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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)**

### **FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010**

The directors (the “Directors”) of SiS International Holdings Limited (the “Company”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010 together with comparative figures for the corresponding year in 2009 which are set out as follows:

#### **FINANCIAL HIGHLIGHTS**

	<u>2010</u>	<u>2009</u>	<u>Change</u>
	HK\$'000	HK\$'000	%
Turnover	5,329,244	3,883,752	+37%
Profit before tax	291,086	153,895	+89%
Profit attributable to owners of the Company	247,383	134,084	+84%
Earning per share (HK cents)	91.2	49.5	+84%
Dividend per share (HK cents)	12.0	8.0	+50%
Return on capital employed	20%	14%	
Net assets per share (HK dollars)	\$4.61	\$3.58	

\* For identification purposes only

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2010**

	<u>NOTES</u>	<u>31 December</u> <u>2010</u> HK\$'000	<u>31 December</u> <u>2009</u> HK\$'000 (restated)	<u>1 January</u> <u>2009</u> HK\$'000 (restated)
<b>Non-current assets</b>				
Investment properties		699,924	191,175	196,873
Property, plant and equipment		23,890	27,114	23,825
Interests in associates		163,206	133,459	109,372
Interests in a jointly controlled entity		17,242	-	-
Available-for-sale investments		62,854	28,382	12,610
Deposits for acquisition of investment properties		-	20,323	-
Deferred tax assets		-	459	351
		<u>967,116</u>	<u>400,912</u>	<u>343,031</u>
<b>Current assets</b>				
Inventories		139,641	236,115	297,567
Trade and other receivables, deposits and prepayments	9	90,720	582,379	578,729
Derivative financial instruments		-	697	-
Tax recoverable		31	-	1,864
Investments held-for-trading		45,607	42,501	33,682
Pledged bank deposits		-	21,086	20,369
Bank balances and cash		59,901	217,349	131,096
		<u>335,900</u>	<u>1,100,127</u>	<u>1,063,307</u>
Assets classified as held for sale	10	<u>1,386,035</u>	<u>65,000</u>	<u>-</u>
		<u>1,721,935</u>	<u>1,165,127</u>	<u>1,063,307</u>
<b>Current liabilities</b>				
Trade payables, other payables and accruals	11	116,473	505,948	407,578
Bills payable	12	-	19,171	74,758
Deposits received for investments properties held for sale		705	3,500	-
Derivative financial instruments		-	-	1,938
Tax payable		8,357	11,139	6,873
Bank loans		226,176	32,365	71,639
		<u>351,711</u>	<u>572,123</u>	<u>562,786</u>
Liabilities associated with assets classified as held for sale	10	<u>1,043,476</u>	<u>684</u>	<u>-</u>
		<u>1,395,187</u>	<u>572,807</u>	<u>562,786</u>
Net current assets		<u>326,748</u>	<u>592,320</u>	<u>500,521</u>
Total assets less current liabilities		<u>1,293,864</u>	<u>993,232</u>	<u>843,552</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued***AT 31 DECEMBER 2010*

	<u>31 December</u> <u>2010</u> HK\$'000	<u>31 December</u> <u>2009</u> HK\$'000 (restated)	<u>1 January</u> <u>2009</u> HK\$'000 (restated)
Non-current liabilities			
Deferred tax liabilities	<u>37,331</u>	<u>24,021</u>	<u>14,234</u>
Net assets	<u>1,256,533</u>	<u>969,211</u>	<u>829,318</u>
Capital and reserves			
Share capital	27,235	27,102	27,102
Share premium	61,129	58,238	58,238
Reserves	97,481	39,194	20,753
Retained profits	<u>1,070,688</u>	<u>844,677</u>	<u>723,225</u>
Total equity	<u>1,256,533</u>	<u>969,211</u>	<u>829,318</u>

**Notes:**

**1. GENERAL**

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

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

On 26 November 2010, a wholly-owned subsidiary of the Company entered into an agreement with Jardine OneSolution (BVI) Limited for the disposal of its entire interest in certain wholly-owned subsidiaries; namely SiS International Limited, SiS Technologies Pte. Ltd. and SiS Distribution (M) Sdn. Bhd, (the "Disposal Group") which are engaged in distribution of IT products. The transaction was completed on 3 January 2011. Details of the disposal are set out in note 10.

