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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in SiS International Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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### SiS INTERNATIONAL HOLDINGS LIMITED

新龍國際集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 529)**

### VERY SUBSTANTIAL DISPOSAL

### DISPOSAL OF THE IT DISTRIBUTION BUSINESS

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Terms used in this cover page have the same meanings as defined in this circular.

A notice convening the SGM to be held at Kellett Room III, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong on 29 December 2010 at 3:00 p.m. is set out on page SGM-1 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you intend to attend such meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting if you so wish.

13 December 2010

\* For identification purposes only

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions have the meanings set out below:*

“Adjusted PBIT”	in relation to any financial year within the Earn-out Period, the profit before interest, taxation, amortisation of intangible assets arising from the Disposal and financing charges of the Disposal of the Enlarged Purchaser Group
“Agreement”	the agreement dated 26 November 2010 entered into between the Seller, the Company, the Purchaser and Purchaser Holdco in relation to the sale and purchase of the Sale Shares
“Board”	the board of Directors
“Business Day”	a day on which banks are open in Hong Kong for business
“Company”	SiS International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 529)
“Completion”	the completion of the Disposal
“Completion Date”	the fifth Business Day after the Conditions are satisfied (or such other date as agreed between the parties)
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Disposal”	the sale of the Sale Shares by the Seller to the Purchaser pursuant to the Agreement
“Earn-Out Period”	the two financial years commencing on 1 January 2011 and ending 31 December 2011 and 2012, provided that if Completion takes place later than 31 December 2010, the commencement date of the Earn-out Period shall be amended to be the date falling on the beginning of the first calendar month following Completion
“Enlarged Purchaser Group”	the Target Companies, Jardine OneSolution (HK) Limited, JOSD Pte Limited, JOSD Sdn Bhd, Jardine OneSolution (2001) Sdn Bhd and Jardine OneSolution (Macau) Limited
“Excluded Assets”	consist of (1) certain shares of companies listed on the Hong Kong Stock Exchange, the Singapore Stock Exchange and the Australian Stock Exchange; and (2) a number of motor cars, which are to be transferred out from the Target Companies prior to Completion; and (3) a real estate property in the PRC, which is to be transferred out from the Target Companies as soon as practicable after Completion

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region, the People’s Republic of China
“Independent Third Party(ies)”	third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“IT Distribution Business”	IT (2-tier) distribution business
“Latest Practicable Date”	9 December 2010, being the latest practicable date for ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Proposed Resolutions”	the ordinary resolutions to be proposed to the Shareholders at the SGM to approve the transactions contemplated under Agreement
“Purchaser”	Jardine OneSolution (BVI) Limited, a company incorporated in the British Virgin Islands, the purchaser of the Sale Shares pursuant to the Agreement
“Purchaser Holdco”	Jardine OneSolution Holdings Limited, the immediate holding company of the Purchaser
“Remaining Group”	the Group excluding the Target Companies
“Sale Shares”	the entire issued share capital of each of the Target Companies
“Seller”	SiS Distribution Limited, a company incorporated in the British Virgin Islands, being a wholly-owned subsidiary of the Company
“Senior Management”	Mr. Lim Kia Hong, Mr. Lim Kiah Meng and Mr. Lim Hwee Hai
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held at Kellett Room III, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong on 29 December 2010 at 3:00 p.m. for the purpose of considering and, if thought fit, approving, the Proposed Resolutions

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## DEFINITIONS

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“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	<p>the three wholly-owned subsidiaries of the Company carrying on the IT Distribution Business, namely:</p> <ul style="list-style-type: none"><li>(i) SiS International Limited, a company incorporated in Hong Kong;</li><li>(ii) SiS Technologies Pte Ltd, a company incorporated in Singapore; and</li><li>(iii) SiS Distribution (M) Sdn Bhd, a company incorporated in Malaysia</li></ul>
“Territories”	Hong Kong, Singapore, Malaysia and Macau
“US\$”	United States dollars, the lawful currency of the United States of America

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## LETTER FROM THE BOARD

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### **SiS INTERNATIONAL HOLDINGS LIMITED**

**新龍國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 529)**

*Executive Directors*

Mr Lim Kia Hong  
Mr Lim Kiah Meng  
Mr Lim Hwee Hai  
Madam Lim Hwee Noi

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Independent Non-executive Directors*

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

*Principal place of business:*

3/F, Eastern Harbour Centre  
28 Hoi Chak Street  
Quarry Bay  
Hong Kong

13 December 2010

*To the Shareholders*

Dear Sir or Madam,

### **VERY SUBSTANTIAL DISPOSAL DISPOSAL OF THE IT DISTRIBUTION BUSINESS**

#### **INTRODUCTION**

On 26 November 2010, the Seller (a wholly-owned subsidiary of the Company) as seller entered into the Agreement with the Purchaser as buyer together with the Company and the Purchaser Holdco in relation to the sale and purchase of the IT Distribution Business (effected through the Disposal) for a total consideration of approximately US\$130 million. Upon Completion, the Group would cease to have any interest in the Target Companies.

The Remaining Group expects to realise an estimated gain of approximately US\$70 million from the Disposal.

As the relevant percentage ratios under Rule 14.07 of the Listing Rules exceed 75%, the Disposal constitutes a very substantial disposal of the Company under the Listing Rules and is subject to approval by the Shareholders at the SGM. The purpose of this circular is to provide you with, among other things, (i) further information of the Agreement and other ancillary documents in relation to the Disposal; (ii) financial information of the Group and combined financial information of the Target Companies; (iii) unaudited pro forma financial information of the Remaining Group; and (iv) the notice of SGM.

\* For identification purposes only

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## LETTER FROM THE BOARD

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### DISPOSAL AGREEMENT

#### Date

26 November 2010

#### Parties

- (a) the Seller;
- (b) the Company;
- (c) the Purchaser; and
- (d) the Purchaser Holdco

The Company and the Purchaser Holdco have agreed to guarantee the performance of the obligations of the Seller and the Purchaser, respectively, under the Agreement.

#### Assets to be disposed of

The assets to be disposed of are the entire issued share capital of the Target Companies (i.e. the Sale Shares). Upon Completion, the Group would cease to hold any interest of the Target Companies and would have disposed of the IT Distribution Business as carried on by the Target Companies in the Territories.

#### Consideration

The consideration for the Disposal (the “**Consideration**”) is approximately US\$130 million, and consisting of as follows:

- (a) a sum of US\$70 million payable at Completion; and
- (b) an additional sum equivalent to the total net asset value of the Target Companies (the “**Net Asset Value Payment**”) determined based on the completion accounts (which is estimated to be US\$60 million) which will be payable within 14 Business Days after the completion accounts are finalised.

The Consideration was arrived at after arm’s length negotiations between the parties and by reference to the respective net asset values and prospects of the Target Companies.

At Completion, a tax deed will be entered into amongst (inter alia) the Seller, the Company and the Purchaser in respect of certain taxation indemnities to be given by the Seller to the Purchaser (for itself and as trustee for the Target Companies).

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## LETTER FROM THE BOARD

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### Other agreements

The Company has agreed to provide certain management services to the Purchaser Holdco and the Enlarged Purchaser Group for a period of up to two years from the Completion Date for a fixed monthly fee (and a thirteenth month payment) of HK\$450,000 and annual bonuses (of between HK\$1.68 million to HK\$6.3 million) (subject to the meeting of certain performance target). The services provided by the Company are relating to the management of the Target Companies and the integration of them into the Enlarged Purchaser Group after Completion.

The Company has also agreed to grant to the Purchaser Holdco and the Enlarged Purchaser Group an exclusive license to use with the IT Distribution Business in the Territories certain trademarks and domain names belonging to the Group for a specified period at an annual fee of US\$30,000 per annum.

The Seller (on behalf of itself and its Group members) has undertaken to the Purchaser that, for a period of 30 months from the Completion Date, it shall not engage, carry on, or participate in, a business that competes, directly or indirectly, with the IT Distribution Business (excluding the distribution of certain own branded products and mobile phone products) carried on by the Enlarged Purchaser Group in the Territories at the date of the Agreement nor to solicit their customers, suppliers and employees (save as otherwise permitted). Each of the Senior Management has also agreed to provide similar undertakings in favour of the Purchaser Holdco and the Company at Completion.

The Purchaser has agreed to pay to the Seller a sum equivalent to a pre-agreed percentage of the Adjusted PBIT for each of the two financial years ending 31 December 2011 and 2012, provided that the minimum payment in each financial year shall be US\$1.5 million and the maximum payment shall be US\$4.5 million.

### Condition precedents

Completion is conditional upon certain conditions (the “**Conditions**”) being satisfied (or waived), including but not limited to:

- (a) the transfer of the legal ownership of one share of SiS International Limited which have been held on trust for the benefit of the Seller back to the Seller;
- (b) the transfer out of the Excluded Assets from the Target Companies; and
- (c) the Company obtaining approval from the Shareholders to the Disposal as contemplated under the Agreement in compliance with the Listing Rules.

