



SiS International Holdings Limited

(Stock Code: 529)



Interim Report 2007

CONTENTS

	Page
Corporate Information	2
Corporate Profile	3
Financial Highlights	3
Condensed Consolidated Income Statement	5
Condensed Consolidated Balance Sheet	6
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Cash Flow Statement	9
Notes to the Condensed Consolidated Financial Statements	10
Business Review and Outlook	18
Financial Review and Analysis	19
Other Information	20

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Lim Siam Kwee (*Chairman*)
Lim Kiah Meng
Lim Kia Hong (*Chief Executive Officer*)
Lim Hwee Hai
Lim Hwee Noi

Independent Non-executive Directors:

Lee Hiok Chuan
Woon Wee Teng
Ong Wui Leng

SECRETARY

Chiu Lai Chun, Rhoda

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

301, Eastern Harbour Centre
28 Hoi Chak Street
Quarry Bay
Hong Kong
Telephone: 2565 1682
Fax: 2562 7428

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Corporate Services Limited
65 Front Street
Hamilton
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F., Tesbury Centre,
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

529

INVESTOR RELATIONS

www.sisinternational.com.hk

CORPORATE PROFILE

SiS is one of the largest distributors of computer systems, software, peripherals and networking products in Asia, the world's fastest growing region.

SiS offers manufacturers an immediate access into Asia with a well established network consisting of more than 10,000 resellers, retailers, system integrators, software houses, value added resellers and OEMs strategically located throughout the region.

