



SiS INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 529)

FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2004

The Directors of SiS International Holdings Limited (the “Company”) are pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2004 together with comparative figures for the corresponding period in 2003 are set out as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover (<i>Note 2</i>)	2,828,800	3,469,364
Cost of sales	<u>(2,693,160)</u>	<u>(3,331,784)</u>
Gross profit	135,640	137,580
Other operating income	24,344	34,730
Distribution costs	(79,892)	(77,571)
Administrative expenses	(47,864)	(63,676)
Impairment losses recognised in respect of investments in securities	(1,535)	–
(Loss) gain on disposal of investments in securities	(174)	758
Revaluation decrease on investment properties	<u>(7,595)</u>	<u>(115)</u>
Profit from operations (<i>Note 3</i>)	22,924	31,706
Gain on partial disposal of a subsidiary	–	23,733
Gain on partial disposal of an associate	10,304	–
Gain on deemed disposal of an associate	6,045	–
Finance costs	(3,275)	(9,613)
Share of results of associates	<u>8,276</u>	<u>1,847</u>
Profit before taxation	44,274	47,673
Taxation (<i>Note 4</i>)	<u>(6,780)</u>	<u>(9,642)</u>
Profit before minority interests	37,494	38,031
Minority interests	<u>(141)</u>	<u>(1,978)</u>
Profit for the year	<u>37,353</u>	<u>36,053</u>
Dividend paid (<i>Note 5</i>)	<u>5,371</u>	<u>5,371</u>
Earnings per share (<i>Note 6</i>)		
– Basic	13.9 cents	13.4 cents
– Diluted	<u>N/A</u>	<u>N/A</u>

Notes:

1. Potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (collectively referred as “new HKFRSs”) which are effective for accounting periods beginning on or after January 1, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended December 31, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. Segment information
Geographical segments

	Turnover		Profit/(loss) from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong and the PRC	1,889,419	1,623,115	36,551	25,955
Singapore	729,334	555,936	2,015	(13,569)
Malaysia	186,422	242,720	(11,738)	(5,613)
Thailand	–	956,338	–	16,947
Others	23,625	91,255	(53)	11
	<u>2,828,800</u>	<u>3,469,364</u>	<u>26,775</u>	<u>23,731</u>
Interest income			2,396	2,419
Impairment losses recognised in respect of investments in securities			(1,535)	–
(Loss) gain on disposal of investments in securities			(174)	758
Revaluation decrease on investment properties			(7,595)	(115)
Unallocated corporate income			3,057	4,913
Profit from operations			<u>22,924</u>	<u>31,706</u>

Business segments

The Company's sole principal activity is the distribution of computer products. No business segment analysis is presented.

3. Profit from operations

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	2,493	4,775
Interest income	<u>(2,396)</u>	<u>(2,419)</u>

4. Taxation

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Current tax		
Hong Kong	6,885	5,760
Overseas	<u>123</u>	<u>4,210</u>
	<u>7,008</u>	<u>9,970</u>
(Over) underprovision in prior years		
Hong Kong	(1,728)	–
Overseas	<u>(654)</u>	<u>310</u>
	<u>(2,382)</u>	<u>310</u>
Deferred taxation		
Current year	145	(1,028)
Attributable to a change in tax rate	<u>–</u>	<u>(156)</u>
	<u>145</u>	<u>(1,184)</u>
Taxation attributable to the Company and its subsidiaries	4,771	9,096
Share of taxation attributable to associates	<u>2,009</u>	<u>546</u>
Taxation charge for the year	<u>6,780</u>	<u>9,642</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year.

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

5. Dividend paid

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Final dividend paid in respect of 2003 of 2 HK cents per share (paid in respect of 2002 of 2 HK cents per share)	<u>5,371</u>	<u>5,371</u>

6. Earnings per share

The calculation of the basic earnings per share is based on the Group's profit for the year of HK\$37,353,000 (2003: HK\$36,053,000) and 268,550,000 (2003: 268,550,000) ordinary shares in issue during the year

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the two years ended December 31, 2004.

FINAL DIVIDEND

The Directors recommend a final dividend 2 HK cents per share for 2004 (2003: 2 HK cents per share) payable to shareholders whose names appear on the register of members of the Company on May 13, 2005. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable in cash on May 31, 2005.

CLOSE OF REGISTER OF MEMBERS

The register of members will be closed from May 10, 2005 to May 13, 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year ended December 31, 2004, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on May 9, 2005.

BUSINESS REVIEW

The decline in the Group's turnover was due to the disposal of partial interest in SiS Thailand which became an associate of the Company and sales turnover was not consolidated into the Group's turnover which otherwise would have recorded 13% growth.

Operating gross profit margin for the year increased to 4.79% as compared to 3.97% last year. Net profit attributable to shareholders also increased from HK\$36,053,000 to HK\$37,353,000.