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

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

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

*Amendments to HKAS 17 Leases*

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

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

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

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

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

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

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

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>7</sup> Effective for annual periods beginning on or after 1 February 2010

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

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

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

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

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

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

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

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



### 3. SEGMENTAL INFORMATION

Information reported to the Group's chief operating decision maker, executive directors, for the purpose of allocating resources to segments and assessment of segment performance focused on each of three geographical location, i.e. Hong Kong, Singapore and Malaysia, in relation to distribution of information technology ("IT") products and property investment. This is the basis upon which the operation of the Group is organized.

The Group's operating and reportable segments under HKFRS 8 are as follows:

1. Distribution of IT products - Hong Kong
2. Distribution of IT products - Singapore
3. Distribution of IT products - Malaysia
4. Property investment

The Disposal Group is engaged in distribution of certain brands of IT products, which represent major lines of the Group's distribution of IT products business operating independently in each of the geographical areas, Hong Kong, Singapore and Malaysia. After the disposal, the Group is restricted from carrying on business that compete with those of the Disposal Group in these territories within a certain period of time. The disposal constituted discontinued operations.

During the year, the Group started the business of distribution of separate lines of IT products in Hong Kong, Singapore and Malaysia.

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	For the year ended 31 December 2010								
	Distribution of IT products						Property investment	Consolidated	
	Hong Kong		Singapore		Malaysia				
Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Continuing operations	Discontinued operations	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
SEGMENT REVENUE									
External sales	65,710	3,037,591	82,281	1,569,581	1,845	563,431	8,805	158,641	5,170,603
Segment profit (loss)	(579)	100,730	9,852	33,845	96	5,139	121,196	130,565	139,714
Income from investments held-for-trading and available-for-sale investment								6,487	868
Impairment loss on available-for-sale investments								(6,903)	-
Gain on disposal of an associate								2,675	-
Loss on deemed disposal of an associate								(212)	-
Other unallocated income								6,397	498
Share of results of associates								38,584	-
Share of result of a jointly controlled entity								4,230	-
Finance costs								(594)	(2,887)
Unallocated corporate expenses								(28,336)	-
Profit before taxation								152,893	138,193

### 3. SEGMENTAL INFORMATION – continued

	For the year ended 31 December 2009								
	Distribution of IT products						Property investment	Consolidated	
	Hong Kong		Singapore		Malaysia			Continuing operations	Discontinued operations
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations	Continuing operations		
HK\$'000		HK\$'000		HK\$'000		HK\$'000	HK\$'000	HK\$'000	
SEGMENT REVENUE									
External sales	1,955	2,361,475	564	1,092,839	-	416,662	10,257	12,776	3,870,976
Segment profit (loss)	(8)	59,836	83	2,752	-	1,378	67,527	67,602	63,966
Income from investments held-for-trading and available-for-sale investments								12,188	2,073
Loss on disposal of a subsidiary								(2,254)	-
Other unallocated income								6,103	589
Share of results of associates								26,708	-
Finance costs								-	(2,472)
Unallocated corporate expenses								(20,608)	-
Profit before taxation								89,739	64,156

The accounting policies adopted in preparing the reportable segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments, share of results of associates and a jointly controlled entity, gain on disposal of an associate, loss on disposal of a subsidiary, investment income, finance costs and other corporate expenses. This is the measure reported to the chief operating decision maker, who are the executive directors, for the purposes of resource allocation and performance assessment.

#### Geographical information

The majority of the Group's revenue from external customers by geographical location of the customers are attributed to the group entities' countries of domiciles (i.e. Hong Kong, Singapore and Malaysia). There are no major customers contributing over 10% of the Group's revenue in both years.