FINANCIAL HIGHLIGHTS

2007 Interim Financial Highlights

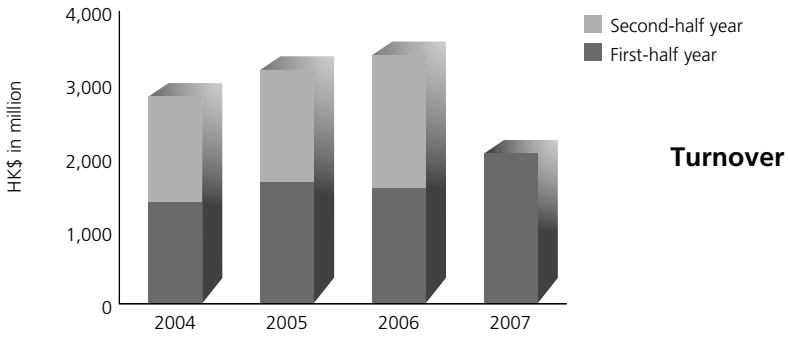
~~~~~  
**Revenue** increased by 31% to HK\$2,051 million as compared with interim 2006.

**Profit before taxation** reached HK\$63 million, growth 82%.

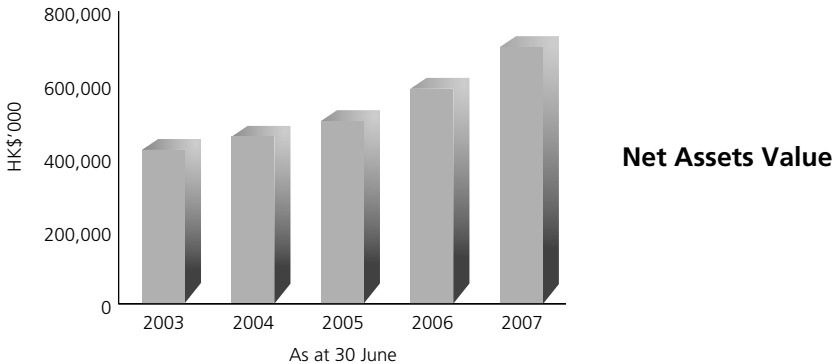
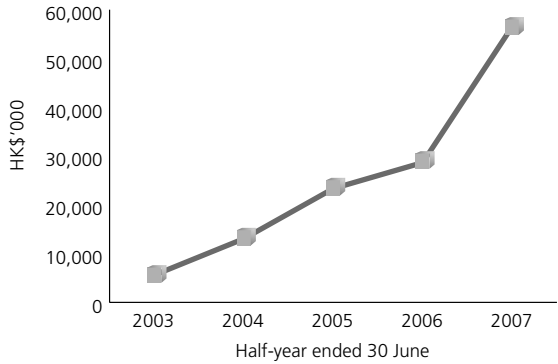
**Net Profit attributable to equity holders** up 97% to HK\$57 million.

**Net asset value** is HK\$701 million, 7% increased since year ended 31 December 2006.

**Bank deposits and cash** amounted to HK\$115 million as at 30 June 2007.



**Net profit attributable to equity holders**



## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

|                                        | NOTES | For the six months ended        |                                 |
|----------------------------------------|-------|---------------------------------|---------------------------------|
|                                        |       | 2007<br>(Unaudited)<br>HK\$'000 | 2006<br>(Unaudited)<br>HK\$'000 |
| Revenue                                | 3     | 2,051,136                       | 1,565,351                       |
| Cost of sales                          |       | (1,946,191)                     | (1,483,218)                     |
| Gross profit                           |       | 104,945                         | 82,133                          |
| Other income                           |       | 30,762                          | 18,758                          |
| Distribution costs                     |       | (42,197)                        | (37,250)                        |
| Administrative expenses                |       | (35,369)                        | (28,738)                        |
| Other expenses                         |       | –                               | (2,326)                         |
| Reversal of impairment loss recognised |       |                                 |                                 |
| on consideration receivables           | 4     | –                               | 1,227                           |
| Share of profit of associates          |       | 7,281                           | 3,114                           |
| Finance costs                          |       | (2,698)                         | (2,439)                         |
| Profit before taxation                 | 5     | 62,724                          | 34,479                          |
| Income tax expense                     | 6     | (6,501)                         | (5,810)                         |
| Profit for the period                  |       | 56,223                          | 28,669                          |
| Attributable to:                       |       |                                 |                                 |
| Equity holders of the Company          |       | 56,539                          | 28,661                          |
| Minority interests                     |       | (316)                           | 8                               |
|                                        |       | 56,223                          | 28,669                          |
| Dividend                               | 7     | 21,484                          | 12,085                          |
| Earnings per share                     | 8     |                                 |                                 |
| – Basic                                |       | 21.05 cents                     | 10.67 cents                     |

## CONDENSED CONSOLIDATED BALANCE SHEET

|                                                          |              | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|----------------------------------------------------------|--------------|------------------------------------------------------|----------------------------------------------|
|                                                          | <i>NOTES</i> |                                                      |                                              |
| <b>Non-current assets</b>                                |              |                                                      |                                              |
| Investment properties                                    | 9            | <b>172,663</b>                                       | 137,700                                      |
| Property, plant and equipment                            | 9            | <b>10,766</b>                                        | 9,813                                        |
| Prepaid lease payments                                   |              | <b>14,881</b>                                        | 14,892                                       |
| Interests in associates                                  |              | <b>86,261</b>                                        | 73,809                                       |
| Available-for-sale investments                           |              | <b>9,058</b>                                         | 8,214                                        |
| Staff advances – due after one year                      |              | <b>96</b>                                            | 1,838                                        |
| Deferred tax assets                                      |              | <b>272</b>                                           | 272                                          |
|                                                          |              | <b>293,997</b>                                       | 246,538                                      |
| <b>Current assets</b>                                    |              |                                                      |                                              |
| Inventories                                              |              | <b>288,954</b>                                       | 267,454                                      |
| Trade and other receivables, deposits<br>and prepayments | 10           | <b>542,883</b>                                       | 514,928                                      |
| Staff advances – due within one year                     |              | <b>1,158</b>                                         | 694                                          |
| Tax recoverable                                          |              | <b>361</b>                                           | 361                                          |
| Prepaid lease payments                                   |              | <b>23</b>                                            | 23                                           |
| Investments held-for-trading                             |              | <b>64,012</b>                                        | 54,214                                       |
| Derivative financial instruments                         |              | <b>1,503</b>                                         | –                                            |