If any of the Conditions has not been satisfied or waived (as the case may be) by 6 p.m. (Hong Kong time) on 31 March 2011 (or such later date as may be agreed in writing between the Seller and the Purchaser), the Agreement shall cease to have effect immediately.



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## LETTER FROM THE BOARD

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### Completion

Completion shall take place on the fifth Business Day after the Conditions are satisfied (or such other date as agreed between the parties).

### INFORMATION ON THE TARGET COMPANIES

The Target Companies are principally engaged in the IT Distribution Business in the Territories. The combined net profits (both before and after taxation and extraordinary items) attributable to the Target Companies for the two financial years ended 31 December 2008 and 2009 immediately preceding the Agreement and the combined net asset value as at 30 June 2010 were as follows:

	<b>For the two financial years ended 31 December</b>	
	<b>2008</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Combined net profits before taxation and extraordinary items	77,191	64,721
Combined net profits after taxation and extraordinary items	<u>65,011</u>	<u>55,463</u>
		<b>As at</b>
		<b>30 June 2010</b>
		<i>HK\$'000</i>
		(unaudited)
Combined net asset value		<u>471,081</u>

### INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of Jardine OneSolution Holdings Limited. Jardine OneSolution Holdings Limited and its subsidiaries are engaged in the marketing and distribution of IT hardware and software, telecommunication, networking and office automation products and the provision of related technical services and solutions. Jardine OneSolution Holdings Limited is in turn an indirectly wholly-owned subsidiary of Jardine Matheson Holdings Limited. Jardine Matheson Holdings Limited is incorporated in Bermuda and has a premium listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate parent company are Independent Third Parties.

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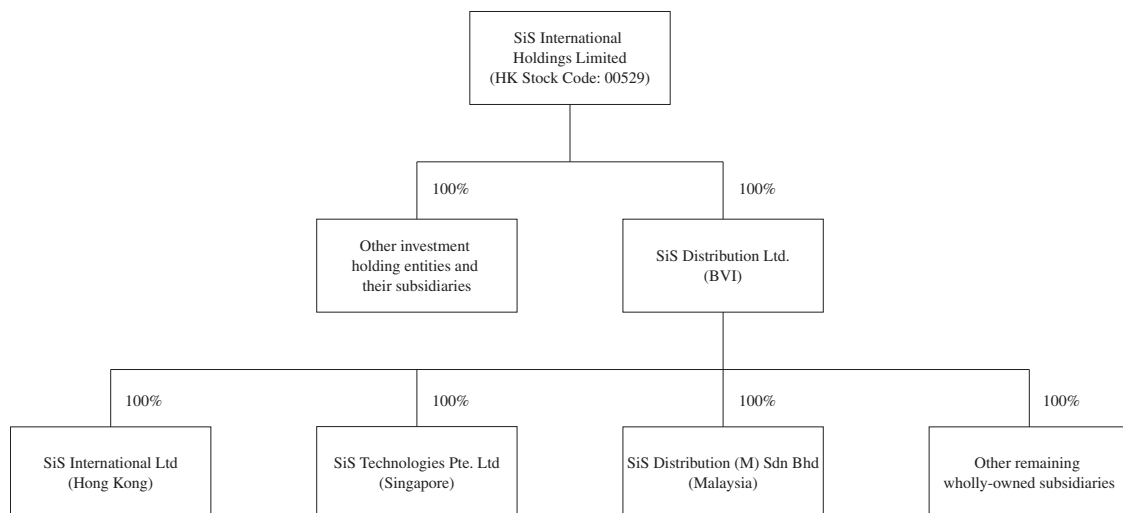
## LETTER FROM THE BOARD

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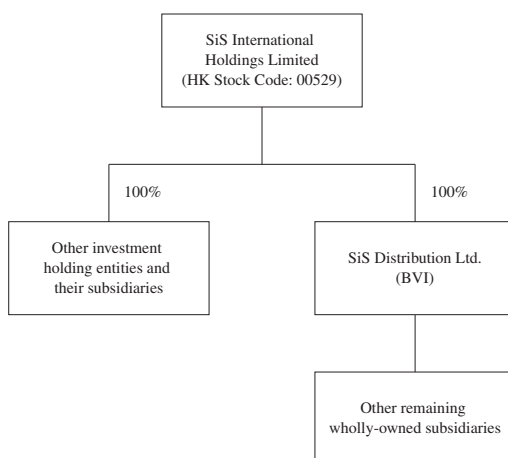
### REASONS FOR AND BENEFITS OF THE DISPOSAL

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Company. The ownership structure of the Group before and after the Disposal is set out below:

#### Before Disposal



#### After Disposal



The Directors consider that the Disposal will enable the Group to further strengthen its current cash-flow and liquidity positions and increase the general working capital and cash resources for any future potential investment opportunities that may arise from time to time. The Directors are also of the view that the Disposal would enable the Group to realise its investments in the Target Companies at a fair price.

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## LETTER FROM THE BOARD

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The Remaining Group expects to realise an estimated gain of approximately US\$70 million from the Disposal which is calculated based on the Consideration and the respective net asset values of the Target Companies recorded in their respective unaudited statement of financial position as at 30 June 2010.

The Directors, including the independent non-executive Directors, consider that the terms and conditions of the Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Based on the financial information of the Company as at 30 June 2010, the book value of total assets retained by the Remaining Group immediately upon Completion (including the Consideration) would amount to approximately HK\$1,736.3 million, of which properties and other investments will account for HK\$613.0 million. The Directors are therefore of the view that the Company would not, immediately after the Disposal, be a “cash company” as described under Rule 14.82.

### USE OF PROCEEDS

The Directors intend that the net proceeds from the Disposal will be used for settlement of bank loans, expanding mobile phone products and solutions distribution business, developing new business in providing distribution management services and for future investment in businesses and/or properties when suitable opportunities arise. The remaining proceeds will be used as general working capital of the Group.

### FINANCIAL EFFECTS OF THE DISPOSAL

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, the financial effect of the Disposal on the Group is as follows:

1. As stated in Appendix II, the Groups' net assets would increase by approximately HK\$539.4 million from approximately HK\$1,020.2 million to approximately HK\$1,559.6 million which is mainly due to the inclusion of the net gain on the Disposal of HK\$539.4 million as if the Disposal had been completed on 30 June 2010; and
2. The Group's gain for the six months period ended 30 June 2010 would increase by HK\$596.5 million from profit for the period of approximately HK\$57.8 million to approximately of HK\$609.0 million which is calculated based on (i) the exclusion of the combined results of the Target Companies for the six months ended 30 June 2010 of approximately HK\$45.3 million; and (ii) the inclusion of the estimated gain of HK\$596.5 million arising from the Disposal less estimated expenses for the Disposal as if the Disposal had been completed on 1 January 2010.

The unaudited pro forma financial information of the Remaining Group is for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, may not purport to represent the true picture of the financial position of the Group as at 30 June 2010 or at any future date had the Disposal been completed on 30 June 2010 or the financial results and cash flows of the Group for the six months ended 30 June 2010 or for any future period had the Disposal been completed on 1 January 2010.

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## LETTER FROM THE BOARD

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Other than the financial effects as set out in the unaudited pro forma financial information, the Company has agreed to provide certain management services to the Purchaser Holdco and the Enlarged Purchaser Group for a period of up to two years from the Completion Date. It is expected that such management services would contribute to the Remaining Group fixed management services fee income of HK\$5.85 million per annum and annual bonuses of between HK\$1.68 million to HK\$6.3 million (subject to the meeting of certain performance target).

The Company has also agreed to grant to the Purchaser Holdco and Enlarged Purchaser Group an exclusive license to use the trademarks and domain names. This licensing would contribute license fee income of US\$30,000 per annum to the Remaining Group for a period of not more than three years from the Completion Date.

It was also agreed by the Purchaser to pay to the Seller a sum equivalent to a pre-agreed percentage of the Adjusted PBIT for each of the two financial years ending 31 December 2011 and 2012. It is expected that the Remaining Group would receive the minimum payment of each financial year of US\$1.5 million and maximum payment of US\$4.5 million.

### **TRADING AND FINANCIAL PROSPECT OF THE REMAINING GROUP**

#### **Investments and Segments of the Remaining Group**

The Group is principally engaged in IT distribution, investment in IT business and real estate investments. After the Disposal, the Remaining Group will focus on the following three segments.

**(1) *IT Distribution, Distribution Management Services & Mobile Phone Distribution Business***

The Directors believe this is an appropriate time for the Company to divest its investment in the (2-tier) IT distribution businesses in Hong Kong, Singapore and Malaysia as these markets are becoming mature for IT products. Under the 2-tier distribution model, IT product manufacturers sell products to the Target Companies and the Target Companies will then re-sell them to resellers who in turn sell to the final end users. As the Target Companies have achieved market leadership positions, the business requires a different structure, resources and financial support to take the Company to the next stage of growth.

