



SiS INTERNATIONAL HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(STOCK CODE: 0529)

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2005

RESULTS

The Directors of SiS International Holdings Limited (the “Company”) have pleasure in submitting the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended June 30, 2005 together with the comparative figures for the corresponding period in 2004. The Interim financial statements has been reviewed by the Company’s audit committee, and reviewed by the Company’s auditors in accordance with Statement of Auditing Standards No. 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended June 30,	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover	3	1,644,784	1,373,531
Cost of sales		(1,554,386)	(1,310,884)
Gross profit		90,398	62,647
Other operating income		9,983	9,034
Distribution costs		(32,646)	(47,157)
Administrative expenses		(27,033)	(27,134)
Impairment loss recognised in respect of deferred consideration on partial disposal of a subsidiary		(17,000)	–
Impairment losses recognised in respect of available for sale investments/investments in securities		(200)	(1,537)
Gain (loss) on disposal of investments in securities		5,283	(174)
Gain on partial disposal of an associate		–	10,304
Gain on deemed disposal of an associate		–	6,045
Share of results of associates		2,766	3,281
Finance costs		(2,001)	(1,482)
Profit before taxation	4	29,550	13,827
Taxation	5	(6,084)	(702)
Profit for the period		23,466	13,125
Attributable to:			
Shareholders of the Company		23,334	13,045
Minority interests		132	80
		23,466	13,125
Dividend	6	5,371	5,371
Earnings per shares			
– Basic	7	8.69 cents	4.86 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		June 30, 2005 (Unaudited) HK\$'000	December 31, 2004 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Investment properties		118,938	119,132
Property, plant and equipment		23,183	24,117
Interests in associates		31,715	31,121
Investments in securities		–	965
Available for sale investments		3,825	–
Staff advances – due after one year		173	389
Club membership		1,300	1,300
Deferred tax assets		1,700	1,700
		180,834	178,724
Current assets			
Inventories		280,616	194,850
Trade and other receivables	8	452,190	470,434
Staff advances – due within one year		442	474
Amount due from an associate		656	78
Derivative financial instruments		597	–
Pledged bank deposits		16,814	16,515
Bank balances and cash		102,483	165,349
		853,798	847,700
Current liabilities			
Trade and other payables	9	429,710	393,335
Bills payable		40,925	42,547
Amounts due to related companies		5,523	31,584
Taxation		8,390	3,307
Borrowings – due within one year		44,604	51,877
		529,152	522,650
Net current assets		324,646	325,050
Total assets less current liabilities		505,480	503,774
Non-current liabilities			
Borrowings – due after one year		7,500	21,250
Advances from minority shareholders		–	118
		7,500	21,368
		497,980	482,406
Capital and reserves			
Share capital		26,855	26,855
Share premium and reserves		470,230	454,769
Equity attributable to shareholders of the Company		497,085	481,624
Minority interests		895	782
Total equity		497,980	482,406

Notes:

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the HKICPA.

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost basis except for investment properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended December 31, 2004, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after January 1, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an material effect on how the results for the current or prior accounting periods are prepared and presented.

As a result of the adoption of HKFRS 3 *business combinations*, the Group has derecognised all negative goodwill at January 1, 2005, which was previously recorded in reserves. Therefore, the retained profits of the Group at January 1, 2005 was increased by HK\$117,390,000. Reserve on consolidation of the Group was reduced by HK\$117,390,000.

The Group has applied the relevant transitional provisions in HKAS 39 *financial instruments*. The Group reclassified its “investments in securities” as “available-for-sale investments” which are carried at fair value or at cost. The Group has not recognised the derivative financial instruments on the balance sheet prior to January 1, 2005. On January 1, 2005, the Group recognised the fair value of the foreign currency forward contracts deemed as held-for-trading, amounting to HK\$685,000, on the balance sheet and a corresponding adjustment to the Group’s retained earnings. The profit for the current period has been decreased by HK\$1,282,000.

Under HKAS 17 *leases*, as the Group cannot allocate the lease payments between the land and buildings elements reliably, the leasehold interests in land continue to be accounted for as finance leases and included in property, plant and equipment.