| Pledged bank deposits                                    |              | <b>19,631</b>                                        | 18,828                                       |
| Bank balances and cash                                   |              | <b>95,554</b>                                        | 152,128                                      |
|                                                          |              | <b>1,014,079</b>                                     | 1,008,630                                    |
| <b>Current liabilities</b>                               |              |                                                      |                                              |
| Trade and other payables                                 | 11           | <b>463,015</b>                                       | 457,503                                      |
| Bills payable                                            | 12           | <b>64,512</b>                                        | 83,810                                       |
| Derivative financial instruments                         |              | <b>152</b>                                           | 1,510                                        |
| Tax payable                                              |              | <b>15,141</b>                                        | 10,421                                       |
| Bank borrowings – due within one year                    | 13           | <b>57,556</b>                                        | 38,084                                       |
|                                                          |              | <b>600,376</b>                                       | 591,328                                      |

## CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

|                                                         | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|---------------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| <i>NOTES</i>                                            |                                                      |                                              |
| <b>Net current assets</b>                               | <b>413,703</b>                                       | 417,302                                      |
| <b>Total assets less current liabilities</b>            | <b>707,700</b>                                       | 663,840                                      |
| <b>Non-current liabilities</b>                          |                                                      |                                              |
| Deferred tax liabilities                                | <b>6,119</b>                                         | 6,085                                        |
|                                                         | <b>701,581</b>                                       | 657,755                                      |
| <b>Capital and reserves</b>                             |                                                      |                                              |
| Share capital                                           | <b>26,855</b>                                        | 26,855                                       |
| Share premium and reserves                              | <b>674,425</b>                                       | 630,108                                      |
| Equity attributable to equity holders<br>of the Company | <b>701,280</b>                                       | 656,963                                      |
| Minority interests                                      | <b>301</b>                                           | 792                                          |
| <b>Total equity</b>                                     | <b>701,581</b>                                       | 657,755                                      |



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

|                                                                                                   | Attributable to equity holders of the Company |                           |                                             |                                 |                               |                                 |                              |                   | Minority interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------------|---------------------------------------------|---------------------------------|-------------------------------|---------------------------------|------------------------------|-------------------|--------------------------------|--------------------------|
|                                                                                                   | Share capital<br>HK\$'000                     | Share premium<br>HK\$'000 | Investments revaluation reserve<br>HK\$'000 | Translation reserve<br>HK\$'000 | Statutory reserve<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Retained profits<br>HK\$'000 | Total<br>HK\$'000 |                                |                          |
| At 1 January 2006 (audited)                                                                       | 26,855                                        | 52,834                    | 2,185                                       | (1,489)                         | 919                           | 2,860                           | 479,277                      | 563,441           | 916                            | 564,357                  |
| Exchange differences arising on translation of foreign operations                                 | -                                             | -                         | -                                           | 5,845                           | -                             | -                               | -                            | 5,845             | 47                             | 5,892                    |
| Revaluation increase                                                                              | -                                             | -                         | 614                                         | -                               | -                             | -                               | -                            | 614               | -                              | 614                      |
| Total income recognised directly in equity                                                        | -                                             | -                         | 614                                         | 5,845                           | -                             | -                               | -                            | 6,459             | 47                             | 6,506                    |