During the year, the Group disposed off 11.5% interest in SiS Thailand to independent third parties resulting in a profit on disposal of HK\$10,304,000. Subsequently, SiS Thailand was listed in the Stock Exchange of Thailand. The Group's interest in SiS Thailand was diluted due to the share placing after its listing. As such, there was a deemed disposal gain of HK\$6,045,000.

The directors have taken steps to focus on improving and strengthening the business processes and operation efficiencies in both Singapore and Malaysia. Sales turnover from Singapore has recorded an increase of 31%. The Directors believe that Malaysia is also on track of turning around in 2005.

The Group has recorded a revaluation deficit of HK\$7,595,000 on its investment properties at end of the year. However, in view of buoyant in Hong Kong property market especially in the commercial sector, the Directors are optimistic that there should be a revaluation surplus in the coming year.

PROSPECTS

The directors are moving ahead with confidence. The IT Distribution industry will continue to consolidate. During the year, the number of distributors in Asia was reduced by two of the major distributors merging to become one company. This has resulted in reduced competition and improved profitability. The Directors believe that the economy in the Asian region will continue to grow and the Group is poised to take advantage and benefit from the opportunities that lie ahead.

Consistent with the fast moving development in IT technology, new demand for multi-functions telecommunication and computing converged products are growing tremendously. The Group will focus and expand its product portfolio in this new high growth segment. Leveraging on its extensive knowledge and experience in IT industry, the Directors believe that the high margin new products and efficient operations will bring in positive contribution to the Group.

Whilst its core distribution business will continue to grow steadily, the Group will continue to seek and explore other potential investment opportunities that offer higher returns to the Group's shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover of the Group for the year ended December 31, 2004 was HK\$2,828,800,000 and profit before tax was HK\$44,274,000.

Liquidity and Financial Resources

As at December 31, 2004, the Group had total assets of HK\$1,026,424,000 which were financed by shareholders' funds of HK\$481,624,000, total liabilities of HK\$544,018,000 and minority interests of HK\$782,000. The Group had a current ratio of approximately 1.62 as compared to that of approximately 1.77 at December 2003.

As at December 31, 2004, the Group had HK\$181,864,000 bank balances and cash of which HK\$16,515,000 was pledged to banks for securing general banking facilities. The Group's working capital requirements were mainly financed by internal resources and short-term borrowings. As at December 31, 2004, the Group had HK\$50,027,000 short term bank borrowings and HK\$1,418,000 bank overdrafts. The Group's borrowings were mainly denominated in Malaysia Ringgit and Singapore dollars and were charged by banks at floating interest rates.

The Group continued to sustain a good liquidity position. At balance sheet date, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less both long term and short term bank borrowings) of HK\$109,169,000 compared to HK\$114,081,000 in 2003.

Gearing ratio, as defined by total bank loans and bank overdrafts to shareholders' funds, as at December 31, 2004 was 15.09% (2003: 11.47%). The increase in gearing ratio is due to a new long term bank loan for the acquisition of an investment property during the year 2004.

Charges on Group Assets

At the balance sheet date, the Group had pledged bank deposits of HK\$16,515,000 (2003: HK\$20,381,000) to banks to secure general banking facilities granted to a subsidiary in Malaysia. Certain pledged bank deposits were uplifted during the year for repayment of trade credit.

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

As at December 31, 2004, the Group reduced its staff number from 294 to 232. Salary, bonus, commission and other benefits paid to employees, excluding Directors' emoluments, during the financial year reduced to HK\$52,236,000 (2003: HK\$60,848,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option schemes and may grant shares to key employees of the Group. The Directors believed 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. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually.

Currency Risk Management

Due to the Company has overseas operations and subsidiaries, earnings may experience some volatility related to movements in exchange rates. In order to reduce exposure to fluctuations in exchange rates, subsidiaries of the Company will make forward purchases from time to time. Besides, the Group has adopted a policy of attempting to match levels of local denominated account receivables with accounts payable and to limit holdings of local currencies.

Contingent Liabilities

The Company's corporate guarantees extended to certain banks and vendors as security for banking facilities and goods supplied to the Group amounted to HK\$226,127,000 (2003: HK\$193,440,000). The increase was mainly due to guarantees given to bank for banking facilities granted to a subsidiary for acquisition of investment property during 2004.

CORPORATE GOVERNANCE

The Group's annual results of 2004 has been reviewed by the Audit Committee.

Throughout the year, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that independent non-executive directors were not appointed for any specific terms, as they are subject to retirement by rotation at the Company's annual general meeting in accordance with the Bye-laws of the Company. During the year, Ms Ong Wui Leng was appointed as an independent non-executive director of the Company.

PURCHASE, SALE AND 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 December 31, 2004.

DETAILED RESULTS ANNOUNCEMENT

The full announcement of annual results of the Group, containing all the information required by paragraphs 45(1) to (3) of Appendix 16 of the Listing Rules of the Exchange, will be published on the Exchange's website in due course.

On behalf of the Board of
SiS International Holdings Limited
Lim Siam Kwee
Chairman

Hong Kong, April 8, 2005

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

Please also refer to the published version of this announcement in The Standard.