At this stage, the divestment brings the best return for the Company's shareholders as it takes a pivotal role in the industry in changing its business model from IT product distribution in a mature market to the provisioning of distribution management services.

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## LETTER FROM THE BOARD

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Upon Completion, the Remaining Group would have ceased to hold any interest in the Target Companies and would have disposed of the IT (2-tier) Distribution Business as carried on by the Target Companies in the Territories. After the Disposal of the IT (2-tier) distribution business, the Remaining Group will continue to seek opportunities to invest in other IT distribution businesses which are not prohibited under the non-compete restriction imposed on the Remaining Group, including but not limited to IT (2-tier) Distribution Business outside the Territories, IT retail or corporate businesses (i.e. direct selling to end users or corporates). It will also invest as minority shareholder in listed companies engaging in IT (2-tier) distribution and related businesses. The Remaining Group will focus on expanding its distribution management services and expanding on its distribution of mobile phone products and solutions in the region. Seizing on the opportunity on the growth of mobile phones, the Remaining Group commenced the distribution of several brands of mobile phones from the last quarter of this year and anticipates this business will gradually contribute to the Group in the coming years.

It is to be noted that as agreed between the Seller and the Buyer, Seller's non-compete undertaking applies only to IT (2-tier) distribution business within the Territories. The non-compete undertaking does not apply outside the Territories. In addition, minority shareholding investments in listed companies engaging in IT distribution related businesses does not fall within the scope of the Seller's non-compete undertaking.

### **(2) Investment in IT Business**

As at 30 June 2010, the Remaining Group's investment in associate, SiS Distribution (Thailand) Public Company Limited ("**SiS Thailand**"), amounted to HK\$128.7 million. Despite the turbulent political climate in Thailand in early 2010, SiS Thailand continued to perform and grew steadily. SiS Thailand's impressive performance contributed HK\$15.4 million to the Remaining Group's profit during the first half year of 2010. Since the investment in SiS Thailand is generating good return to the Remaining Group, the Remaining Group will continue holding this investment after the Disposal.

### **(3) Real Estate Investments Business**

The Remaining Group completed its acquisition of two commercial properties located at (i) 8/F., 9 Queen's Road Central in Hong Kong for HK\$203.0 million in January 2010; and (ii) 23/F., United Centre, 95 Queensway in Hong Kong for HK\$184.0 million in November 2010. The Remaining Group also completed its disposal of an investment in car parks for a consideration of HK\$70.0 million in March 2010.

Total carrying value for the Remaining Group's investment properties amounted to HK\$590.0 million at the end of November 2010.

The Remaining Group's investment arm will continue its existing investment property business and other business, and will also continue to seek new investment opportunities in businesses and properties when suitable opportunities arise. It is to be noted that in relation to the existing business of the Remaining Group, there is currently no agreement, arrangement, undertaking, intention or negotiation (concluded or otherwise) regarding any further acquisition or disposal of assets or businesses, or termination or scaling-down of any other existing businesses of the Group.

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## LETTER FROM THE BOARD

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The Company expects that the three business segments stated above will continue to provide stable revenue to the Remaining Group. In addition, judging from the constant increase in demand of mobile phone products and solutions in Asian markets and also the business trends of other companies within the same industry, the Company is of the view that as a relatively new business focus, income generated from the mobile phone products and solutions distribution will not be significant at the beginning but will grow steadily.

### **MANAGEMENT DISCUSSION REVIEW AND ANALYSIS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010**

The following information is based on the unaudited pro forma financial information of the Remaining Group for the six months period ended 30 June 2010 as set out in Appendix II of this circular.

#### **Segment information relating to the Remaining Group**

For the six-month period ended 30 June 2010, the Remaining Group's turnover amounted to HK\$13.5 million of which 68% was derived from IT distribution business and distribution management services. The remaining 32% of the turnover represented rental income from investment properties.

Investment in SiS Thailand had contributed HK\$15.4 million to the Remaining Group's profit for the six-month period ended 30 June 2010, while the real estate investment business generated a rental income of HK\$4.3 million, valuation gain on the investment properties of HK\$3.0 million and gain on disposal of HK\$ 5.0 million.

#### **Capital structure, liquidity and financial resources of the Remaining Group**

As at 30 June 2010, the Remaining Group had total assets of HK\$725.8 million which were financed by shareholders' funds of HK\$549.1 million and total liabilities of HK\$176.7 million. The Remaining Group had a current ratio of approximately 0.9 times as at 30 June 2010.

The Remaining Group's working capital requirements were mainly financed by internal resources with bank balances and cash of HK\$53.0 million as at 30 June 2010. As at 30 June 2010, the Remaining Group had total bank loans of HK\$31.5 million of which HK\$30.1 million was due over one year. These borrowings were denominated in Hong Kong Dollar and were charged at floating interest rates.

Gearing ratio (total bank loans to shareholders' funds) of the Remaining Group was 0.06 times as at 30 June 2010.

#### **Charges on group assets**

As at 30 June 2010, the Remaining Group had pledged investment properties with carrying value of HK\$211.3 million to banks to secure general banking facilities granted to subsidiaries.

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## LETTER FROM THE BOARD

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### **Human resources and remuneration policies**

The number of staff of the Remaining Group as at 30 June 2010 was 12 and the salaries and other benefits (including share base payments) paid to these employees, excluding Directors' emoluments, amounted to HK\$3.1 million for the 6-month period ended 30 June 2010. In addition to the contributory provident fund and medical insurance, the Company has adopted a share option scheme and may grant share options to eligible employees of the Group from time to time.

### **Currency risk management**

The Remaining Group's exposure of foreign exchange risk was not material and accordingly, it did not have any requirements to use financial instruments for hedging purposes.

### **Contingent Liabilities**

The Remaining Group did not have any outstanding contingent liabilities as at 30 June 2010.

### **Material acquisition/disposal of associate or subsidiary**

In April 2010, the Remaining Group completed the disposal of its investment in an associate ECS Pericomp Sdn Bhd in Malaysia for a consideration of Malaysia dollars 6.9 million (approximately HK\$17.0 million), and reported a gain on disposal of about HK\$3.0 million;

### **Significant investments**

In January 2010, the Remaining Group completed the purchase of an investment property located at the eighth floor of No. 9 Queen's Road Central, Hong Kong at a consideration of HK\$203.0 million; and

On 24 June 2010, the Remaining Group entered into the memorandum S&P agreement for purchase of another investment property located at the twenty third floor of United Centre at No. 95 Queensway, Hong Kong for a consideration of HK\$184.0 million. The purchase was completed in November 2010.

### **Future plan for material investment or capital assets**

Save as disclosed above, the Remaining Group did not have any other plan for material investment or capital assets during the six-month period ended 30 June 2010.

## **MANAGEMENT DISCUSSION REVIEW AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2009**

### **Segment information relating to the Remaining Group**

For the year ended 31 December 2009, the Remaining Group's turnover amounted to HK\$17.3 million of which 41% was derived from IT distribution business and distribution management services. The remaining 59% of the turnover represented rental income from investment properties.

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## LETTER FROM THE BOARD

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Investment in SiS Thailand had contributed HK\$26.7 million to the Remaining Group's profit for the year ended 31 December 2009, while the real estate investment business generated rental income of HK\$10.2 million and a valuation gain from the investment properties of HK\$58.6 million.

### **Capital structure, liquidity and financial resources of the Remaining Group**

As at 31 December 2009, the Remaining Group had total assets of HK\$634.2 million which were financed by shareholders' funds of HK\$544.5 million, and total liabilities of HK\$89.7 million. The Remaining Group had a current ratio of approximately 3.4 times as at 31 December 2009.

The Remaining Group had bank balances and cash of HK\$104.9 million as at 31 December 2009 and no outstanding bank borrowings. Its working capital requirements were mainly financed by internal resources.

### **Charges on group assets**

As at 31 December 2009, the Remaining Group had pledged investment properties with carrying value of HK\$65.0 million to banks to secure general banking facilities granted to subsidiaries.

### **Human resources and remuneration policies**

The number of staff of the Remaining Group as at 31 December 2009 was 12 and the salaries and other benefits (including share base payments) paid to those employees, excluding Directors' emoluments, amounted to HK\$6.4 million for the year ended 31 December 2009. In addition to the contributory provident fund and medical insurance, the Company has adopted a share option scheme and may grant share options to eligible employees of the Group from time to time.

### **Currency risk management**

The Remaining Group's exposure of foreign exchange risk was not material and accordingly, it did not have any requirements to use financial instruments for hedging purposes.

### **Contingent Liabilities**

The Remaining Group did not have any outstanding contingent liabilities as at 31 December 2009.

### **Material acquisition/disposal of associate or subsidiary**

On 18 June 2009, the Remaining Group announced the proposed disposal of one of its associate, ECS Pericomp Sdn Bhd, at a consideration of Malaysia dollars 6.9 million. The transaction was completed in the first half year of 2010.