| Profit for the period                                                                             | -                                             | -                         | -                                           | -                               | -                             | -                               | 28,661                       | 28,661            | 8                              | 28,669                   |
| Total recognised income and expense for the period                                                | -                                             | -                         | 614                                         | 5,845                           | -                             | -                               | 28,661                       | 35,120            | 55                             | 35,175                   |
| Dividend paid                                                                                     | -                                             | -                         | -                                           | -                               | -                             | -                               | (12,085)                     | (12,085)          | -                              | (12,085)                 |
| At 30 June 2006 (unaudited)                                                                       | <b>26,855</b>                                 | <b>52,834</b>             | <b>2,799</b>                                | <b>4,356</b>                    | <b>919</b>                    | <b>2,860</b>                    | <b>495,853</b>               | <b>586,476</b>    | <b>971</b>                     | <b>587,447</b>           |
| At 1 January 2007 (audited)                                                                       | <b>26,855</b>                                 | <b>52,834</b>             | <b>2,924</b>                                | <b>10,920</b>                   | <b>919</b>                    | <b>2,860</b>                    | <b>559,651</b>               | <b>656,963</b>    | <b>792</b>                     | <b>657,755</b>           |
| Exchange differences arising on translation of foreign operations                                 | -                                             | -                         | -                                           | 8,418                           | -                             | -                               | -                            | 8,418             | 6                              | 8,424                    |
| Revaluation increase                                                                              | -                                             | -                         | 844                                         | -                               | -                             | -                               | -                            | 844               | -                              | 844                      |
| Total income recognised directly in equity                                                        | -                                             | -                         | 844                                         | 8,418                           | -                             | -                               | -                            | 9,262             | 6                              | 9,268                    |
| Profit (loss) for the period                                                                      | -                                             | -                         | -                                           | -                               | -                             | -                               | 56,539                       | 56,539            | (316)                          | 56,223                   |
| Total recognised income and expense for the period                                                | -                                             | -                         | 844                                         | 8,418                           | -                             | -                               | 56,539                       | 65,801            | (310)                          | 65,491                   |
| Decrease in minority interests as a result of acquisition of additional interests in a subsidiary | -                                             | -                         | -                                           | -                               | -                             | -                               | -                            | -                 | (181)                          | (181)                    |
| Dividend paid                                                                                     | -                                             | -                         | -                                           | -                               | -                             | -                               | (21,484)                     | (21,484)          | -                              | (21,484)                 |
| At 30 June 2007 (unaudited)                                                                       | <b>26,855</b>                                 | <b>52,834</b>             | <b>3,768</b>                                | <b>19,338</b>                   | <b>919</b>                    | <b>2,860</b>                    | <b>594,706</b>               | <b>701,280</b>    | <b>301</b>                     | <b>701,581</b>           |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

|                                                              | For the six months ended<br>30 June |                                 |
|--------------------------------------------------------------|-------------------------------------|---------------------------------|
|                                                              | 2007<br>(Unaudited)<br>HK\$'000     | 2006<br>(Unaudited)<br>HK\$'000 |
| <b>Net cash (used in) from operating activities</b>          | <b>(24,406)</b>                     | 23,753                          |
| <b>Net cash (used in) from investing activities</b>          |                                     |                                 |
| Purchase of investment properties                            | <b>(34,901)</b>                     | –                               |
| Other investing cash flows                                   | <b>6,233</b>                        | 3,642                           |
|                                                              | <b>(28,668)</b>                     | 3,642                           |
| <b>Net cash used in financing activities</b>                 |                                     |                                 |
| New bank loans raised                                        | <b>155,061</b>                      | 114,308                         |
