fair value changes of available-for-sale investments	**(5,574)**	(2)
Exchange realignment arising on translation of foreign operations	**1,670**	56
Release of investments reserve upon disposal of available-for-sale investments	**–**	(10,607)
Other comprehensive expense for the period	**(3,904)**	(10,553)
Total comprehensive income for the period	**27,657**	32,501
Total comprehensive income for the period attributable to:		
Owners of the Company	**26,025**	32,501
Non-controlling interests	**1,632**	–
	27,657	32,501

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	NOTES	**30 June 2013 HK$'000 (unaudited)**	31 December 2012 HK$'000 (audited)
Non-current assets			
Investment properties	9	**1,181,542**	1,212,458
Property, plant and equipment	9	**87,222**	23,572
Goodwill	20	**4,631**	–
Intangible assets	10	**33,626**	–
Interests in associates		**153,411**	141,239
Interests in a joint venture		**9,456**	9,043
Available-for-sale investments		**81,589**	87,163
Deferred tax assets		**–**	272
		1,551,477	1,473,747
Current assets			
Inventories		**158,327**	76,119
Trade and other receivables, deposits and prepayments	11	**242,238**	194,214
Derivative financial instruments	14	**5,296**	–
Tax recoverable		**144**	136
Investments held-for-trading		**10,349**	10,876
Pledged deposits		**269,256**	341,189
Bank balances and cash		**351,281**	410,009
		1,036,891	1,032,543
Assets classified as held for sale		**–**	2,367
		1,036,891	1,034,910
Current liabilities			
Trade payables, other payables and accruals	12	**150,200**	144,157
Bills payable	13	**5,317**	5,107
Dividend payable		**22,163**	–
Tax payable		**27,053**	33,860
Bank loans	15	**261,817**	297,000
		466,550	480,124

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

AT 30 JUNE 2013

	NOTES	**30 June 2013 HK$'000 (unaudited)**	31 December 2012 HK$'000 (audited)
Net current assets		**570,341**	554,786
Total assets less current liabilities		**2,121,818**	2,028,533
Non-current liabilities			
Bank loans		**851**	–
Deferred tax liabilities		**4,517**	–
Net assets		**2,116,450**	2,028,533
Capital and reserves			
Share capital	16	**27,703**	27,703
Share premium		**71,367**	71,367
Reserves		**42,576**	47,631
Retained profits		**1,890,748**	1,881,832
Equity attributable to owners of the Company		**2,032,394**	2,028,533
Non-controlling interests		**84,056**	–
Total equity		**2,116,450**	2,028,533

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Share capital	Share premium	Investments reserve	Translation reserve	Property revaluation reserve	Contributed surplus	Share options reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012 (audited)	27,703	71,367	47,273	19,016	933	2,860	522	1,761,274	1,930,948	–	1,930,948
Profit for the period	–	–	–	–	–	–	–	43,054	43,054	–	43,054
Other comprehensive (expense) income for the period	–	–	(10,609)	56	–	–	–	–	(10,553)	–	(10,553)
Total comprehensive (expense) income for the period	–	–	(10,609)	56	–	–	–	43,054	32,501	–	32,501
Dividend declared *(Note 8)*	–	–	–	–	–	–	–	(38,785)	(38,785)	–	(38,785)
At 30 June 2012 (unaudited)	27,703	71,367	36,664	19,072	933	2,860	522	1,765,543	1,924,664	–	1,924,664
At 1 January 2013 (audited)	**27,703**	**71,367**	**20,049**	**23,267**	**933**	**2,860**	**522**	**1,881,832**	**2,028,533**	**–**	**2,028,533**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31,079**	**31,079**	**482**	**31,561**
Other comprehensive (expense) income for the period	**–**	**–**	**(5,574)**	**519**	**–**	**–**	**–**	**–**	**(5,055)**	**1,150**	**(3,905)**
Total comprehensive (expense) income for the period	**–**	**–**	**(5,574)**	**519**	**–**	**–**	**–**	**31,079**	**26,024**	**1,632**	**27,656**
Dividend declared *(Note 8)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,163)**	**(22,163)**	**–**	**(22,163)**
Non-controlling interests arising on acquisition of a subsidiary *(Note 20)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**82,424**	**82,424**
At 30 June 2013 (unaudited)	**27,703**	**71,367**	**14,475**	**23,786**	**933**	**2,860**	**522**	**1,890,748**	**2,032,394**	**84,056**	**2,116,450**