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## LETTER FROM THE BOARD

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### **Significant investments**

On 16 October 2009, the Remaining Group entered into the provisional sale and purchase agreement for purchase of an investment property located at the eighth floor of No. 9 Queen's Road Central, Hong Kong at a consideration of HK\$203.0 million;

On 29 December 2009, the Remaining Group entered into the provisional sale and purchase agreement for disposal of certain carpark spaces located on the 7th floor of United Centre, No. 95 Queensway, Hong Kong for a consideration of HK\$70.0 million.

### **Future plan for material investment or capital assets**

Save as the disclosed above, the Remaining Group did not have any other plan for material investment or capital assets during the year 2009.

## **MANAGEMENT DISCUSSION REVIEW AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2008**

### **Segment information relating to the Remaining Group**

For the year ended 31 December 2008, the Remaining Group's turnover amounted to HK\$19.5 million of which 46% was derived from IT distribution business and distribution management services. The remaining 54% turnover represented rental income from investment properties.

Investment in SiS Thailand had contributed HK\$28.5 million to the Remaining Group's profit for the year ended 31 December 2008, while the real estate investment business generated rental income of HK\$10.5 million and a valuation loss from the investment properties of HK\$24.5 million.

### **Capital structure, liquidity and financial resources of the Remaining Group**

As at 31 December 2008, the Remaining Group had total assets of HK\$485.6 million which were financed by shareholders' funds of HK\$414.1 million, and total liabilities of HK\$71.5 million. The Remaining Group had a current ratio of approximately 2.4 times.

The Remaining Group's working capital requirements were mainly financed by internal resources. As at 31 December 2008, the Remaining Group, had bank balances and cash of HK\$88.1 million and no outstanding bank borrowing.

### **Charges on group assets**

As at 31 December 2008, the Remaining Group had pledged investment properties with carrying value of HK\$40.0 million to banks to secure general banking facilities granted to subsidiaries.

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## LETTER FROM THE BOARD

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### **Human resources and remuneration policies**

The number of staff of the Remaining Group as at 31 December 2008 was 9 and the salaries and other benefits (including the share base payments) paid to these employees, excluding Directors' emoluments, amounted to HK\$5.2 million for the year ended 31 December 2008. In addition to the contributory provident fund and medical insurance, the Company has adopted a share option scheme and may grant share options to eligible employees of the Group from time to time.

### **Currency risk management**

The Remaining Group's exposure of foreign exchange risk was not material and accordingly, it did not have any requirements to use financial instruments for hedging purposes.

### **Contingent Liabilities**

The Remaining Group did not have any outstanding contingent liabilities as at 31 December 2008.

### **Material acquisition/disposal of associate or subsidiary**

The Remaining Group had no material acquisition/disposal of associate or subsidiary during the year ended 31 December 2008.

### **Significant investments**

The Remaining Group had no significant investments during the year ended 31 December 2008.

### **Future plan for material investment or capital assets**

There was no future plan for material investment or capital assets made by the Remaining Group for the year ended 31 December 2008.

## **MANAGEMENT DISCUSSION REVIEW AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2007**

### **Segment information relating to the Remaining Group**

For the year ended 31 December 2007, the Remaining Group's turnover amounted to HK\$25.8 million of which 61% was derived from IT distribution business and distribution management services. Around 33% of the turnover represented rental income from investment properties and the remaining 6% of the turnover was contributed by employment agencies services of which the Remaining Group had disposed near the end of 2007.

Investment in SiS Thailand had contributed HK\$18.2 million to the Remaining Group's profit for the year ended 31 December 2007, while the real estate investment business generated rental income of HK\$8.5 million and a valuation gain from the investment properties of HK\$37.7 million.

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## LETTER FROM THE BOARD

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### **Capital structure, liquidity and financial resources of the Remaining Group**

As at 31 December 2007, the Remaining Group had total assets of HK\$508.1 million which were financed by shareholders' funds of HK\$429.0 million, and total liabilities of HK\$79.1 million. The Remaining Group had a current ratio of approximately 2.4 times.

The Remaining Group's working capital requirements were mainly financed by internal resources. As at 31 December 2007, it had bank balances and cash of HK\$59.5 million and no outstanding bank borrowings.

### **Charges on group assets**

As at 31 December 2007, the Remaining had pledged investment properties with carrying value of HK\$44.8 million to banks to secure general banking facilities granted to subsidiaries.

### **Human resources and remuneration policies**

The number of staff of the Remaining Group as at 31 December 2007 was 9 and the salaries and other benefits (including share base payments) paid to these employees, excluding Directors' emoluments, amounted to HK\$5.0 million for the year ended 31 December 2007. In addition to the contributory provident fund and medical insurance, the Company has adopted a share option scheme.

During the year ended 31 December 2007, the Company granted certain share options to eligible persons including the Directors and staffs with exercise price of HK\$1.72 per share.

### **Currency risk management**

The Remaining Group's exposure of foreign exchange risk was not material and accordingly, it did not have any requirements to use financial instruments for hedging purposes.

### **Contingent Liabilities**

The Remaining Group did not have any outstanding contingent liabilities as at 31 December 2007.

### **Material acquisition/disposal of associate or subsidiary**

On 29 December 2007, the Remaining Group disposed a subsidiary, which was engaged in providing employment agencies services, for a consideration of HK\$0.7 million. No material gain or loss was arisen from such disposal.

### **Significant investments**

During the year 2007, the Remaining Group purchased six investment properties of total cost of HK\$34.7 million. Four of these properties are industrial/office properties located in Hong Kong and the remaining two are residential properties located in Singapore. The properties are held to earn rentals or for capital appreciation purpose.

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## LETTER FROM THE BOARD

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### **Future plan for material investment or capital assets**

There was no future plan for material investment or capital assets made by the Remaining Group during the year ended 31 December 2007.

### **LISTING RULES IMPLICATIONS**

As two of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Agreement exceed 75%, the Disposal constitute a very substantial disposal for the Company under the Listing Rules and is subject to Shareholders' approval at a special general meeting of the Company. The SGM will be convened by the Company at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought appropriate, to approve the Disposal, the Agreement and the transactions contemplated thereunder and the other agreements that are relating to the Disposal.

The Company has obtained undertaking from Gold Sceptre Limited, as at the Latest Practicable Date, which directly and indirectly held in aggregate 51.7% of the voting rights in the Company, to vote in favour of the Proposed Resolution. So far as the Company is aware, none of the Shareholders has a material interest in the Agreement and therefore no Shareholder is required to abstain from voting at the SGM.

### **THE SGM**

The SGM will be held at Kellett Room III, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong on 29 December 2010 at 3:00 p.m. to consider and, if thought fit, approve the Proposed Resolutions. A notice convening the SGM is set out on page SGM-1 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment meeting thereof if you so wish.

The Proposed Resolutions to approve the Disposal, all transactions contemplated thereunder and other related agreements at the SGM will be taken by poll and an announcement will be made by the Company after the SGM on the results of the SGM.

There is no discrepancy between the beneficial shareholding interest of any Shareholders in the Company as disclosed in this circular and the numbers of Shares in respect of which they will control or will be entitled to exercise control over the voting rights at the SGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement and other agreements that are relating to the Disposal are fair and reasonable so far as the Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to be put forward to the Shareholders at the SGM to consider and, if thought fit, approve the Disposal, all transactions contemplated under the Agreement, and the other agreements that are relating to the Disposal.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of  
**SiS International Holdings Limited**  
**Lim Kia Hong**  
*Chairman*

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**APPENDIX I                      FINANCIAL INFORMATION OF THE GROUP AND COMBINED  
FINANCIAL INFORMATION OF THE TARGET COMPANIES**

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**1.      FINANCIAL INFORMATION OF THE GROUP**

Audited consolidated financial statements and the independent auditors' report of the Group (i) for the year ended 31 December 2007 are disclosed in the 2007 annual report of the Company published on 21 April 2008; (ii) for the year ended 31 December 2008 are disclosed in the 2008 annual report of the Company published on 29 April 2009; (iii) for the year ended 31 December 2009 are disclosed in 2009 annual report of the Company published on 30 April 2010. The unaudited interim consolidated financial statements of the Group (a) for the six months ended 30 June 2009 are disclosed in 2009 interim report of the Company published on 25 September 2009; and (b) for the six months ended 30 June 2010 are disclosed in 2010 interim report of the Company published on 22 September 2010. All these financial statements have been published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.sisinternational.com.hk](http://www.sisinternational.com.hk).