| Repayment of bank loans                                      | <b>(137,424)</b>                    | (123,617)                       |
| Dividend paid                                                | <b>(21,484)</b>                     | (12,085)                        |
|                                                              | <b>(3,847)</b>                      | (21,394)                        |
| <b>Net (decrease) increase in cash and cash equivalents</b>  | <b>(56,921)</b>                     | 6,001                           |
| <b>Cash and cash equivalents at beginning of the period</b>  | <b>152,128</b>                      | 94,879                          |
| <b>Effect of foreign exchange rate changes</b>               | <b>(668)</b>                        | 1,219                           |
| <b>Cash and cash equivalents at end of the period</b>        | <b>94,539</b>                       | 102,099                         |
| <b>Analysis of the balances of cash and cash equivalents</b> |                                     |                                 |
| Bank balances and cash                                       | <b>95,554</b>                       | 103,104                         |
| Bank overdrafts                                              | <b>(1,015)</b>                      | (1,005)                         |
|                                                              | <b>94,539</b>                       | 102,099                         |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

### 1. BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, the following of new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA that are effective for the Group’s financial year beginning 1 January 2007. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

|                    |                                                                                                                    |
|--------------------|--------------------------------------------------------------------------------------------------------------------|
| HKAS 1 (Amendment) | Capital Disclosures <sup>1</sup>                                                                                   |
| HKFRS 7            | Financial Instruments: Disclosures <sup>1</sup>                                                                    |
| HK (IFRIC)-INT 7   | Applying the Restatement Approach under HKAS 29<br>Financial Reporting in Hyperinflationary Economies <sup>2</sup> |
| HK (IFRIC)-INT 8   | Scope of HKFRS 2 <sup>3</sup>                                                                                      |
| HK (IFRIC)-INT 9   | Reassessment of Embedded Derivatives <sup>4</sup>                                                                  |
| HK (IFRIC)-INT 10  | Interim Financial Reporting and Impairment <sup>5</sup>                                                            |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on results and financial position of the Group.

|                   |                                                              |
|-------------------|--------------------------------------------------------------|
| HKAS 23 (Revised) | Borrowing Costs <sup>1</sup>                                 |
| HKFRS 8           | Operating Segments <sup>1</sup>                              |
| HK (IFRIC)-INT 11 | HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup> |
| HK (IFRIC)-INT 12 | Service Concession Arrangements <sup>3</sup>                 |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

## 3. SEGMENTAL INFORMATION

### Geographical Segments

The Group's primary format for reporting segment information is geographical segments, based on locations of customers.

### Six months ended 30 June 2007 (Unaudited)

|                                    | Hong Kong | Singapore | Malaysia | Others   | Consolidated |
|------------------------------------|-----------|-----------|----------|----------|--------------|
|                                    | HK\$'000  | HK\$'000  | HK\$'000 | HK\$'000 | HK\$'000     |
| REVENUE                            | 1,292,809 | 634,988   | 103,414  | 19,925   | 2,051,136    |
| SEGMENT RESULTS                    | 40,894    | 10,335    | 1,139    | 447      | 52,815       |
| Interest income                    |           |           |          |          | 1,998        |
| Other unallocated corporate income |           |           |          |          | 4,145        |
| Fair value changes in investments  |           |           |          |          |              |
| held-for-trading                   | -         | -         | -        | 9,628    | 9,628        |
| Share of profit of associates      | -         | -         | 1,201    | 6,080    | 7,281        |
| Finance costs                      |           |           |          |          | (2,698)      |
| Unallocated corporate expenses     |           |           |          |          | (10,445)     |
| Profit before taxation             |           |           |          |          | 62,724       |

### 3. SEGMENTAL INFORMATION (continued)

#### Geographical Segments (continued)

Six months ended 30 June 2006 (Unaudited)

|                                                                           | Hong Kong<br>HK\$'000 | Singapore<br>HK\$'000 | Malaysia<br>HK\$'000 | Others<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---------------------------------------------------------------------------|-----------------------|-----------------------|----------------------|--------------------|--------------------------|
| REVENUE                                                                   | 1,088,412             | 386,868               | 72,959               | 17,112             | 1,565,351                |
| SEGMENT RESULTS                                                           | 33,509                | 10,847                | (1,194)              | (1,495)            | 41,667                   |
| Interest income                                                           |                       |                       |                      |                    | 1,796                    |
| Other unallocated corporate income                                        |                       |                       |                      |                    | 3,483                    |
| Reversal of impairment loss<br>recognised on consideration<br>receivables | -                     | 1,227                 | -                    | -                  | 1,227                    |
| Fair value changes in investments<br>held-for-trading                     | -                     | (2,326)               | -                    | -                  | (2,326)                  |
| Share of profit of associates                                             | -                     | -                     | 506                  | 2,608              | 3,114                    |