#### 4. OTHER GAINS AND LOSSES

	2010		2009	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dividend income from available-for-sale investments	454	2	1,086	2
Dividend income from Investments held-for-trading	3,026	630	3,423	718
Discount on early settlement to suppliers	-	15,263	-	13,958
Exchange gain, net	5,721	19,926	5,593	13,570
(Loss) gain on fair value changes on derivative financial instruments	-	(1,338)	-	2,635
Interest on bank deposits	1,047	498	434	539
Impairment loss of available-for-sale Investments	(6,903)	-	-	-
Gain on disposal of available-for-sale investments	-	7	679	-
Gain on disposal of an associate	2,675	-	-	-
Loss on deemed disposal of an associate	(212)	-	-	-
Loss on disposal of a subsidiary	-	-	(2,254)	-
Gain on disposal of investment properties	5,000	-	-	-
Change in fair value of investments held-for-trading	3,007	229	7,000	1,353
Change in fair value of investment properties	109,389	-	58,565	-

#### 5. INCOME TAX EXPENSE

	2010		2009	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
Hong Kong	186	16,723	19	9,930
Singapore	1,678	4,165	96	-
Others	-	342	-	536
	1,864	21,230	115	10,466
Deferred taxation	18,129	2,480	10,424	(1,194)
Income tax expense for the year	19,993	23,710	10,539	9,272

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Singapore Corporate Income Tax is calculated at 17% of the estimated assessable profit for both years.

Others are calculated at the rates prevailing in the respective jurisdictions.

## 6. PROFIT FOR THE YEAR

	2010		2009	
	Continuing operations HK\$'000	Discontinued operations HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000
<i>Profit for the year has been arrived at after charging:</i>				
Cost of inventories recognised as an expense	131,353	4,923,780	160	3,712,097
Staff costs (note)	19,842	95,511	16,038	72,573
Auditor's remuneration	1,133	-	652	715
Allowance for doubtful debts	-	6,980	-	9,907
Write-down of inventories	-	1,210	2	1,981
Depreciation of property, plant and equipment	440	2,414	482	2,645
Operating lease rentals in respect of rented premises	-	14,364	174	13,500
Share of tax of associates (included in share of results of associates)	10,958	-	12,338	-
Loss on disposal of property, plant and equipment	-	118	-	1
<i>and after crediting:</i>				
Gross rental income from investment properties	8,805	-	10,257	-
Less: Direct operating expenses	(1,817)	-	(1,285)	-
Net rental income	6,988	-	8,972	-
Reversal of allowance for doubtful debts	-	11,674	-	-
Reversal of write-down of inventories	-	9,479	584	3,808

### Note:

Staff costs include emoluments to the directors of HK\$19,137,000 (2009: HK\$12,133,000), retirement benefit schemes contributions and share-based payments of HK\$6,042,000 (2009: HK\$4,827,000) and HK\$125,000 (2009: HK\$958,000) respectively.

## 7. DIVIDENDS

	2010 HK\$'000	2009 HK\$'000
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year ended 31 December 2009 of 8.0 HK cents per share (2009: 5.0 HK cents per share in respect of the year ended 31 December 2008)	21,681	13,551
Final and special dividend, proposed in respect of the year ended 31 December 2010 of totally 12.0 HK cents per share (2009: 8.0 HK cents per share)	32,928	21,681

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

## 8. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK\$247,383,000 (2009: HK\$134,084,000).

	<u>2010</u>	<u>2009</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	271,066,889	271,016,661
Effect of dilutive potential ordinary share:		
Share options issued by the Company	<u>500,318</u>	<u>-</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>271,567,207</u>	<u>271,016,661</u>

The effect of dilutive potential ordinary shares of an associate was considered to be insignificant.

The diluted earnings per share does not take into account outstanding share options at the end of the reporting period as the exercise price of those options is higher than the average market price for shares in 2009.

The calculation of basic and diluted earnings per share for the continuing and discontinued operation is based on the profit for the year from the continuing and discontinued operations of HK\$132,900,000 (2009: HK\$79,200,000) and HK\$114,483,000 (2009: HK\$54,884,000) respectively and the denominators detailed above.

## 9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>2010</u> HK\$'000	<u>2009</u> HK\$'000
Trade receivables	84,198	596,432
Less: allowance for doubtful debts	<u>(15)</u>	<u>(25,855)</u>
	84,183	570,577
Deposits, prepayments and other receivables	<u>6,537</u>	<u>11,802</u>
	<u>90,720</u>	<u>582,379</u>

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows an average credit period of 30 - 60 days to its trade customers. No credit period is granted to customers for renting of properties. No interest is charged on overdue debts.