<b>File Name</b>	<b>Document Date</b>	<b>Hyperlink to the web-site of the Company and the Stock Exchange</b>
Annual Report 2007	21 April 2008	<a href="http://www.sisinternational.com.hk/e_07AnnualReport-21042008.pdf">http://www.sisinternational.com.hk/e_07AnnualReport-21042008.pdf</a> <a href="http://www.hkexnews.hk/listedco/listconews/sehk/20080418/LTN20080418442.pdf">http://www.hkexnews.hk/listedco/listconews/sehk/20080418/LTN20080418442.pdf</a>
Annual Report 2008	29 April 2009	<a href="http://www.sisinternational.com.hk/2009/e_08AnnualReport-29apr.pdf">http://www.sisinternational.com.hk/2009/e_08AnnualReport-29apr.pdf</a> <a href="http://www.hkexnews.hk/listedco/listconews/sehk/20090428/LTN20090428442.pdf">http://www.hkexnews.hk/listedco/listconews/sehk/20090428/LTN20090428442.pdf</a>
Annual Report 2009	30 April 2010	<a href="http://www.sisinternational.com.hk/2010/e_09AnnualReport-20100430.pdf">http://www.sisinternational.com.hk/2010/e_09AnnualReport-20100430.pdf</a> <a href="http://www.hkexnews.hk/listedco/listconews/sehk/20100429/LTN20100429763.pdf">http://www.hkexnews.hk/listedco/listconews/sehk/20100429/LTN20100429763.pdf</a>
Interim Report 2009	25 September 2009	<a href="http://www.sisinternational.com.hk/2009/e_09InterimReport_090911.pdf">http://www.sisinternational.com.hk/2009/e_09InterimReport_090911.pdf</a> <a href="http://www.hkexnews.hk/listedco/listconews/sehk/20090925/LTN20090925301.pdf">http://www.hkexnews.hk/listedco/listconews/sehk/20090925/LTN20090925301.pdf</a>
Interim Report 2010	22 September 2010	<a href="http://www.sisinternational.com.hk/2010/e_10InterimReport_20100922.pdf">http://www.sisinternational.com.hk/2010/e_10InterimReport_20100922.pdf</a> <a href="http://www.hkexnews.hk/listedco/listconews/sehk/20100921/LTN20100921185.pdf">http://www.hkexnews.hk/listedco/listconews/sehk/20100921/LTN20100921185.pdf</a>

**2. COMBINED FINANCIAL INFORMATION OF THE TARGET COMPANIES**

The financial information of the Target Companies has been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the combined financial information is not prepared, in all material respects, in accordance with the accounting policies adopted by the Company in its annual consolidated financial statements and condensed consolidated financial statements for the respective Relevant Periods and on the basis of preparation set out in note 2 to the combined financial information.

**COMBINED INCOME STATEMENTS OF THE TARGET COMPANIES**

*For the years ended 31 December 2007, 2008 and 2009  
and six months ended 30 June 2009 and 2010*

	Year ended 31 December			Six months ended 30 June	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000	2010 HK\$'000
Revenue	4,234,658	4,543,831	3,866,470	1,737,511	2,383,412
Cost of sales	<u>(3,989,820)</u>	<u>(4,358,498)</u>	<u>(3,713,965)</u>	<u>(1,670,979)</u>	<u>(2,283,323)</u>
Gross profit	244,838	185,333	152,505	66,532	100,089
Other income	29,317	26,007	35,043	16,751	17,531
Distribution costs	(77,085)	(76,449)	(76,574)	(33,125)	(35,278)
Administrative expenses	(41,799)	(49,502)	(45,123)	(22,490)	(25,388)
Increase (decrease) in fair value of investments held-for-trading	110	(3,532)	1,342	(278)	(1,476)
Increase in fair value of investment properties	850	121	–	–	100
Finance costs	<u>(2,438)</u>	<u>(4,787)</u>	<u>(2,472)</u>	<u>(1,598)</u>	<u>(1,149)</u>
Profit before taxation	153,793	77,191	64,721	25,792	54,429
Income tax expense	<u>(24,667)</u>	<u>(12,180)</u>	<u>(9,258)</u>	<u>(4,489)</u>	<u>(9,115)</u>
Profit for the year/period	<u>129,126</u>	<u>65,011</u>	<u>55,463</u>	<u>21,303</u>	<u>45,314</u>

**COMBINED STATEMENT OF COMPREHENSIVE INCOME OF THE TARGET  
COMPANIES**

*For the years ended 31 December 2007, 2008 and 2009  
and six months ended 30 June 2009 and 2010*

	Year ended 31 December			Six months ended 30 June	
	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year/period	<u>129,126</u>	<u>65,011</u>	<u>55,463</u>	<u>21,303</u>	<u>45,314</u>
Other comprehensive income/ expenses:					
Exchange realignment arising on translation of foreign operations	<u>7,705</u>	<u>(1,432)</u>	<u>3,980</u>	<u>(888)</u>	<u>1,089</u>
Total comprehensive income for the year/period attributable to owners of the Company	<u><u>136,831</u></u>	<u><u>63,579</u></u>	<u><u>59,443</u></u>	<u><u>20,415</u></u>	<u><u>46,403</u></u>



**APPENDIX I FINANCIAL INFORMATION OF THE GROUP AND COMBINED  
FINANCIAL INFORMATION OF THE TARGET COMPANIES**

**COMBINED STATEMENTS OF FINANCIAL POSITION OF THE TARGET  
COMPANIES**

*As at 31 December 2007, 2008 and 2009 and 30 June 2010*

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Non-current assets				
Investment properties	2,900	3,021	3,021	3,121
Property, plant and equipment	7,380	4,908	3,577	3,575
Staff advances	54	–	–	–
Available-for-sale investments	25	25	25	25
Deferred tax assets	224	351	459	459
	<u>10,583</u>	<u>8,305</u>	<u>7,082</u>	<u>7,180</u>
Current assets				
Inventories	313,857	297,555	235,412	328,308
Trade and other receivables, deposits and prepayments	581,333	576,841	578,403	657,090
Staff advances	624	491	4	–
Amounts due from fellow subsidiaries	49,175	45,685	47,075	50,956
Amount due from ultimate holding company	–	–	–	40,166
Amount due from a subsidiary	3	–	–	–
Derivative financial instruments	–	–	697	764
Tax recoverable	–	1,864	–	–
Investments held-for-trading	9,145	5,614	7,200	5,724
Pledged bank deposits	20,698	20,369	21,086	22,613
Bank balances and cash	97,679	42,970	112,493	56,336
	<u>1,072,514</u>	<u>991,389</u>	<u>1,002,370</u>	<u>1,161,957</u>
Current liabilities				
Trade payables, other payables and accruals	441,589	389,399	485,790	502,539
Bills payable	57,130	74,758	19,171	87,618
Amount due to ultimate holding company	42,443	24,434	22,976	21,429
Amounts due to fellow subsidiaries	10,022	8,764	7,587	8,036
Derivative financial instruments	1,361	1,938	–	–
Tax payable	21,054	6,829	11,114	18,142
Bank loans	100,143	71,639	32,365	54,501
	<u>673,742</u>	<u>577,761</u>	<u>579,003</u>	<u>692,265</u>

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**APPENDIX I                      FINANCIAL INFORMATION OF THE GROUP AND COMBINED  
FINANCIAL INFORMATION OF THE TARGET COMPANIES**

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**COMBINED STATEMENTS OF FINANCIAL POSITION OF THE TARGET  
COMPANIES (Continued)**

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Net current assets	<u>398,772</u>	<u>413,628</u>	<u>423,367</u>	<u>469,692</u>
Total assets less current liabilities	<u>409,355</u>	<u>421,933</u>	<u>430,449</u>	<u>476,872</u>
Non-current liabilities				
Deferred tax liabilities	<u>7,699</u>	<u>6,698</u>	<u>5,771</u>	<u>5,791</u>
Net assets	<u><u>401,656</u></u>	<u><u>415,235</u></u>	<u><u>424,678</u></u>	<u><u>471,081</u></u>
Capital and reserves				
Share capital	20,748	20,748	20,748	20,748
Reserves	8,115	6,683	10,663	11,752
Retained profits	<u>372,793</u>	<u>387,804</u>	<u>393,267</u>	<u>438,581</u>
Total equity	<u><u>401,656</u></u>	<u><u>415,235</u></u>	<u><u>424,678</u></u>	<u><u>471,081</u></u>

**APPENDIX I FINANCIAL INFORMATION OF THE GROUP AND COMBINED  
FINANCIAL INFORMATION OF THE TARGET COMPANIES**

**COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE TARGET  
COMPANIES**

*For the years ended 31 December 2007, 2008 and 2009  
and six months ended 30 June 2009 and 2010*

	Share capital <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007	20,748	410	243,667	264,825
Profit for the year	–	–	129,126	129,126
Other comprehensive income for the year	–	7,705	–	7,705
Total comprehensive income for the year	–	7,705	129,126	136,831
At 31 December 2007	20,748	8,115	372,793	401,656
Profit for the year	–	–	65,011	65,011
Other comprehensive expense for the year	–	(1,432)	–	(1,432)
Total comprehensive income for the year	–	(1,432)	65,011	63,579
Dividend paid	–	–	(50,000)	(50,000)
At 31 December 2008	20,748	6,683	387,804	415,235
Profit for the year	–	–	55,463	55,463
Other comprehensive income for the year	–	3,980	–	3,980
Total comprehensive income for the year	–	3,980	55,463	59,443
Dividend paid	–	–	(50,000)	(50,000)
At 31 December 2009	20,748	10,663	393,267	424,678
Profit for the period	–	–	45,314	45,314
Other comprehensive income for the period	–	1,089	–	1,089
Total comprehensive income for the period	–	1,089	45,314	46,403
At 30 June 2010	<u>20,748</u>	<u>11,752</u>	<u>438,581</u>	<u>471,081</u>
At 1 January 2009	20,748	6,683	387,804	415,235
Profit for the period	–	–	21,303	21,303
Other comprehensive expense for the period	–	(888)	–	(888)
Total comprehensive income for the period	–	(888)	21,303	20,415
At 30 June 2009	<u>20,748</u>	<u>5,795</u>	<u>409,107</u>	<u>435,650</u>