| Finance costs                                                             |                       |                       |                      |                    | (2,439)                  |
| Unallocated corporate expenses                                            |                       |                       |                      |                    | (12,043)                 |
| Profit before taxation                                                    |                       |                       |                      |                    | 34,479                   |

### 4. REVERSAL OF IMPAIRMENT LOSS RECOGNISED ON CONSIDERATION RECEIVABLES

In previous period, an impairment loss of HK\$17,000,000 was provided on the overdue deferred consideration arising on partial disposal of a subsidiary (which has since become an associate of the Group) as the Directors considered there were uncertainties to the recoverability of the receivable. In prior period, the Group conducted a similar review on the recoverability of the carrying value and a reversal of HK\$1,227,000 was recognised in the consolidated income statement. The reversal of impairment loss was determined by reference to the fair value of the disposed shares that the Group was entitled to receive as a result of the counterparty's failure to settle the deferred consideration.

## 5. PROFIT BEFORE TAXATION

|                                                                        | Six months ended  |                   |
|------------------------------------------------------------------------|-------------------|-------------------|
|                                                                        | 30 June           |                   |
|                                                                        | 2007              | 2006              |
|                                                                        | (Unaudited)       | (Unaudited)       |
|                                                                        | HK\$'000          | HK\$'000          |
| Profit before taxation has been arrived at after charging (crediting): |                   |                   |
| Allowance for doubtful debts                                           | 5,384             | 7,554             |
| Depreciation                                                           | 1,669             | 1,124             |
| Dividend income from investments held-for-trading                      | (2,407)           | (1,236)           |
| Exchange gain, net                                                     | (3,794)           | (8,314)           |
| Gain on fair value changes of derivative financial instruments         | (2,861)           | (165)             |
| (Gain) loss on fair value changes on investments held-for-trading      | (9,628)           | 2,326             |
| Interest income                                                        | (1,998)           | (1,796)           |
|                                                                        | <u>          </u> | <u>          </u> |

## 6. INCOME TAX EXPENSE

|                                   | Six months ended |              |
|-----------------------------------|------------------|--------------|
|                                   | 30 June          |              |
|                                   | 2007             | 2006         |
|                                   | (Unaudited)      | (Unaudited)  |
|                                   | HK\$'000         | HK\$'000     |
| Current tax:                      |                  |              |
| Hong Kong                         | 4,567            | 4,223        |
| Overseas                          | 1,848            | 1,587        |
| Underprovision for prior periods: |                  |              |
| Overseas                          | 86               | –            |
| Income tax expense                | <u>6,501</u>     | <u>5,810</u> |

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 June 2006: 17.5%) of the estimated assessable profit for the period.

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

## **7. DIVIDEND**

Final dividend of 8.0 HK cents per share, totalling HK\$21,484,000 (six months ended 30 June 2006: 2005 final dividend HK\$12,085,000) for the year ended 31 December 2006 was paid to shareholders on 15 June 2007.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

## **8. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the Group's profit attributable to the equity holders of the Company for the six months ended 30 June 2007 of HK\$56,539,000 (six months ended 30 June 2006: HK\$28,661,000) and 268,550,000 (six months ended 30 June 2006: 268,550,000) ordinary shares in issue during the period.

No diluted earnings per share is presented because the exercise price of the warrants issued by an associate was higher than the average market price for the associate's shares for both periods.

## **9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent approximately HK\$34,901,000 (six months ended 30 June 2006: Nil) on acquisition of investment properties in Hong Kong and Singapore. The Group also spent approximately HK\$2,568,000 (six months ended 30 June 2006: HK\$1,198,000) on acquisition of plant and equipment.

At 30 June 2007, the Directors have considered the carrying amount of the Group's investment properties carried at fair values and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no fair value gains or loss has been recognised in the current period.

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

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. No credit is granted to customers for provision of service.

The following is an aged analysis of trade receivables at the balance sheet date:

|                                             | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|---------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Within 30 days                              | <b>445,555</b>                                       | 433,553                                      |
| 31 to 90 days                               | <b>73,907</b>                                        | 52,132                                       |
| 91 to 120 days                              | <b>3,335</b>                                         | 5,003                                        |
| Over 120 days                               | <b>3,377</b>                                         | 4,189                                        |
| Trade receivables                           | <b>526,174</b>                                       | 494,877                                      |
| Other receivables, deposits and prepayments | <b>16,709</b>                                        | 20,051                                       |
