



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 2006

The directors (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 31 December 2006 together with comparative figures for the corresponding period in 2005 are set out as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
Revenue	2	3,396,237	3,194,899
Cost of sales		<u>(3,208,111)</u>	<u>(3,022,328)</u>
Gross profit		188,126	172,571
Other income		46,131	31,789
Distribution costs		(69,993)	(47,719)
Administrative expenses		(59,002)	(50,796)
Other expenses		(1,254)	(6,412)
Increase in fair value of investment properties		754	17,123
Reversal of (allowance for) impairment loss on consideration receivables		5,773	(15,408)
Share of results of associates		7,970	6,118
Finance costs		<u>(4,056)</u>	<u>(3,657)</u>
Profit before taxation	3	114,449	103,609
Income tax expense	4	<u>(22,188)</u>	<u>(16,569)</u>
Profit for the year		<u>92,261</u>	<u>87,040</u>
Attributable to:			
Equity holders of the Company		92,459	86,896
Minority interests		<u>(198)</u>	<u>144</u>
		<u>92,261</u>	<u>87,040</u>

Dividends	5	<u>12,085</u>	<u>5,371</u>
Earnings per share – basic	6	<u>34.4 HK cents</u>	<u>32.4 HK cents</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
Non-current assets			
Investment properties		137,700	136,145
Property, plant and equipment		9,813	8,678
Prepaid lease payments		14,892	14,915
Interests in associates		73,809	35,154
Available-for-sale investments		8,214	7,471
Staff advances – due after one year		1,838	169
Deferred tax assets		272	1,029
		<u>246,538</u>	<u>203,561</u>
Current assets			
Inventories		267,454	234,194
Trade and other receivables, deposits and prepayments	7	514,928	460,921
Staff advances – due within one year		694	322
Tax recoverable		361	–
Prepaid lease payments		23	23
Investments held-for-trading		54,214	50,175
Derivative financial instruments		–	194
Pledged bank deposits		18,828	17,020
Bank balances and cash		152,128	94,943
		<u>1,008,630</u>	<u>857,792</u>
Current liabilities			
Trade and other payables	8	457,503	386,799
Bills payable		83,810	42,759
Trade payable to a related company		–	1,162
Derivative financial instruments		1,510	514
Tax payable		10,421	4,832
Borrowings – due within one year		38,084	56,431
		<u>591,328</u>	<u>492,497</u>
Net current assets		<u>417,302</u>	<u>365,295</u>
Total assets less current liabilities		<u>663,840</u>	<u>568,856</u>

Non-current liabilities

Deferred tax liabilities	<u>6,085</u>	<u>4,499</u>
	<u>657,755</u>	<u>564,357</u>
Capital and reserves		
Share capital	26,855	26,855
Share premium	52,834	52,834
Reserves	17,623	4,475
Retained profits	<u>559,651</u>	<u>479,277</u>
Equity attributable to equity holders of the Company	656,963	563,441
Minority interests	<u>792</u>	<u>916</u>
Total equity	<u>657,755</u>	<u>564,357</u>

Notes:

1. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no effect on how the results and financial position for the current or prior accounting years are prepared and presented. Accordingly, no prior periods adjustment has been required.

The Group has not early adopted the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC)-Int 8	Scope of HKFRS 2 ⁴
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁵
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁶
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁷
HK(IFRIC)-Int 12	Service Concession Arrangements ⁸

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 March 2006

⁴ Effective for annual periods beginning on or after 1 May 2006

⁵ Effective for annual periods beginning on or after 1 June 2006

⁶ Effective for annual periods beginning on or after 1 November 2006

⁷ Effective for annual periods beginning on or after 1 March 2007

⁸ Effective for annual periods beginning on or after 1 January 2008

2. Segment information

Over 99% of Group's principal activity is the distribution of computer products. Accordingly, no business segment analysis is presented. An analysis of segment information by geographical market of customers and assets is as follow:

	For the year ended 31 December 2006					Consolidated HK\$'000
	Hong Kong HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	Others HK\$'000	
REVENUE	<u>2,362,045</u>	<u>838,223</u>	<u>159,385</u>	<u>13,803</u>	<u>22,781</u>	<u>3,396,237</u>
SEGMENT RESULT						
Operations	75,171	18,335	(526)	(930)	(716)	91,334
Increase in fair value of investment properties	<u>-</u>	<u>754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>754</u>
	<u>75,171</u>	<u>19,089</u>	<u>(526)</u>	<u>(930)</u>	<u>(716)</u>	<u>92,088</u>
Other unallocated income						15,305
Reversal of impairment loss on consideration receivables	-	-	-	5,773	-	5,773
Loss on deemed disposal of an associate	-	-	-	(109)	-	(109)
Share of profit of associates	-	-	918	7,052	-	7,970
Finance costs						(4,056)
Unallocated corporate expenses						<u>(2,522)</u>
Profit before taxation						<u>114,449</u>
	For the year ended 31 December 2005					Consolidated HK\$'000
	Hong Kong HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	Others HK\$'000	
REVENUE	<u>2,032,015</u>	<u>958,080</u>	<u>186,295</u>	<u>6,665</u>	<u>11,844</u>	<u>3,194,899</u>
SEGMENT RESULT						
Operations	72,371	21,195	(271)	50	317	93,662
Increase in fair value of investment properties	<u>16,890</u>	<u>233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,123</u>
	<u>89,261</u>	<u>21,428</u>	<u>(271)</u>	<u>50</u>	<u>317</u>	<u>110,785</u>
Other unallocated income						11,153
Impairment loss on consideration receivables	-	-	-	(15,408)	-	(15,408)
Impairment loss recognised in respect of interests in associates	-	(795)	-	-	-	(795)
Loss on deemed disposal of an associate	-	-	-	(125)	-	(125)
Share of (loss) profit of associates	-	(36)	954	5,200	-	6,118
Finance costs						(3,657)
Unallocated corporate expenses						<u>(4,462)</u>
Profit before taxation						<u>103,609</u>

3. Profit before taxation

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	2,553	2,410
Amortisation of prepaid lease payments	23	23
Exchange gain, net	(15,162)	(4,567)
Interest income	(3,290)	(3,963)
	<u> </u>	<u> </u>

4. Income tax expense

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong	12,547	10,557
Overseas	7,975	698
	<u> </u>	<u> </u>
	20,522	11,255
	<u> </u>	<u> </u>
(Over) under provision in prior years		
Hong Kong	–	78
Overseas	(294)	66
	<u> </u>	<u> </u>
	(294)	144
	<u> </u>	<u> </u>
Deferred taxation	1,960	5,170
	<u> </u>	<u> </u>
Income tax expense for the year	<u> </u>	<u> </u>
	22,188	16,569
	<u> </u>	<u> </u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

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

5. Dividends

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year 2005 of 4.5 HK cents per share (2004: 2.0 HK cents per share)	<u> </u>	<u> </u>
	12,085	5,371
Final dividend, proposed in respect of the year 2006 of 8.0 HK cents per share (2005: 4.5 HK cents per share)	<u> </u>	<u> </u>
	21,484	12,085
	<u> </u>	<u> </u>

The final dividend proposed by the Directors is subject to approval by the shareholders in general meeting.

6. Earnings per share

The calculation of the basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$92,459,000 (2005: HK\$86,896,000) and 268,550,000 (2005: 268,550,000) ordinary shares in issue during the year.

No diluted earnings per share has been presented because the exercise price of the warrants issued by an associate was higher than the average market price for this associate's shares for both 2006 and 2005.

7. Trade and other receivables, deposits and prepayments

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30-60 days to its trade customers. No credit is granted to customers for provision of service.

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 30 days	433,553	350,965
31 to 90 days	52,132	65,718
91 to 120 days	5,003	4,465
Over 120 days	4,189	6,006
	<hr/>	<hr/>
Trade receivables	494,877	427,154
Deposits, prepayments and other receivables	20,051	33,767
	<hr/>	<hr/>
	514,928	460,921
	<hr/> <hr/>	<hr/> <hr/>

8. Trade and other payables

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 30 days	316,750	223,179
31 to 90 days	9,836	16,210
91 to 120 days	173	2,100
Over 120 days	3,421	17,287
	<hr/>	<hr/>
Trade payables	330,180	258,776
Accruals and other payables	127,323	128,023
	<hr/>	<hr/>
	457,503	386,799
	<hr/> <hr/>	<hr/> <hr/>

9. Certain figures in consolidated income statement have been regrouped to other income or other expenses where appropriate in order to conform with current year's presentation.