**APPENDIX I FINANCIAL INFORMATION OF THE GROUP AND COMBINED  
FINANCIAL INFORMATION OF THE TARGET COMPANIES**

**COMBINED STATEMENTS OF CASH FLOWS OF THE TARGET COMPANIES**

*For the years ended 31 December 2007, 2008 and 2009  
and six months ended 30 June 2009 and 2010*

	Year ended 31 December			Six months ended 30 June	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000	2010 HK\$'000
<b>Operating activities</b>					
Profit before taxation	153,793	77,191	64,721	25,792	54,429
Adjustments for:					
Finance costs	2,438	4,787	2,472	1,598	1,149
Allowance for (reversal of) doubtful debts provided, net	5,366	145	(335)	2,084	(3,909)
(Reversal of) allowance for write- down of inventories, net	(8,797)	3,103	7,978	(1,450)	(566)
Dividend received from equity investments	(839)	(828)	(720)	(411)	(293)
Interest income	(3,204)	(1,778)	(539)	(300)	(219)
Share based payments	501	686	250	152	33
Increase in fair value of investment properties	(850)	(121)	–	–	(100)
(Gain) loss on fair value changes on derivative financial instruments	(149)	577	(2,635)	(1,273)	(67)
Depreciation of property, plant and equipment	3,545	4,274	2,645	1,396	857
(Gain) loss on disposal of property, plant and equipment	(2)	4	(1)	1	–
Operating cash flows before movements in working capital	151,802	88,040	73,836	27,589	51,314
(Increase) decrease in inventories	(45,254)	12,049	65,686	53,596	(90,128)
(Increase) decrease in trade and other receivables, deposits and prepayments	(59,729)	287	(3,795)	70,810	(71,834)
(Increase) decrease in investments held-for-trading	(110)	3,532	(1,586)	278	1,476
Increase (decrease) in trade payables, other payables and accruals	1,435	(48,934)	91,674	52,835	13,381
(Increase) decrease in amounts due from fellow subsidiaries	3,804	3,074	(32)	(514)	(3,525)
Increase (decrease) in amounts due to fellow subsidiaries	(2,104)	(1,178)	(1,414)	(855)	234
Decrease in amount due from a subsidiary	20	3	–	–	–
Increase (decrease) in bills payable	(31,079)	18,583	(55,723)	(43,329)	68,378
Cash generated from operations	18,785	75,456	168,646	160,410	(30,704)
Hong Kong Profits Tax paid, net	(10,903)	(21,259)	(4,099)	–	(1,992)
Overseas Tax paid	(2,440)	(8,165)	(405)	(128)	(161)
Interest paid	(2,438)	(4,787)	(2,472)	(1,598)	(1,149)
<b>Net cash from (used in) operating activities</b>	<b>3,004</b>	<b>41,245</b>	<b>161,670</b>	<b>158,684</b>	<b>(34,006)</b>

**APPENDIX I FINANCIAL INFORMATION OF THE GROUP AND COMBINED  
FINANCIAL INFORMATION OF THE TARGET COMPANIES**

**COMBINED STATEMENTS OF CASH FLOWS OF THE TARGET COMPANIES  
(Continued)**

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Investing activities</b>					
Dividend received from equity investments	839	828	720	411	293
Interest received	3,204	1,778	539	300	219
Increase in pledged bank deposits	(500)	(723)	(535)	(294)	(221)
Purchase of property, plant and equipment	(5,354)	(1,916)	(1,277)	(857)	(730)
Proceeds from disposal of property, plant and equipment	4	4	12	8	–
Repayments of staff advances	2,548	185	484	472	4
Advance to ultimate holding company	–	–	–	–	(40,199)
<b>Net cash from (used in) investing activities</b>	<u>741</u>	<u>156</u>	<u>(57)</u>	<u>40</u>	<u>(40,634)</u>
<b>Financing activities</b>					
Addition of bank loans	397,440	424,543	188,551	95,732	101,985
Repayment of bank loans	(338,121)	(450,970)	(228,739)	(138,929)	(81,854)
Dividend paid	(50,000)	(50,000)	(50,000)	–	–
Net advance from (repayment to) ultimate holding company	<u>3,344</u>	<u>(17,769)</u>	<u>(2,071)</u>	<u>(2,112)</u>	<u>(2,546)</u>
<b>Net cash from (used in) financing activities</b>	<u>12,663</u>	<u>(94,196)</u>	<u>(92,259)</u>	<u>(45,309)</u>	<u>17,585</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>16,408</u>	<u>(52,795)</u>	<u>69,354</u>	<u>113,415</u>	<u>(57,055)</u>
<b>Cash and cash equivalents at beginning of year/period</b>	<u>78,458</u>	<u>97,679</u>	<u>42,970</u>	<u>42,970</u>	<u>112,493</u>
Effect of foreign exchange rate changes	<u>2,813</u>	<u>(1,914)</u>	<u>169</u>	<u>807</u>	<u>898</u>
<b>Cash and cash equivalents at end of year/period</b>	<u><u>97,679</u></u>	<u><u>42,970</u></u>	<u><u>112,493</u></u>	<u><u>157,192</u></u>	<u><u>56,336</u></u>

**NOTES TO THE COMBINED FINANCIAL INFORMATION OF THE TARGET COMPANIES**

*For the years ended 31 December 2007, 2008 and 2009  
and six months ended 30 June 2009 and 2010*

**1. General**

On 26 November 2010, SiS Distribution Limited, a wholly owned subsidiary of SiS International Holdings Limited (the “Company”) entered into a conditional sale and purchase agreement for the disposal (the “Disposal”) of the entire issued share capital of SiS International Limited, SiS Technologies Pte Ltd and SiS Distribution (M) Sdn Bhd (collectively referred to as the “Target Companies”) to Jardine OneSolution (BVI) Ltd.

**2. Basis of preparation of the combined financial information**

The unaudited combined financial information of the Target Companies has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by the Company in connection with the Disposal.

The amounts included in the unaudited combined financial information for the three years ended 31 December 2009 and the six months ended 30 June 2010 (the “Relevant Periods”) have been prepared using the same accounting policies adopted by the Company in the preparation of its consolidated financial statements and condensed consolidated financial statements for the respective years and periods in the Relevant Periods, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited combined financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements”.

The unaudited combined income statements, combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity for the Relevant Periods include the results and cash flows of the Target Companies for each of the three years ended 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010.

The unaudited combined statements of financial position as at 31 December 2007, 2008 and 2009 and 30 June 2010 include the assets and liabilities of the Target Companies as at these dates.

**3. WORKING CAPITAL**

After taking into account the expected Completion of the proposed disposal and the present internal financial resources available as well as the available banking facilities, and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

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**APPENDIX I                      FINANCIAL INFORMATION OF THE GROUP AND COMBINED  
FINANCIAL INFORMATION OF THE TARGET COMPANIES**

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**4.      INDEBTEDNESS**

At the close of business on 31 October 2010, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following outstanding bank borrowings:

	<b>Repayable within one year <i>HK\$000</i></b>	<b>Repayable over one year <i>HK\$000</i></b>	<b>Total <i>HK\$000</i></b>
Secured	34,367	50,330	84,697
Unsecured	20,825	–	20,825
	<u>55,192</u>	<u>50,330</u>	<u>105,522</u>

The secured bank borrowings were secured by the Group's certain investment properties and bank deposits with carrying value of HK\$211,321,000 and HK\$22,798,000 respectively.

Save as aforesaid and apart from intra-group liabilities, the Group did not, at the close of business on 31 October 2010, have any outstanding mortgages, charges, debentures or other loan capital, debt securities or other similar indebtedness, including bank overdrafts and liabilities under acceptances or acceptances credits, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

**5.      MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 December 2009, the date to which the latest published audited financial statement of the Group were made up.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

The pro forma financial information presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal had been completed on 30 June 2010; and (b) the results and cash flows of the Remaining Group as if the Disposal had been completed on 1 January 2010. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Group as at 30 June 2010 or at any future date had the Disposal been completed on 30 June 2010 or the results and cash flows of the Group for the six months ended 30 June 2010 or for any future period had the Disposal been completed on 1 January 2010.