|                                             | <b>542,883</b>                                       | 514,928                                      |

## 11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

|                             | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|-----------------------------|------------------------------------------------------|----------------------------------------------|
| Within 30 days              | <b>287,175</b>                                       | 316,750                                      |
| 31 to 90 days               | <b>19,939</b>                                        | 9,836                                        |
| 91 to 120 days              | <b>1,121</b>                                         | 173                                          |
| Over 120 days               | <b>6,712</b>                                         | 3,421                                        |
| Trade payables              | <b>314,947</b>                                       | 330,180                                      |
| Other payables and accruals | <b>148,068</b>                                       | 127,323                                      |
|                             | <b>463,015</b>                                       | 457,503                                      |

## 12. BILLS PAYABLE

The aged analysis of bills payable as at 30 June 2007 and 31 December 2006 are both within 90 days.



### 13. BANK BORROWINGS

|                                  | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|----------------------------------|------------------------------------------------------|----------------------------------------------|
| Bank overdrafts                  | <b>1,015</b>                                         | –                                            |
| Bank loans – due within one year | <b>56,541</b>                                        | 38,084                                       |
|                                  | <b>57,556</b>                                        | 38,084                                       |

During the period, the Group repaid bank loans amounting to approximately HK\$137,424,000 and obtained new bank loans of approximately HK\$155,061,000.

### 14. SHARE CAPITAL

|                                      | <b>Number<br/>of shares<br/>'000</b> | <b>Amount<br/>HK\$'000</b> |
|--------------------------------------|--------------------------------------|----------------------------|
| Ordinary shares of HK\$0.10 each     |                                      |                            |
| Authorised:                          |                                      |                            |
| At 30 June 2007 and 31 December 2006 | <b>350,000</b>                       | 35,000                     |
| Issued and fully paid:               |                                      |                            |
| At 30 June 2007 and 31 December 2006 | <b>268,550</b>                       | 26,855                     |

### 15. PLEDGE OF ASSETS

At 30 June 2007, the Group had pledged certain of its assets to secure general banking facilities granted to the Group and are analysed as follows:

|                       | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|-----------------------|------------------------------------------------------|----------------------------------------------|
| Investment properties | <b>40,000</b>                                        | 40,000                                       |
| Pledged bank deposits | <b>19,631</b>                                        | 18,828                                       |
|                       | <b>59,631</b>                                        | 58,828                                       |

## 16. CAPITAL COMMITMENTS

|                                      | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|--------------------------------------|------------------------------------------------------|----------------------------------------------|
| Capital contribution to an associate | <b>760</b>                                           | 760                                          |

## 17. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material transactions with related parties:

|                                                                | <b>Associates</b>                                                         |                                 | <b>Related companies</b>                                                  |                                 |
|----------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------|---------------------------------------------------------------------------|---------------------------------|
|                                                                | <b>Six months ended<br/>30 June<br/>2007<br/>(unaudited)<br/>HK\$'000</b> |                                 | <b>Six months ended<br/>30 June<br/>2007<br/>(unaudited)<br/>HK\$'000</b> |                                 |
|                                                                | 2006<br>(unaudited)<br>HK\$'000                                           | 2006<br>(unaudited)<br>HK\$'000 | 2006<br>(unaudited)<br>HK\$'000                                           | 2006<br>(unaudited)<br>HK\$'000 |
| Sales of goods                                                 | 2,649                                                                     | 2,523                           | –                                                                         | 6,902                           |
| Purchases of goods                                             | –                                                                         | 658                             | –                                                                         | 81                              |
| Operating lease rentals expense                                | –                                                                         | –                               | <b>3,084</b>                                                              | 2,985                           |
| Management fee income                                          | <b>728</b>                                                                | 583                             | –                                                                         | –                               |
| Amount due from related party<br>included in trade receivables | <b>292</b>                                                                | 835                             | –                                                                         | –                               |

Certain directors of the Company, directly or indirectly, have beneficial interests in the related companies.