**9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued**

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of the Disposal Group held for sale.

	<u>2010</u> HK\$'000	<u>2009</u> HK\$'000
Within 30 days	486,257	322,772
31 to 90 days	333,390	211,889
91 to 120 days	36,827	25,781
Over 120 days	14,652	10,135
	<u>871,126</u>	<u>570,577</u>

**10. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES**

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2010</u> HK\$'000	<u>2009</u> HK\$'000	<u>2010</u> HK\$'000	<u>2009</u> HK\$'000
Disposal Group (note a)	1,378,985	-	1,043,453	-
Investment properties (note b)	7,050	65,000	23	684
	<u>1,386,035</u>	<u>65,000</u>	<u>1,043,476</u>	<u>684</u>

Note:

**(a) Disposal of subsidiaries**

On 26 November 2010, the Group entered into an agreement for the disposal of its entire interest of the Disposal Group at a consideration of US\$70 million (equivalent to HK\$546,000,000) received on completion, 3 January 2011, and a balance payment equivalent to the net asset value as defined in the agreement of the Disposal Group (“Net Asset Value Payment”). Net Asset Value Payment is receivable within 14 business days after the completion of the determination of the net asset value.

The assets and liabilities attributable to the Disposal Group, which are presented below, are classified as assets held for sale and liabilities associated with assets held for sale and are presented separately in the consolidated statement of financial position. The gain, net of transaction costs, arising on the disposal is estimated to be approximately HK\$513 million and will be recognised in the financial statements for the year ended 31 December 2011.

**10. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES - continued**

	HK\$'000
Property, plant and equipment	4,450
Inventories	390,629
Trade and other receivables, deposits and prepayments	819,409
Deferred tax assets	358
Tax recoverable	459
Pledged bank deposits	22,963
Bank balances and cash	140,717
<b>Total assets classified as held for sale</b>	<b><u>1,378,985</u></b>
Trade payables, other payables and accruals	706,992
Bills payables	134,157
Derivative financial instruments	641
Tax payable	11,287
Bank loans	181,552
Deferred tax liabilities	8,824
<b>Total liabilities associated with assets held for sale</b>	<b><u>1,043,453</u></b>

During the year, the Disposal Group contributed HK\$20,456,000 (2009: HK\$158,591,000) to the Group's net operating cash flows, paid HK\$2,446,000 (2009: HK\$541,000) in respect of investing activities and contributed HK\$2,039,000 (2009: paid HK\$90,188,000) in respect of financing activities.

**(b) Disposal of investment properties**

On 28 October 2010, a subsidiary of the Group entered into a provisional sales and purchase agreement for the disposal of a property in Hong Kong, at consideration of HK\$7,050,000 of which deposit of HK\$705,000 had been received. The transaction was completed on 11 January 2011. The investment properties is stated at fair value which has been arrived at by reference to the consideration received on disposal. As at 31 December 2010, the liabilities associated with the investment properties to be disposed of represent rental deposits of HK\$23,000 which were assigned to the purchaser on completion.

On 29 December 2009, a subsidiary of the Group entered into a provisional sale and purchase agreement for the disposal of properties, the Carpark Nos. 1-64 at the seventh floor of United Centre, 95 Queensway in Hong Kong, at consideration of HK\$70,000,000. The transaction was completed with consideration received on 8 March 2010. The investment properties are stated at fair value which have been arrived at on the basis of valuation carried out on that date by DTZ Debenham Tie Leung Ltd., which is independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties. The liabilities associated with the investment properties disposed of were rental deposits of HK\$684,000 which were assigned to the purchaser on completion.

## 11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The average credit period on purchase of goods is 30 to 60 days. The Group has policies in place to ensure that all payables are paid within the credit time frame.

The following is an aged analysis of the trade payables based on the invoice date at the end of the reporting period. The analysis includes those classified as part of the Disposal Group held for sale.