The pro forma financial information is prepared based on the unaudited condensed consolidated statement of financial position of the Group at 30 June 2010, the unaudited condensed consolidated income statement and unaudited condensed consolidated cash flows of the Group for the six months ended 30 June 2010 extracted from the interim report of the Company and the combined financial information of the Target Companies set out in Appendix I and was prepared in accordance with Rules 4.29(1) and 14.68(2)(a)(ii) of the Listing Rules.

**I.            Unaudited Pro Forma Consolidated Statement of Financial Position**

	<b>The Group</b>	<b>Pro forma adjustments</b>		<b>The</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>Remaining</b>
		<i>(Note 1)</i>	<i>(Note 2)</i>	<b>Group</b>
				<i>HK\$'000</i>
<b>Non-current assets</b>				
Investment properties	405,698	(3,121)		402,577
Property, plant & equipment	27,232	(3,575)		23,657
Interests in associates	128,657	–		128,657
Available for sale investments	45,653	(25)		45,628
Deposits for acquisition of investment properties	8,000	–		8,000
Deferred tax assets	459	(459)		–
	<u>615,699</u>	<u>(7,180)</u>		<u>608,519</u>
<b>Current assets</b>				
Inventories	328,800	(328,308)		492
Trade and other receivables, deposits and prepayments	663,286	(657,090)	468,000	474,196
Amounts due from Target Companies	–	29,465		29,465
Derivative financial instruments	764	(764)		–
Investments held-for-trading	33,832	(5,724)		28,108
Pledged bank deposits	22,613	(22,613)		–
Bank balances and cash	109,373	(56,336)	542,500	595,537
	<u>1,158,668</u>	<u>(1,041,370)</u>		<u>1,127,798</u>



**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

	<b>The Group</b> <i>HK\$'000</i>	<b>Pro forma adjustments</b> <i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<b>The Remaining Group</b> <i>HK\$'000</i>
<b>Current liabilities</b>				
Trade payables, other payables and accruals	515,553	(502,539)		13,014
Bills payable	87,618	(87,618)		–
Amounts due to Target Companies	–	91,122		91,122
Dividend payable	21,681	–		21,681
Tax payable	18,168	(18,142)		26
Bank loans	55,950	(54,501)		1,449
	<u>698,970</u>	<u>(571,678)</u>		<u>127,292</u>
<b>Net current assets</b>	<u>459,698</u>	<u>(469,692)</u>		<u>1,000,506</u>
<b>Total assets less current liabilities</b>	<u>1,075,397</u>	<u>(476,872)</u>		<u>1,609,025</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	25,183	(5,791)		19,392
Bank loans – due over one year	30,064	–		30,064
	<u>55,247</u>	<u>(5,791)</u>		<u>49,456</u>
<b>Net assets</b>	<u><u>1,020,150</u></u>	<u><u>(471,081)</u></u>		<u><u>1,559,569</u></u>
<b>Capital and reserves</b>				
Share capital	27,102	–		27,102
Share premium	58,238	–		58,238
Reserves	53,710	–	(11,752)	41,958
Retained profits	881,100	–	551,171	1,432,271
	<u><u>1,020,150</u></u>	<u><u>–</u></u>		<u><u>1,559,569</u></u>

*Notes:*

- Adjustments to reflect the exclusion of the assets and liabilities of the Target Companies as at 30 June 2010, assuming that the Disposal had taken place on 30 June 2010.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

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2. Adjustments to reflect the estimated gain arising from the Disposal based on the estimated total consideration of US\$130 million (equivalent to HK\$1,014 million), comprising immediate cash payment of US\$70 million and an additional sum based on the adjusted net asset values of the Target Companies of approximately US\$60 million less estimated expenses (mainly legal and professional fee of approximately HK\$3.5 million) for the Disposal as presented below. The adjusted net asset values represent the total of the net asset value of each of the Target Companies as reflected in their management accounts on the date of completion.

	<i>HK\$'000</i>
Total consideration	1,014,000
Net assets of the Target Companies as at 30 June 2010	(471,081)
Legal and professional fee	(3,500)
Reclassification adjustment of the cumulative exchange gain on translation of the Target Companies from their respective functional currencies to HK\$ to income statement on disposal of these Companies	11,752
Gain from Disposal	551,171

For the purposes of the presentation of the pro forma financial information, the total consideration is translated at the rate of US\$1 to HK\$7.8.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

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**II. Unaudited Pro Forma Consolidated Income Statement**

	<b>The Group</b>	<b>Pro forma adjustments</b>		<b>The Remaining Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 1)</i>	<i>(Note 2)</i>	
Revenue	2,396,895	(2,383,412)		13,483
Cost of sales	<u>(2,291,874)</u>	<u>2,283,323</u>		<u>(8,551)</u>
Gross profit	105,021	(100,089)		4,932
Other income	19,528	(17,531)		1,997
Other gains and losses	2,061	1,376		3,437
Distribution costs	(35,990)	35,278		(712)
Administrative expenses	(36,665)	25,388		(11,277)
Share of results of associates	15,369	–		15,369
Finance costs	<u>(1,264)</u>	<u>1,149</u>		<u>(115)</u>
Profit before taxation	68,060	(54,429)		13,631
Income tax expense	<u>(10,265)</u>	<u>9,115</u>		<u>(1,150)</u>
	57,795	(45,314)		12,481
Gain on Disposal of subsidiaries constituting discontinued operation	<u>–</u>	<u>–</u>	596,485	<u>596,485</u>
Profit for the period	<u><u>57,795</u></u>	<u><u>(45,314)</u></u>		<u><u>608,966</u></u>

*Notes:*

- Adjustments to reflect the exclusion of the results of the Target Companies for the six months ended 30 June 2010, assuming that the Disposal had taken place on 1 January 2010.
- Adjustments to reflect the estimated gain arising from the Disposal based on the estimated total consideration of US\$130 million (equivalent to HK\$1,014 million), comprising immediate cash payment of US\$70 million and an additional sum equivalent to the total net asset values of the Target Companies, less estimated expenses (mainly legal and professional fee of approximately HK\$3.5 million) for the Disposal as presented below. The adjusted net asset values represent the total of the net asset value of each of the Target Companies as reflected in their management accounts on the date of completion.

	<i>HK\$'000</i>
Total consideration	1,014,000
Net assets of the Target Companies as at 1 January 2010	(424,678)
Legal and other professional fee	(3,500)
Reclassification adjustment of the cumulative exchange gain on translation of the Target Companies from their respective functional currencies to HK\$ to income statement on disposal of these Companies	<u>10,663</u>
Gain from Disposal	<u><u>596,485</u></u>

For the purpose of presentation of the pro forma financial information, the total consideration is translated at the rate of US\$1 to HK\$7.8 on 1 January 2010.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

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**III. Unaudited Pro Forma Consolidated Statement of Cash Flows**

	<b>The Group</b> <i>HK\$'000</i>	<b>Pro forma adjustments</b> <i>HK\$'000</i> <i>(Note 1)</i> <i>(Note 2)</i>		<b>The Remaining Group</b> <i>HK\$'000</i>
<b>Net cash used in operating activities</b>	<u>(47,661)</u>	<u>34,006</u>		<u>(13,655)</u>
<b>Investing activities</b>				
Dividend received from associates	9,496			9,496
Dividend received from equity investments	1,919	(293)		1,626
Additions to available-for-sale investments	(3,388)			(3,388)
Additions to investment properties	(190,998)			(190,998)
Proceeds from disposal of an associate	13,165			13,165
Proceeds from disposal of investment properties	66,500			66,500
Deposits for acquisition of investment properties	(8,000)			(8,000)
Disposal of subsidiaries	–		430,007	430,007
Net repayment from Target Companies	–	42,745		42,745
Other investing cash flows	<u>(633)</u>	<u>728</u>		<u>95</u>
<b>Net cash (used in) from investment activities</b>	<u>(111,939)</u>	<u>43,180</u>		<u>361,248</u>
<b>Financing activities</b>				
New bank loans raised	133,985	(101,985)		32,000
Repayment of bank loans	<u>(82,341)</u>	<u>81,854</u>		<u>(487)</u>
<b>Net cash from financing activities</b>	<u>51,644</u>	<u>(20,131)</u>		<u>31,513</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(107,956)	57,055		379,106
<b>Cash and cash equivalents at 1 January</b>	217,349	–		217,349
Effect of foreign exchange rate changes	<u>(20)</u>	<u>(898)</u>		<u>(918)</u>
<b>Cash and cash equivalents at 30 June</b>	<u><u>109,373</u></u>	<u><u>56,157</u></u>		<u><u>595,537</u></u>

*Notes:*

- Adjustments to reflect the exclusion of the cash flows of the Target Companies for the six months ended 30 June 2010, assuming that the Disposal had taken place on 1 January 2010.
- Adjustments to reflect the cash inflow less expenses arising from the Disposal, assuming that the Disposal had taken place on 1 January 2010.