Note: Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition upon the group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in the year 1992.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended	
	30 June	30 June
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(14,403)**	135,037
Investing activities		
Acquisition of a subsidiary	**(18,030)**	–
Dividend received from associates	**–**	6,234
Investment in an associate	**(46,078)**	–
Withdrawal of pledged deposits	**54,850**	–
Purchase of available-for-sale investments	**–**	(8,936)
Proceeds from disposal of available-for-sale investments	**–**	13,697
Other investing cash flows	**(9,816)**	143
Net cash (used in) from investing activities	**(19,074)**	11,138
Financing activities		
New bank loans raised	**16,699**	190,000
Repayment of bank loans	**(36,132)**	–
Net cash (used in) from financing activities	**(19,433)**	190,000
Net (decrease) increase in cash and cash equivalents	**(52,910)**	336,175
Cash and cash equivalents at 1 January	**410,009**	585,398
Effect of foreign exchange rate changes	**(5,818)**	223
Cash and cash equivalents at 30 June, represented by bank balances and cash	**351,281**	921,796

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) – Int 12 *Consolidation – Special Purpose Entities.* HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

During the current period, the Group acquired additional 14.1% of ownership interest in Information Technology Consultants Ltd ("ITCL"), incorporated in the People's Republic of Bangladesh, and the Group's shareholding of ITCL increased to 43.6% at the end of the reporting period. The directors of the Company made an assessment as at the date of acquisition of the 14.1% of ownership interest in ITCL (i.e. 7 March 2013) as to whether or not the Group has control over ITCL in accordance with the new definition of control and the related guidance set out in HKFRS 10. After taking into account of the overall equity interest of ITCL owned by the Group and its related parties, the directors of the Company concluded that control over ITCL is achieved upon the acquisition of the 14.1% of ownership interest in ITCL in the current period on the basis of the Group's ability to direct the relevant activities of ITCL by controlling the majority of the board of directors of ITCL.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Impact of the application of HKFRS 11 (cont'd)

The directors of the Company reviewed and assessed the classification of the Group's investment in a joint arrangement in accordance with the requirements of HKFRS 11. The directors concluded that the Group's interest in the joint arrangement, which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and continue to be accounted for using the equity method.

HKFRS 13 ***Fair Value Measurement***

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 19.

Amendments to HKAS 1 ***Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

In addition, the Group has applied the following accounting policies in the current interim period.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Business combinations (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Intangible assets

Internally-generated intangible assets – research and development expenditure

Expenditure on research items, if any, is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Intangible assets (cont'd)

Internally-generated intangible assets – research and development expenditure (cont'd)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets is recognised on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition. A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated statement of profit or loss.

3. SEGMENT INFORMATION

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

	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Six months ended 30 June 2013			
Segment revenue			
External sales	**691,676**	**62,700**	**754,376**
Segment profit	**23,661**	**23,053**	**46,714**
Change in fair value of investments held-for-trading			**(527)**
Dividend income from investments held-for-trading			**312**
Dividend income from available-for-sale investments			**204**
Loss on deemed disposal of an associate			**(9,622)**
Share of results of associates			**24,326**
Share of results of a joint venture			**413**
Finance costs			**(2,435)**
Other unallocated income and gains			**15,502**
Unallocated corporate expenses			**(45,277)**
Profit before tax			**29,610**

