



# 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 2007

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 2007 together with comparative figures for the corresponding period in 2006 are set out as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Revenue	2	4,260,503	3,396,237
Cost of sales		(4,005,782)	(3,208,111)
Gross profit		254,721	188,126
Other income	3	42,573	46,131
Distribution costs		(80,702)	(69,993)
Administrative expenses		(63,473)	(59,002)
Other expenses		(125)	(1,254)
Change in fair value of investment properties		38,514	754
Reversal of impairment loss on consideration receivable		–	5,773
Share of results of associates		18,152	7,970
Finance costs		(5,403)	(4,056)
Profit before taxation		204,257	114,449
Income tax expense	4	(34,306)	(22,188)
Profit for the year	5	169,951	92,261
Attributable to:			
Equity holders of the Company		170,341	92,459
Minority interests		(390)	(198)
		169,951	92,261
Dividends	6	21,484	12,085
Earnings per share – basic	7	63.4 HK cents	34.4 HK cents
– diluted		63.4 HK cents	34.4 HK cents

\* For identification purpose only

## CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		212,256	137,700
Property, plant and equipment		11,858	9,813
Prepaid lease payments		14,869	14,892
Interests in associates		103,022	73,809
Available-for-sale investments		10,492	8,214
Staff advances – due after one year		54	1,838
Deferred tax assets		224	272
		<u>352,775</u>	<u>246,538</u>
<b>Current assets</b>			
Inventories		315,010	267,454
Trade and other receivables, deposits and prepayments	8	584,758	514,928
Staff advances – due within one year		624	694
Tax recoverable		–	361
Prepaid lease payments		23	23
Investments held-for-trading		58,541	54,214
Pledged bank deposits		20,698	18,828
Bank balances and cash		157,182	152,128
		<u>1,136,836</u>	<u>1,008,630</u>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	9	461,805	457,503
Bills payable		57,130	83,810
Derivative financial instruments		1,361	1,510
Tax payable		21,071	10,421
Bank loans – due within one year		100,143	38,084
		<u>641,510</u>	<u>591,328</u>
<b>Net current assets</b>		<u>495,326</u>	417,302
<b>Total assets less current liabilities</b>		<u>848,101</u>	663,840
<b>Non-current liabilities</b>			
Deferred tax liabilities		17,407	6,085
		<u>830,694</u>	<u>657,755</u>
<b>Capital and reserves</b>			
Share capital		26,855	26,855
Share premium		52,834	52,834
Reserves		42,497	17,623
Retained profits		708,508	559,651
<b>Equity attributable to equity holders of the Company</b>		<u>830,694</u>	656,963
<b>Minority interests</b>		–	792
<b>Total equity</b>		<u>830,694</u>	<u>657,755</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, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the current year beginning from 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in current year.

The Group has not early adopted the following new standard, amendment, revisions or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standard, amendment, revisions or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>3</sup>
HK(IFRIC) – INT 12	Service Concession Arrangements <sup>4</sup>
HK(IFRIC) – INT 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>4</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 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008

## 2. Segment information

In the prior year, the primary reportable segment information of the Group is based on geographic location of customers. During the year, the risks and returns of the Group is affected predominantly by differences in its businesses in distribution of IT products and property investment. As a result, the Group has presented its primary reportable segment information based on business segments for the current year and 2006 segment information has been restated for comparison purposes.

### *Business segments*

	For the year ended 31 December 2007			
	Distribution of IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>4,250,313</u>	<u>8,537</u>	<u>1,653</u>	<u>4,260,503</u>
SEGMENT RESULT				
Operations	<u>147,599</u>	<u>46,018</u>	<u>–</u>	<u>193,617</u>
Other unallocated income				14,094
Other income from investments held-for-trading and available-for-sale investments				7,359
Gain on disposal of a subsidiary				242
Share of results of associates	18,152	–	–	18,152
Finance costs				(5,403)
Unallocated corporate expenses				<u>(23,804)</u>
Profit before taxation				204,257
Income tax expense				<u>(34,306)</u>
Profit for the year				<u>169,951</u>

For the year ended 31 December 2006

	Distribution of IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	3,385,316	5,224	5,697	3,396,237
SEGMENT RESULT				
Operations	88,319	4,635	(614)	92,340
Other unallocated income				18,452
Other income from investments held-for-trading and available-for-sale investments				12,015
Reversal of impairment loss on consideration receivable				5,773
Loss on deemed disposal of an associate				(109)
Share of results of associates	7,970	–	–	7,970
Finance costs				(4,056)
Unallocated corporate expenses				(17,936)
Profit before taxation				114,449
Income tax expense				(22,188)
Profit for the year				92,261

*Geographical segments*

	For the year ended 31 December 2007					
	Hong Kong <i>HK\$'000</i>	Singapore <i>HK\$'000</i>	Malaysia <i>HK\$'000</i>	Thailand <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	2,590,934	1,352,985	271,258	4,657	40,669	4,260,503
	For the year ended 31 December 2006					
	Hong Kong <i>HK\$'000</i>	Singapore <i>HK\$'000</i>	Malaysia <i>HK\$'000</i>	Thailand <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	2,362,045	838,223	159,385	13,803	22,781	3,396,237

**3. Other income**

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Other income comprises:		
Dividend income from available-for-sale investments	32	2
Dividend income from investments held-for-trading	4,954	3,430
Discount on early settlement to suppliers	15,296	11,592
Exchange gain, net	9,828	15,162
Changes in fair value of investments held-for-trading	1,836	4,039
Changes in fair value of derivative financial instruments	184	–
Interest on bank deposits	4,266	3,290
Gain on disposal of available-for-sale investments	537	4,544
Gain on disposal of a subsidiary	242	–