**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION  
TO THE DIRECTORS OF SIS INTERNATIONAL HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of SiS International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the disposal of SiS International Limited, SiS Technologies Pte Ltd and SiS Distribution (M) Sdn Bhd (the “**Disposal**”), which are wholly-owned subsidiaries of the Company, might have affected the financial information presented, for inclusion in Appendix II of the circular dated 13 December 2010 (the “**Circular**”). The basis of preparation of the unaudited pro forma financial information is set out on pages II-1 to II-5 to the Circular.

**Respective responsibilities of directors of the Company and reporting accountants**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

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## APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

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The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 or any future date; or
- the results and cash flows of the Group for the six months ended 30 June 2010 or any future period.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong  
13 December 2010

## 1 RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2 DISCLOSURE OF INTERESTS

### (a) Interests of Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules adopted by the Company to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Personal Interests	Family Interests	Joint Interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kiah Meng (Note 4)	4,869,866	483,333	534,000	178,640,000	184,527,199	68.00%
Lim Kia Hong (Note 4)	5,237,774	441,333	–	178,640,000	184,319,107	67.92%
Lim Hwee Hai (Note 3)	2,797,866	3,045,824	–	–	5,843,690	2.15%
Lim Hwee Noi (Note 3, 4)	3,045,824	2,797,866	–	–	5,843,690	2.15%
Lee Hiok Chuan	83,333	–	–	–	83,333	0.03%
Woon Wee Teng	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 Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (3) 2,797,866 shares and 3,045,824 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.
- (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.

**(ii) Share Options**

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out as follows.

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options outstanding at the Latest Practicable Date
<b>Lim Kiah Meng and spouse</b>				
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	350,000
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	350,001
<b>Lim Kia Hong and spouse</b>				
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	350,000
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	350,001
<b>Lim Hwee Hai</b>				
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	266,667
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	266,667



Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options outstanding at the Latest Practicable Date
<b>Lim Hwee Noi</b>				
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	266,667
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	266,667
<b>Lee Hiok Chuan</b>				
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	83,334
<b>Woon Wee Teng</b>				
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	83,334
<b>Ong Wui Leng</b>				
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	83,334
				2,966,671

**(iii) Long positions in the shares and underlying shares of associated corporations of the Company**

- (a) Ordinary share of Baht 1 each of SiS Thailand, which is listed in the Stock Exchange of Thailand.

Name of Director	Personal Interests	Corporate interests (Note 1)	Total number of issued ordinary shares held in SiS Thailand	Approximate % of issued share capital of SiS Thailand
Lim Kia Hong	93,750	99,750,000	99,843,750	47.88%
Lim Hwee Hai	93,750	–	93,750	0.04%

*(b) Share warrants granted by SiS Thailand (Note 2)*

<b>Name of Director</b>	<b>Capacity</b>	<b>Outstanding number of share warrants of SiS Thailand held at the Latest Practicable Date</b>
Lim Kia Hong	Personal	56,250
Lim Hwee Hai	Personal	56,250

*Notes:*

- (1) The Company indirectly holds 99,750,000 ordinary shares of the issued capital of SiS Thailand. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 67.92% in the Company, therefore Mr. Lim has deemed corporate interest in SiS Thailand under the SFO.
- (2) At the annual general meeting of SiS Thailand held on 2 April 2010, its shareholders approved the issue of warrants to the directors. Each warrant is entitled to buy one common share of SiS Thailand at the book value per share from the last financial statement of SiS Thailand before the date of exercise but not lower than Baht 4.92. The warrants can be exercised every six months from the first exercise date which is 1 June 2010 until the last exercise date which is 3 December 2012. The exercise date will be the first business day of June and December of each year.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules adopted by the Company to be notified to the Company and the Stock Exchange.

**(b) Interests of substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, there were no persons (other than a Director or chief executive of the Company as disclosed above) had interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

**(c) Directors' interests in competing business**

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or was likely to compete, whether directly or indirectly, with the business of the Group.

**3 DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

**4 DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in the section headed "Material Contracts" number (iii) below, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

**5 DIRECTORS' INTEREST IN ASSETS OF THE GROUP**

As at the Latest Practicable Date, save as a proposed tenancy agreement to be entered between a subsidiary of the Remaining Group and Ever Rich Technology Limited, a connected person (as defined in the Listing Rules) for leasing of office for a period from the Completion Date to 31 December 2011 for a monthly rental of HK\$45,788, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, the date to which the latest published audited consolidated financial statements of the Company were made up.

**6 LITIGATION**

So far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

**7 MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular, which are or may be material:

- (i) the share sale agreement between a subsidiary of the Company, SiS Investment Holdings Limited, and ECS ICT Berhad dated 18 June 2009 for the sales of 80,000 ordinary shares of Malaysia dollar 1.00 each in ECS Pericomp Sdn Bhd, at the consideration of Malaysia dollars 6,900,000;
- (ii) the provisional sale and purchase agreement between a subsidiary of the Company, QR Capital Limited (formerly known as SiS Capital Limited), and Well Nice Enterprises Limited, dated 16 October 2009 for acquisition of the eighth floor of No. 9 Queen's Road Central, Hong Kong at a consideration of HK\$203,000,000;

- (iii) the four tenancy agreements, all are dated 11 December 2009, signed by two subsidiaries of the Company with connected parties for leasing of offices and warehouses in Hong Kong and Singapore for the period from 1 January 2010 to 31 December 2011 for the respective monthly rentals of HK\$45,788, HK\$260,075, Singapore dollars 29,494 and Singapore dollars 58,852 respectively per month as announced in announcement dated 4 December 2009;
- (iv) the provisional sale and purchase agreement between a subsidiary of the Company, SiS HK Limited, and Mr. Patrick Lo, dated 29 December 2009 for disposal of Carpark Nos. 1-64 on the 7th floor of United Centre, No. 95 Queensway, Hong Kong for a consideration of HK\$70,000,000;
- (v) the memorandum S&P agreement between a subsidiary of the Company, Gain Best Limited, and Sumitomo Corporation (Hong Kong) Limited, dated 24 June 2010 for purchase of the twenty third floor of United Centre at No. 95 Queensway, Hong Kong for a consideration of HK\$184,000,000;
- (vi) the tenancy agreement between a subsidiary of the Company, Gain Best Limited and Sumitomo Corporation (Hong Kong) Limited, dated 19 November 2010 for lease of Unit A to C on the twenty third floor of United Centre at No. 95 Queensway, Hong Kong for a three years period from 19 November 2010 to 18 November 2013 at a monthly rental of HK\$568,230 with an option to renew for a further term of two years at market rent; and
- (vii) the Agreement.

## **8 EXPERT AND CONSENT**

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear. As at the Latest Practicable Date, Deloitte Touche Tohmatsu:

- (a) did not have any shareholding in or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date to which the latest published consolidated financial statements of the Company were made up.

**9 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at 3rd Floor, Eastern Harbour Centre, 28 Hoi Chak Street, Quarry Bay, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and Bye-Laws of the Company;
- (b) the material contracts referred to in the section headed “Material Contracts” of this appendix;
- (c) the Combined Financial Information of the Target Companies, the texts of which are set out in section 2 of Appendix I to this circular;
- (d) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Remaining Group, the texts of which are set out in Appendix II to this circular;
- (e) the letter of consent referred to under the section headed “Expert and Consent” in this appendix;
- (f) the annual reports of the Company for the three financial years ended 31 December 2007, 2008 and 2009;
- (g) the interim reports of the Company for the six months ended 30 June 2009 and 2010;
- (h) all of the circulars of the Company issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which have been issued since the date of the latest published audited financial statements of the Company, being 31 December 2009; and
- (i) this circular.

**10 GENERAL**

- (a) The secretary of the Company is Ms Chiu Lai Chun, Rhoda. She is a member of The Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (c) The Company’s branch share registrar in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

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## NOTICE OF SGM

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### **SiS INTERNATIONAL HOLDINGS LIMITED**

### **新龍國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 529)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of SiS International Holdings Limited (the “**Company**”) will be held at Kellett Room III, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong on 29 December 2010 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions which will be proposed as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the Disposal of IT Distribution Business pursuant to the Agreement, all transactions contemplated under the Agreement and other agreements relating to the Disposal be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and are hereby authorised to do all such acts and things, to sign and execute all documents and to take such steps as they consider necessary, desirable, or expedient to give effect to or in connection with the Disposal and/or the Agreement and other agreements relating to the Disposal or any of the transactions contemplated thereunder.”

By Order of the Board  
**SiS International Holdings Limited**  
**Chiu Lai Chun, Rhoda**  
*Company Secretary*

Hong Kong, 13 December 2010

*Notes:*

- 1 A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, in the event of poll, vote in his stead. A proxy need not be a member of the Company.
- 2 In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited, at the Company’s Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting or adjourned Meeting.
- 3 If more than one of joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of the relevant shares shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall be deemed joint holders.
- 4 Completion and deposit of a proxy will not preclude a member from attending and voting in person at the Meeting if he/she wishes. If a member attend and vote at the Meeting, the authority of the proxy will be revoked.
- 5 A form of proxy for use at the special general meeting is enclosed herewith.

\* *For identification purposes only*