3. Segmental Information

Geographical segments

	Turnover		Segment results	
	For the six months ended June 30,		For the six months ended June 30,	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong and the PRC	988,226	908,475	23,966	14,845
Singapore	537,310	362,647	14,176	(6,552)
Malaysia	117,005	97,047	288	(9,048)
Others	2,243	5,362	232	(76)
	<u>1,644,784</u>	<u>1,373,531</u>	<u>38,662</u>	<u>(831)</u>
Unallocated corporate income (expenses)			48	(2,632)
Interest income			1,992	853
Impairment loss recognised in respect of deferred consideration on partial disposal of a subsidiary			(17,000)	–
Impairment losses recognised in respect of available for sale investments/ investments in securities			(200)	(1,537)
Gain (loss) on disposal of investments in securities			5,283	(174)
Gain on partial disposal of an associate			–	10,304
Gain on deemed disposal of an associate			–	6,045
Share of results of associates			2,766	3,281
Finance costs			(2,001)	(1,482)
Profit before taxation			<u>29,550</u>	<u>13,827</u>

Business segments

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

4. Profit before Taxation

	For the six months ended June 30,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation and amortisation	1,218	1,035
Allowance for doubtful debts	2,165	21,624
Interest income	(1,992)	(853)
Unrealised gain in fair value of derivative financial instruments	(597)	–
	<u>1,804</u>	<u>20,733</u>

5. Taxation

	For the six months ended June 30,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	3,450	3,008
Other jurisdictions	2,695	60
Overprovision for prior periods		
Hong Kong	–	(1,728)
Other jurisdictions	(61)	(783)
Deferred tax	–	145
Income tax expense	<u>6,084</u>	<u>702</u>

Hong Kong Profits Tax is calculated at 17.5% (Six months ended June 30, 2004: 17.5%) of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. Dividend

On May 31, 2005, a dividend of 2 cents per share, totalling HK\$5,371,000 (Six months ended June 30, 2004: HK\$5,371,000) was paid to shareholders as the final dividend for the year ended December 31, 2004.

7. Earnings Per Share

The calculation of the basic earnings per share is based on the Group's unaudited profit attributable to shareholders of the Company for the six months ended June 30, 2005 of HK\$23,334,000 (Six months ended June 30, 2004: HK\$13,045,000) and 268,550,000 (Six months ended June 30, 2004: 268,550,000) ordinary shares in issue during the period.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the current and prior periods.

8. Trade and Other Receivables

The Group maintained a defined credit policy. For sales of goods, the Group allows an average credit period of 30 – 60 days to its trade customers. Service income receivable from customers are payable on presentation of invoices.

	June 30, 2005 (Unaudited) HK\$'000	December 31, 2004 (Audited) HK\$'000
Within 30 days	331,934	357,453
31 to 90 days	65,480	42,490
91 to 120 days	3,682	5,072
Over 120 days	10,527	16,177
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Trade receivables	411,623	421,192
Other receivables	40,567	49,242
	<hr/>	<hr/>
	452,190	470,434
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9. Trade and Other Payables

	June 30, 2005 (Unaudited) HK\$'000	December 31, 2004 (Audited) HK\$'000
Within 30 days	244,171	242,573
31 to 90 days	40,792	14,650
91 to 120 days	8,116	450
Over 120 days	15,757	15,708
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Trade payables	308,836	273,381
Other payables	120,874	119,954
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	429,710	393,335
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INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended June 30, 2005 (six months ended June 30, 2004: Nil).

BUSINESS REVIEW AND OUTLOOK

The Group recorded a 79% increase in profit for this period to HK\$23,334,000. The Group's turnover in the first half of 2005 increased by 20% to HK\$1,644,784,000 as compared with same period in 2004 attributed both by the economic growth and the Group's strategy in seeking and focusing on new product that offer high margin. Gross profit margin for the Group also increased from 4.56% to 5.50%. Earnings per share was HK8.69 cents.

During the six months ended June 30, 2005, the Group continues in its cost control policy and has reduced its distribution costs by 31% to HK\$32,646,000. However, with the escalation of the market interest rate during the first half year of 2005, the Group's finance costs increased by 35% to HK\$2,001,000. In view of the escalating interest rate, the Group will closely monitor its working capital financing so as to minimize its future financial costs.