	<u>2010</u> HK\$'000	<u>2009</u> HK\$'000
Within 30 days	512,527	298,151
31 to 90 days	139,914	91,295
91 to 120 days	2,612	2,421
Over 120 days	5,028	8,234
Trade payables	<u>660,081</u>	<u>400,101</u>

## 12. BILLS PAYABLE

The following is an aged analysis of bill payable at the end of the reporting period. The analysis includes those classified as part of the Disposal Group held for sale.

	<u>2010</u> HK\$'000	<u>2009</u> HK\$'000
Within 30 days	26,920	16,544
31 to 90 days	107,237	2,627
	<u>134,157</u>	<u>19,171</u>

The effective interest rate of the bills are 1.7% (2009: 2.7%) per annum.

## FINAL AND SPECIAL DIVIDEND

The directors recommend a final dividend of 8.0 HK cents per share (2009: 8.0 HK cents per share) and a special dividend of 4.0 HK cents per share (2009: Nil) for year ended 31 December 2010 payable to shareholders on the register of members on 30 May 2011. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final and special dividend will be payable in cash on 8 July 2011.

## CLOSE OF REGISTER OF MEMBERS

The register of members will be closed from 25 May to 30 May 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final and special dividend for the year ended 31 December 2010, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with 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 later than 4:00 p.m. on 24 May 2011.



## **BUSINESS REVIEW**

Leaders emerge during tough times. Despite a very difficult economy, SiS turned in record performance. Our exceptional performance reflects on our ability to stay focused on our strategy and its execution. We executed well in all our businesses.

### **(1) IT Distribution Business**

The Group achieved significant growth in its IT Distribution Business for year ended 31 December 2010. Revenue from IT Distribution Business increased 37% from HK\$3,873 million to HK\$5,320 million while the profits increased 133% from HK\$64 million to HK\$149 million as compared to the year ended 31 December 2009.

On 29 November 2010, the Group entered into an agreement to divest all its interests in three of its wholly owned subsidiaries engaging in IT (2-tier) distribution business in Hong Kong, Singapore, and Malaysia at a cash consideration of approximately US\$130 million subject to final adjustment of total net tangible assets to be determined based on the completion accounts. The disposal transaction was completed on 3 January 2011 and the Group has received part payment of US\$70 million on completion date.

Hong Kong, Malaysia, and Singapore are becoming mature markets for IT products; the directors believe that the divestment of its IT (2 tier) distribution at this stage brings the best returns to our shareholders. Moving forward, the Group will be changing its business model from IT product distribution in these markets to that of the provisioning of Distribution Management Services. At the same time, the Group will continue to expand its distribution of mobile phones products and solutions and seek investments and expansion opportunities of IT distribution business in the emerging countries.

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

Our Group's Investment in IT business continues to perform well. During the financial year 2010, the Group reported a gain of approximately HK\$3 million from the disposal of its investment of one of its associated companies - ECS Pericomp Sdn Bhd. The Group's investment in SiS Distribution (Thailand) Public Company Limited continues to deliver, contributing HK\$38 million to the Group's net profits. During the second half year of 2010, the Group acquired a 25.6% interest in a jointly controlled entity - Hangxin Electronic Industrial Co. Ltd in China. This jointly controlled entity contributed HK\$4 million to the Group's 2010 net profit.

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

During the year, the Group completed its acquisition of two prime commercial properties located at (i) 8/F., 9 Queen's Road in Hong Kong with total cost of HK\$211 million; and (ii) 23/F., United Centre, 95 Queensway in Hong Kong with total cost of HK\$193 million. In addition, the Group disposed its investment in car parks for a consideration of HK\$70 million. For the year 2010, the Group recorded a fair valuation gain of HK\$109 million for its real estate investment business. Total fair value of the Group's investment properties amounted to HK\$700 million as at 31 December 2010.

## **PROSPECT**

I am excited about the opportunities presented to us in the coming financial year 2011 and beyond. As we enter financial year 2011, the global economy continue on its recovery but remain uncertain. The Group looks forward to continue to deliver results and performance for our shareholders by focusing on executing our strategy of growing our businesses. With a strong balance sheet, an experienced management team, the directors are looking ahead with confidence; we see growing opportunities in the demand for IT and mobility products in the emerging countries, the Group intend to invest and expand its presence in the emerging countries. The Group will also take a pivotal role in the industry in the provisioning of Distribution Management Services. At the same time, the Group will continue to expand on the fast growing distribution of mobility products and solutions business in the region. The contributions from these new businesses whilst small to the Group at this stage, is expected to grow steadily in the near future.