FINAL DIVIDEND

The Directors recommend a final dividend of 8.0 HK cents per share for 2006 (2005: 4.5 HK cents per share) payable to shareholders on the register of members on 21 May 2007. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable in cash on 15 June 2007.

CLOSE OF REGISTER OF MEMBERS

The register of members will be closed from 17 May 2007 to 21 May 2007, 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 31 December 2006, 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 16 May 2007.

BUSINESS REVIEW

Today our company is stronger than ever. We have an experienced regional management team who understand the diverse cultural backgrounds of the region and dynamics of the IT distribution business. Our focus on profitable growth, operational efficiencies, excellent service, coupled with a wide customer base and close vendor engagements contributed to our sterling performance.

In 2006, the Group continued to make progress and expand our market share and product range. We offer our customers with a strategically selected product mix – a range of world renowned class IT products.

During the year, the Group added several product lines to its offerings and were accorded numerous awards and accolades. These, together with many other honors the Group received during the year, reaffirmed our leadership position in the IT industry.

The Group has acquired a few investment properties in 2007. It is expected to provide the Group with stable income and better yield for its shareholders in the coming years. In 2006, the Group investment portfolio reported a revaluation gain of HK\$4,039,000 and disposal gain of HK\$4,544,000 from its investments.

In 2006, the Group also entered into agreements to repossess the pledged shares of SiS Distribution (Thailand) Public Company Limited (formerly known as SiS Distribution (Thailand) Co. Ltd) from the purchasers who failed to settle the balance of the consideration for the purchase of those share which the Group disposed off during the year 2003. After repossession of the shares, the Group's interest in SiS Distribution (Thailand) Public Company Limited increased from 29.2% to 49.5%.

PROSPECTS

The Directors are looking ahead with confidence. With the rapid technological innovation in IT products, fast economic growth in Asia region in 2007, demand for IT products in Asia region would remain high. The Group will continue to gain market share by adding higher margin products, improve its efficiency in operations by upgrading its IT system, and forging closer partnership with resellers and vendors in the coming year. We will also continue to seek and identify new investment opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue of the Group for the year ended 31 December 2006 was HK\$3,396,237,000 and net profit before tax was HK\$114,449,000.

Liquidity and Financial Resources

As at 31 December 2006, the Group had total assets of HK\$1,255,168,000 which were financed by shareholders' funds of HK\$656,963,000, minority interests of HK\$792,000 and total liabilities of HK\$597,413,000. The Group had a current ratio of approximately 1.71 as compared to that of approximately 1.74 at 31 December 2005.

As at 31 December 2006, the Group had HK\$170,956,000 bank balances and cash of which HK\$18,828,000 was pledged to banks to secure banking facilities in the ordinary course of business. The Group's working capital requirements were mainly financed by internal resources and short-term borrowings. As at 31 December 2006, the Group had HK\$38,084,000 short term bank borrowings. 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 the end of December 2006, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank borrowings) of HK\$132,872,000 compared to HK\$55,532,000 in 2005.

Gearing ratio, as defined by total bank loans and bank overdrafts to shareholders' funds, as at 31 December 2006 was 5.8% compared to 10% as at 31 December 2005.

Charges on Group Assets

At the balance sheet date, the Group had pledged bank deposits of HK\$18,828,000 (2005: HK\$17,020,000) and an investment property of net book value of HK\$40,000,000 (2005: HK\$40,000,000) to banks to secure general banking facilities granted to subsidiaries.

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

The number of staff of the Group as at 31 December 2006 was 283 and the salary and other benefits paid to employees, excluding Directors' emoluments amounted to HK\$58,771,000 (2005: HK\$52,329,000). 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. 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 conservation approach on foreign exchange exposure management. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date.

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\$250,155,000 (2005: HK\$248,364,000).

CORPORATE GOVERNANCE

The Company has complied with the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the year, except for the Code A.4.1 and A.4.2 as disclosed in the Group's 2006 annual report under the Corporate Governance section.

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 of the Listing Rules (the “Model Code”). Having made specific enquiry of all directors and 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 during the year.

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 2006, including the accounting principles and practices adopted by the Company, in conjunction with the Company’s auditors.

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 31 December 2006.

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

Hong Kong, 20 April 2007

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.

** For identification purpose only*

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