3. SEGMENT INFORMATION (cont'd)

	Distribution of mobile and IT products *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Six months ended 30 June 2012			
Segment revenue			
External sales	1,151,320	8,018	1,159,338
Segment profit	28,716	12,400	41,116
Gain on disposal of available-for-sale investments			10,607
Change in fair value of investments held-for-trading			2,997
Dividend income from investments held-for-trading			2,087
Dividend income from available-for-sale investments			867
Loss on deemed disposal of an associate			(687)
Share of results of associates			(6,737)
Share of results of a joint venture			(503)
Finance costs			(104)
Other unallocated income and gains			14,679
Unallocated corporate expenses			(18,896)
Profit before tax			45,426

Segment profit reported to the chief operating decision makers for the purposes of resource allocation and performance assessment does not include central administration costs, corporate expenses, share of results of associates and a joint venture, gain or loss on disposal of associates and available-for-sale investments, change in fair value of investments held-for-trading, investment income, other unallocated income and gains, and finance costs.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 June	30 June
	2013	2012
	HK$'000	*HK$'000*
Other gains and losses comprises:		
Change in fair value of derivative financial instruments	**5,296**	4,374
Exchange (loss) gain, net	**(24,563)**	9,217
Change in fair value of investments held-for-trading	**(527)**	2,997
Change in fair value of investment properties	**2,098**	5,507
Gain on disposal of available-for-sale investments	**–**	10,607
Loss on deemed disposal of associates	**(9,622)**	(687)
	(27,318)	32,015

5. INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	30 June	30 June
	2013	2012
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current period	**1,509**	1,892
Overseas Tax		
Current period	**1,354**	1,974
Overprovision in respect of prior periods	**(9,800)**	–
Deferred tax		
Hong Kong	**4,986**	(1,494)
Income tax (credit) expense for the period	**(1,951)**	2,372

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

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

Following the disposal of subsidiaries on 3 January 2011, a final assessment was issued by an overseas tax authority and concluded that no income tax is levied for certain sales of goods transactions. Accordingly, the accrual of income tax and other related expenses amounted HK$9,800,000 and HK$7,698,000 as disclosed in Note 6, respectively, are reversed during the current period.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June 2013 HK$'000	Six months ended 30 June 2012 HK$'000
Profit for the period has been arrived at after charging and (crediting):		
Cost of inventories recognised in cost of sales	**642,004**	1,101,308
Depreciation of property, plant and equipment	**2,550**	549
Amortisation of intangible assets	**1,949**	–
Share of tax (credit) of associates	**(7,177)**	4,190
(Reversal of) allowance for inventories, net	**(1,474)**	9,862
Allowance for doubtful debts	**599**	6,426
Interest on bank deposits	**(2,481)**	(1,088)
Reversal of overprovision for tax related expenses *(Note 5)*	**(7,698)**	–

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit of HK$31,079,000 (30 June 2012: HK$43,054,000) and the number of ordinary shares calculated below.

	Six months ended 30 June 2013 '000 shares	Six months ended 30 June 2012 '000 shares
Number of ordinary shares for the purpose of basic earnings per share	**277,033**	277,033
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**402**	404
Number of ordinary shares for the purpose of diluted earnings per share	**277,435**	277,437

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

8. DIVIDENDS

	Six months ended	
	30 June	30 June
	2013	2012
	HK$'000	*HK$'000*
Final dividend, payable in respect of the year ended 31 December 2012 of 5.0 HK cents per share (2012: 5.0 HK cents per share in respect of the year ended 31 December 2011)	**13,852**	13,852
Special dividend, payable in respect of the year ended 31 December 2012 of 3.0 HK cents per share (2012: 9.0 HK cents per share in respect of the year ended 31 December 2011)	**8,311**	24,933
	22,163	38,785

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2013 (2012: Nil).

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties as at 30 June 2013 were fair valued by the directors with reference to recent transaction prices in the market for similar properties in similar location. The resulting increase in fair value of investment properties of HK$2,098,000 (six months ended 30 June 2012: HK$5,507,000) has been recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2013.