Compensation to key management personnel of the Group for the six months ended 30 June 2007 amounted to HK\$6,653,000 (six months ended 30 June 2006; HK\$5,272,000).

## 18. POST BALANCE SHEET EVENTS

On 20 August 2007, the Company had granted 10,300,000 share options to the directors, employees and qualified persons of the Company. The grant of these share options was approved by board of directors on 20 August 2007. The exercise price of the share options granted was HK\$1.72 per share which is fixed by reference to the average closing price of the Company's share for five business days immediately prior to the date of the grant. The Group is in the process of assessing the financial impact of these newly granted share options.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil)

## **BUSINESS REVIEW AND OUTLOOK**

SiS Group recorded solid results and performance for the first half of 2007. SiS Group generated record profitability and sales for the first half of 2007. Net profit attributable to shareholders increased by 97% to HK\$56,539,000 from HK\$28,661,000 as compared with that of the same period last year. Profit before taxation increased by 82% to HK\$62,724,000 as compared with the same period last year. SiS Group sales turnover increased 31% to HK\$2,051,136,000 in the first half of 2007. Earnings per share increased by 97% to HK21.05 cents.

SiS's record results continue to demonstrate the operations excellence in SiS business model and on execution have resulted in record setting performance.

The sterling performance in the first half of 2007 was the result of successful adoption & implementation of strategic management initiatives including focusing on higher margin products. Through aggressive sales and product management, we achieved record sales in the first half of 2007 - highlighted by strong profit growth.

SiS listed associate company in Thailand - SiS Distribution (Thailand) Public Company Limited continue to grow both in its net profit and revenue of 14% and 6% respectively as compared with the same period last year in spite of the political climate in Thailand.

In view of the optimistic economic outlook in the Asian region, SiS Group is moving ahead with confidence. The Group will continue to expand its profit margin on product lines and at the same time seizing the many opportunities presented in Asia.

## **FINANCIAL REVIEW AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 30 June 2007, the Group had total assets of HK\$1,308,076,000 which were financed by shareholders' funds of HK\$701,280,000 minority interests of HK\$301,000 and total liabilities of HK\$606,495,000. The Group had a current ratio of approximately 1.69 as compared to that of approximately 1.71 at 31 December 2006.

As at 30 June 2007, the Group had HK\$115,185,000 bank deposits and cash of which HK\$19,631,000 was pledged to banks to cover 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 30 June 2007, the Group had HK\$57,556,000 short term borrowings and bank overdraft. 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 maintain a strong liquidity position. At the end of June 2007, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank borrowings) of HK\$57,629,000 compared to HK\$132,872,000 as at 31 December 2006.

Gearing ratio, as defined by total bank loans and overdrafts to shareholders' funds, as at 30 June 2007 was 8% compared to 6% as at 31 December 2006.

### **Charges on Group Assets**

At the balance sheet date, the Group had pledged bank deposits of HK\$19,631,000 (as at 31 December 2006: HK\$18,828,000) and an investment property of net book value of HK\$40,000,000 (as at 31 December 2006: 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**

Staff number of the Group at June 2007 was 292 and the salaries and other benefits paid to employees, excluding Directors' emoluments, amounted to HK\$36,944,000. 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.

## 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\$249,353,000 (as at 31 December 2006: HK\$250,155,000).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 30 June 2007, the interests of the directors and their associates, in the shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

| Name of directors | Long position in shares        |                     |            |
|-------------------|--------------------------------|---------------------|------------|
|                   | Number of ordinary shares held |                     |            |
|                   | Personal Interests             | Corporate Interests | Percentage |
| Lim Siam Kwee     | 8,424,400                      | –                   | 3.14%      |
| Lim Kiah Meng     | 2,531,200                      | 178,640,000 (note)  | 67.46%     |
| Lim Kia Hong      | 2,531,200                      | 178,640,000 (note)  | 67.46%     |
| Lim Hwee Hai      | 2,531,200                      | –                   | 0.94%      |
| Lim Hwee Noi      | 2,276,000                      | –                   | 0.85%      |

Note: Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and Mr. Lim Kia Hong and their spouses together own 40.5% and 39.5% respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 30 June 2007.

## **SHARE OPTIONS**

On 21 May 2007 the Company has adopted a new share option scheme (the “New Scheme”) and the share option scheme adopted on 31 May 2002 (the “Old Scheme”) was terminated on the same date. Pursuant to the New Scheme, the Company may grant options to qualified persons, including employees, and directors of the Company and its subsidiaries and associates, to subscribe for share in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties with a view to maintain business relationship with such persons.

No options were outstanding as at 1 January 2007 and no options have been granted under the both the New Scheme and Old Scheme during the six months ended 30 June 2007.

On 20 August 2007, a total of 10,300,000 share options were granted to qualified persons including directors of the Company pursuant to the New Scheme. The options were granted at a cash consideration of HK\$10.00 per grantee and entitled the grantee to subscribe for ordinary shares of the Company at an exercise price of HK\$1.72 per share. The options may be exercisable during the period from 18 February 2008 to 20 May 2017.

## **SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 30 June 2007.

## **CORPORATE GOVERNANCE**

On 23 September 2005, the Company has adopted its own corporate governance code which is substantially similar or in exceeds as the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules. The Company has complied with the Code throughout the six months period ended 30 June 2007, except for those deviations fully described in the Corporate Governance Report as set out in page 7 to 8 in the Company’s 2006 Annual Report.

## **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.

## **PURCHASE, SALES 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, 21 September 2007