IT distribution business remains the Group's key business focus. Moving forward, the Group will also continue to seek opportunities in the investments of IT businesses and properties where opportunities arise.

## **FINANCIAL REVIEW AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 31 December 2010, the Group had total assets of HK\$2,689,051,000 which were financed by shareholders' funds of HK\$1,256,533,000, and total liabilities of HK\$1,432,518,000. The Group had a current ratio of approximately 1.23 compared to that of approximately 2.03 at 31 December 2009.

As at 31 December 2010 the Group had HK\$223,581,000 bank balances and cash including the disposal group's bank balances and cash HK\$163,680,000. The Group's working capital requirements were mainly financed by internal resources and short term borrowings. As at 31 December 2010, the Group had short term borrowings, bank overdraft and bills payable of total HK\$541,885,000. The Group's borrowings were mainly denominated in Hong Kong Dollar, Singapore Dollar and Malaysia Ringgit and were charged by bank at floating interest rates.

The Group continued to sustain a good liquidity position. Although at the end of December 2010, the Group had a net cash deficit (bank balances and cash less bank borrowings, bank overdrafts and bills payables) of HK\$318,304,000 compared to HK\$186,899,000 cash surplus as at 31 December 2009, the Group has repaid all HK\$226,176,000 bank borrowings of the continuing business after collecting US\$70million consideration on Completion of disposing the three subsidiaries on 3 January 2011. The Group is expecting to receive the remaining consideration on the disposal within 2011.

Including the disposal group's financial position, gearing ratio, as defined by total bank loans, bills payable and bank overdrafts to shareholders' funds, as at 31 December 2010 was 43% compared to 5% as at 31 December 2009.

## **Charges on Group Assets**

At the balance sheet date, the Group had pledged bank deposits of HK\$22,963,000 (2009: HK\$21,086,000) and investment properties with carrying value of HK\$456,000,000 (2009: HK\$65,000,000) to banks to secure general banking facilities granted to subsidiaries and to finance the purchases of investment properties.

## **Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes**

The number of staff of the Group including the disposal group as at 31 December 2010 was 330 and the salaries and other benefits paid to employees, excluding Directors' emoluments, amounted to HK\$96,216,000 (2009: HK\$76,478,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. During the year 2010, a total of 1,333,334 share options have been exercised. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

## **Currency Risk Management**

The Group maintains a conservative approach on foreign exchange exposure management by entering into foreign currency forward contracts. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date. At 31 December 2010, the Group of continuing operation had no outstanding forward contracts (2009: HK\$254,379,000 notional amount of forward contract denominated in United States dollars) which were measured at fair value at the reporting date.

## **Contingent Liabilities**

The Company's corporate guarantees extended to certain banks as security for banking facilities to the Group amounted to HK\$13,496,000 (2009: HK\$62,656,000).

## **CORPORATE GOVERNANCE**

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2010, except for the Code A.4.1 and A.4.2 as disclosed in page 9 of the Group's 2009 annual report under the Corporate Governance section and the Code A.2.1. about the same individual acting as chairman and chief executive office of the Company.

## **MODEL CODE**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company.

## **AUDIT COMMITTEE**

The Audit Committee comprises all independent non-executive Directors. The Audit Committee has reviewed the Company’s consolidated financial statements for the year ended 31 December 2010, including the accounting principles and practices adopted by the Company, in conjunction with the Company’s auditors.

## **PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2010.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the Company’s website at [www.sisinternational.com.hk](http://www.sisinternational.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The 2010 annual report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites on or before 30 April 2011.

On behalf of the Board of  
**SiS International Holdings Limited**  
**LIM Kia Hong**  
*Chairman*

Hong Kong, 29 March 2011

*As at the date of this announcement, the executive directors are Mr. Lim Kiah Meng, Mr. Lim Kia Hong, Mr. Lim Hwee Hai, Madam Lim Hwee Noi. The independent non-executive directors are Mr. Lee Hiok Chuan, Mr. Woon Wee Teng, and Ms. Ong Wui Leng.*