During the period, the Group spent approximately HK$1,706,000 (six months ended 30 June 2012: HK$724,000) on the acquisition of property, plant and equipment. In addition, the Group acquired property, plant and equipment of HK$62,677,000 (31 December 2012: Nil) through the acquisition of a subsidiary as disclosed in Note 20.

10. INTANGIBLE ASSETS

At the end of the reporting period, intangible assets of HK$33,626,000 (31 December 2012: Nil) was recognised, in which HK$26,714,000 (31 December 2012: Nil) were acquired through the acquisition of a subsidiary at the acquisition date as disclosed in Note 20.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables and amount due from trustee, who is responsible to receive rental income on behalf of the Group, of HK$81,421,000 (31 December 2012: HK$77,482,000) and HK$79,654,000 (31 December 2012: HK$78,467,000) respectively. The following is an analysis of trade receivables by age net of allowance for doubtful debts, presented based on the invoice date, which approximated the revenue recognition date.

	30 June 2013 *HK$'000*	31 December 2012 *HK$'000*
Within 30 days	**37,375**	43,792
31 to 90 days	**15,306**	22,004
91 to 120 days	**1,382**	4,051
Over 120 days	**27,358**	7,635
	81,421	77,482

The Group maintains a defined credit policy. For sale of goods, the Group allows an average credit period of 30 days to its trade customers. No credit is granted to tenants of properties leasing and payment is due on presentation of demand note.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK$65,489,000 (31 December 2012: HK$35,402,000). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2013 *HK$'000*	31 December 2012 *HK$'000*
Within 30 days	**54,652**	23,329
31 to 90 days	**8,298**	11,991
91 to 120 days	**83**	7
Over 120 days	**2,456**	75
	65,489	35,402

The average credit period pertaining to purchase of goods is 30 to 60 days.

13. BILLS PAYABLE

Bills payable are due within 60 days.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2013 *HK$'000*	31 December 2012 *HK$'000*
Foreign currency forward contracts	**5,296**	–

Major terms of foreign currency forward contracts of the Group as at 30 June 2013 are as follows:

Notional amount	**Maturity**	**Exchange rates**
Buy US$6,000,000	28 January 2014	US$/Japanese Yen 91.330
Buy US$2,000,000	28 January 2014	US$/Singapore Dollars 1.239
Buy US$4,000,000	19 February 2014	US$/Japanese Yen 93.750

15. BANK LOANS

During the current interim period, the Group repaid bank loans of HK$36,132,000 (six months ended 30 June 2012: Nil) and obtained new short-term bank loans amounting to HK$16,699,000 (six months ended 30 June 2012: HK$190,000,000).

At the end of the reporting period, bank loans of HK$239,120,000 bear interest at variable market rates based on the Japanese LIBOR + 0.7% per annum.

On acquisition of a subsidiary as detailed in note 20, bank loans of HK$22,959,000, which bear interest at variable market rate of 14% to 16% per annum, were obtained through the acquisition. At the end of the reporting period, HK$851,000 of such bank loans is repayable after one year.

16. SHARE CAPITAL

	No. of ordinary shares of HK$0.10 each	**Nominal value** *HK$'000*
Authorised	350,000,000	35,000
Issued and fully paid		
At 1 January 2012, 31 December 2012 and 30 June 2013	277,033,332	27,703

17. PLEDGE OF ASSETS

At the end of the reporting period,

(a) The Group's investment properties with carrying values of HK$643,000,000 (31 December 2012: HK$643,000,000) were under legal charge to secure general banking facilities available to the Group but none of which had been utilised.

(b) Bank deposits of HK$269,256,000 (31 December 2012: HK$341,189,000) were pledged to secure the Group's bank loans.

18. RELATED PARTY TRANSACTIONS

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

	Associates *(Note 1)*		**Related companies** *(Note 2)*	
	Six months ended		**Six months ended**	
	30 June 2013	30 June 2012	**30 June 2013**	30 June 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Income from management service	**1,609**	1,798	**–**	–
Operating lease rental expense	**–**	–	**354**	367

Note 1: Amount due from an associate at the end of the reporting period included in other receivables is HK$569,000 (31 December 2012: HK$1,371,000). The amount is unsecured, interest-free and repayable on demand.