Pursuant to the agreements entered into with purchasers for the disposal of a subsidiary during the year 2003, settlement of the deferred consideration was extended to on or before December 13, 2005. During the period, the Group has reviewed the recoverability of the deferred consideration. An impairment loss of HK\$17,000,000 has been recognised in the income statement which is determined by reference to the market price of the pledged shares.

The Group has disposed certain securities investment and has recorded a profit of HK\$5,283,000 as compared with a loss of HK\$174,000 in the same period of 2004.

Despite the good growth experienced in first half 2005, there are uncertainties lying ahead particularly caused by interest rate and oil prices. Nevertheless, the Board is cautiously optimistic about the Group's business outlook for demand of IT products during the remaining half of 2005. To sustain its growth, the Group will further expand its product mix by adding products with high margin into its portfolio and is continuously looking for other investment opportunities that offer higher returns to the Group and shareholders.

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at June 30, 2005, the Group had total assets of HK\$1,034,632,000 which were financed by shareholders' funds of HK\$497,085,000, minority interest of HK\$895,000 and total liabilities of HK\$536,652,000. The Group had a current ratio of approximately 1.61 as compared to that of approximately 1.62 at December 31, 2004.

The Group had HK\$119,297,000 bank balances and cash of which HK\$16,814,000 was pledged to banks for banking facility in the ordinary course of business. The Group's working capital requirements were mainly financed by internal resources and short term borrowings. As at June 30, 2005, the Group had HK\$44,604,000 short term borrowings and HK\$7,500,000 long term borrowings. The Group's borrowings were mainly denominated in Hong Kong dollars, Singapore dollars and Malaysia Ringgit and were charged at floating interest rates.

The Group continued to sustain a good liquidity position. At the end of June 2005, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less short term and long term borrowings) of HK\$67,193,000 compared to HK\$108,737,000 as at December 31, 2004.

Gearing ratio, as defined by total bank loans and bank overdrafts to shareholders' funds, as at June 30, 2005 was 10% compared to 15% as at December 31, 2004.

Charges on Group Assets

At the balance sheet date, the Group had pledged bank deposits of HK\$16,814,000 (as at December 31, 2004: HK\$16,515,000) and an investment property of net book value of HK\$44,200,000 (as at December 31, 2004: HK\$45,800,000) to banks to secure general banking facilities granted to subsidiaries.

Number and Remuneration of Employees, and Remuneration Policies

Staff number of the Group in June 2005 was 252 and the salary and other benefits paid to employees, excluding Directors' emoluments, amounted to HK\$28,075,000. There are no significant changes in staff remuneration policies from last year end date.

Currency Risk Management

The Group maintains a conservative approach on foreign exchange exposure management. There are no significant changes in the strategies to hedge against exposure to fluctuations in exchange rates from last year end date. Revaluation gain or loss on the foreign exchange forward contracts has already taken in the financial statement from January 1, 2005 on adoption of new Hong Kong accounting standards.

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\$223,500,000 (as at December 31, 2004: HK\$226,127,000).

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six month period ended June 30, 2005, except for the following:

None of the three existing independent non-executive Directors of the Company is appointed for a specific term as required by Code A.4.1, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-law 99(B). As such, the Directors consider that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than exacting than those in the Code.

According to Bye-laws of the Company, at each annual general meeting one-third (or the number nearest to one-third) of the Directors at the time being shall retire from office provided that notwithstanding anything herein, the chairman of the Board and Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This deviates from the provisions in Code A.4.2 which requires every Director to be subject to retirement by rotation at least once every three years. The Directors consider the deviation acceptable as the current Chairman is the founder and also a substantial shareholder of the Company. Also, in view of the small number of total Directors of the Company, the deviation is not material.

Under the Code provisions B.1.1 to B.1.5 the Company should established a remuneration committee. The Company has established the remuneration committee in September 2005.

The Company has adopted codes 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 regarding directors’ securities transactions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

On behalf of the Board
LIM Kia Hong
Chief Executive Officer

Hong Kong, September 23, 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.