Note 2: Two directors of the Company have controlling interest in one of the related companies. All executive directors of the Company (and their associates) together have joint control over the other related company.

Apart from the above, remuneration paid or payable to the directors of the Company who are considered to be the key management personnel for the six months ended 30 June 2013 is HK$10,708,000 (six months ended 30 June 2012: HK$11,728,000).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements recognised in the condensed consolidated statement of financial position

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

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

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2013

	Fair value hierarchy		
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Total** *HK$'000*
Listed securities classified as investments held for trading	10,349	–	10,349
Listed securities classified as available-for-sale investments	56,857	–	56,857
Derivative financial instruments – Foreign currency forward contracts	–	5,296	5,296
Total	67,206	5,296	72,502

The fair value of listed securities is determined with reference to quoted market bid price from relevant stock exchanges.

The fair value of foreign currency forward contracts are measured at the present value of future cash flows estimated using quoted forward exchange rates, which is observable at the end of the reporting period.

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed financial statements approximate their fair values.

There were no transfers between Levels 1, 2 and 3 during the six months ended 30 June 2013.

20. ACQUISITION OF A SUBSIDIARY

On 7 March 2013, the Group acquired an additional 14.1% ownership interest in ITCL, a then associate of the Group, for a consideration of HK$22,104,000. Upon the completion of acquisition, the Group owned 43.6% ownership interest in ITCL and, in accordance with HKFRS 10, the Group assessed that it has control over ITCL, so the transaction has been accounted for as business combination using the acquisition method. ITCL is principally engaged in the business of provision of switching solution and providing electronic devices to banks in People's Republic of Bangladesh and was acquired with the objective to invest in promising information technology business and expansion of business in emerging countries.

Consideration paid

	HK$'000
Cash	22,104

Acquisition-related costs relating to the above acquisition are immaterial and excluded from the cost of acquisition and have been recognised directly as administrative expenses in the profit or loss.

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	HK$'000
Non-current assets	
Property, plant and equipment	62,677
Intangible assets	26,714
Current assets	
Inventories	3,474
Trade and other receivables, deposits and prepayments (Note)	79,854
Bank balances and cash	4,074
Current liabilities	
Trade payables, other payables and accruals	(6,478)
Tax payable	(1,214)
Bank loans	(21,953)
Non-current liabilities	
Bank loans	(1,006)
Total identifiable net assets	146,142

Note: The trade and other receivables acquired with a fair value of HK$53,972,000 had gross contractual amounts of HK$53,972,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

20. ACQUISITION OF A SUBSIDIARY (cont'd)

Non-controlling interest

The non-controlling interests (56.4%) in ITCL recognised at acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of ITCL.

Goodwill arising on acquisition (determined on a provisional basis)

	HK$'000
Consideration paid	22,104
Add: non-controlling interest	82,424
fair value of previously held ownership interest	46,245
Less: recognised amount of net identifiable assets acquired	(146,142)
Goodwill arising on acquisition	4,631

The goodwill arising from the above acquisition is determined on a provisional basis as the Group is in the process of completing the independent valuation to assess the fair value of the identifiable assets and liabilities acquired. It may be adjusted upon the completion of initial accounting year which shall not exceed one year from the acquisition date.

Loss on previously held ownership interest in ITCL acquired in step acquisition

	HK$'000
Carrying amount of previously held ownership interest	55,506
Fair value of previously held ownership interest	(46,245)
Loss	9,261

Net cash outflow arising on acquisition

	HK$'000
Consideration paid in cash	22,104
Less: cash and cash equivalent balances acquired	(4,074)
	18,030

Impact of acquisition on the results of the Group

Included in the revenue and profit for the period are HK$14,356,000 and HK$903,000 respectively attributable to ITCL.

Had ITCL been consolidated from 1 January 2013, the total revenue and profit for the period of the Group would have been HK$761,846,000 and HK$31,780,000, respectively.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.