#### 4. Income tax expense

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong	15,690	12,547
Overseas	7,978	7,975
	<u>23,668</u>	<u>20,522</u>
(Over) underprovision in prior years		
Hong Kong	(263)	–
Overseas	7	(294)
	<u>(256)</u>	<u>(294)</u>
Deferred taxation	<u>10,894</u>	<u>1,960</u>
Income tax expense for the year	<u><u>34,306</u></u>	<u><u>22,188</u></u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

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

#### 5. Profit for the year

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	3,977	2,553
Amortisation of prepaid lease payments	23	23
	<u><u>3,977</u></u>	<u><u>2,553</u></u>

#### 6. Dividends

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year 2006 of 8.0 HK cents per share (2005: 4.5 HK cents per share)	<u>21,484</u>	<u>12,085</u>
Final dividend, proposed in respect of the year 2007 of 10.0 HK cents per share (2006: 8.0 HK cents per share)	<u>27,102</u>	<u>21,484</u>

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

## 7. 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\$170,341,000 (2006: HK\$92,459,000) and 268,550,000 (2006: 268,550,000) ordinary shares in issue during the year.

The diluted earnings per share does not take into account share options as the effect of potential ordinary shares on the share options granted from the date of grant to balance sheet date was anti-dilutive.

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

## 8. 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 and rentals receivables.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	339,720	433,553
31 to 90 days	190,322	52,132
91 to 120 days	27,810	5,003
Over 120 days	7,687	4,189
	<hr/>	<hr/>
Trade receivables	565,539	494,877
Deposits, prepayments and other receivables	19,219	20,051
	<hr/>	<hr/>
	<b>584,758</b>	<b>514,928</b>
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## 9. Trade payables, other payables and accruals

Included in trade payables, other payables and accruals is trade payables of HK\$331,762,000 (2006: HK\$330,180,000). The following is an aged analysis of trade payables at the balance sheet date:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	319,304	316,750
31 to 90 days	9,288	9,836
91 to 120 days	627	173
Over 120 days	2,543	3,421
	<hr/>	<hr/>
Trade payables	331,762	330,180
	<hr/> <hr/>	<hr/> <hr/>

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

## **FINAL DIVIDEND**

The Directors recommend a final dividend of 10.0 HK cents per share for 2007 (2006: 8.0 HK cents per share) payable to shareholders on the register of members on 13 May 2008. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable in cash on 11 July 2008.

## **CLOSE OF REGISTER OF MEMBERS**

The register of members will be closed from 7 May 2008 to 9 May 2008, 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 2007, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 6 May 2008.

## **BUSINESS REVIEW**

SiS Group is very pleased to report an outstanding success once again, posting yet another year of sterling results and performance for the Group. SiS Group generated another year of record profitability and sales in fiscal year 2007. Net profit attributable to shareholders increased by 84% to HK\$170,341,000 in 2007 from HK\$92,459,000 in 2006. Group sales turnover increased by 25% from HK\$3,396,237,000 in 2006 to HK\$4,260,503,000 in 2007. Basic earnings per share increased to 63.4 HK cents from 34.4 HK cents in 2006, an increase of 84% as compared to previous year.

Our strategy of profitable growth and diversifying our income and profit streams is beginning to make a positive contribution to the Group. Each of our businesses contributed positively to our Group in 2007.

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

Driving our success is our IT distribution business. It contributed 72% of the Group's profit before tax for year 2007.

SiS has a strong and seasoned team of management who understands the diverse cultural background of the Asia region and the dynamics of the IT distribution business. This, coupled with diligent profit margin management, excellent service, strong customer and vendor engagements enable the Group to profitably grow our IT distribution business during the year. Operating profit from our IT distribution business increased from HK\$88 million to HK\$148 million representing 68% growth.

SiS Group is one of the Top IT distributors in Asia representing some of the world's best IT products.



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

Our group investment in IT business focused on investing in IT companies in the region. We invest in businesses which have synergies with the Group or where our investments and involvements can play a part in growing these companies.

Despite of the challenging political climate in Thailand for the year 2007, the Group's investments in SiS Distribution (Thailand) Public Company Limited ("SiS Thailand") continue to perform and grow steadily. SiS Thailand's net profit increased 39% over previous year with revenue exceeded 10,000 million Baht. The impressive performance of SiS Thailand has contributed HK\$16 million to the Group's result for 2007 compared with HK\$7 million in year 2006.

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

As Asian economies continue to prosper and property prices continue to rise in the region, the Group has made selective long term investment in properties in Asia. As at 31 December 2007, the Group has recorded fair valuation gains of HK\$39 million for all its investment in properties, and the total fair value of these investment properties amounted to HK\$212 million. Rental income together with the valuation gains less outgoings accounted for 23% of the Group's profit before taxation.

## **PROSPECT**

As pricings and margins continue to decline, IT vendors are shifting more and more to proven and reliable distribution partners like SiS in order to efficiently and effectively reach out to a larger and more extensive reseller's channel. IT distribution industry continues to consolidate. With a strong balance sheet, a strong management team, an established channel of resellers, the Group is well positioned to explore opportunities posed in the consolidation of the IT distribution business in the IT industry around the world. We are looking ahead with confidence.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 31 December 2007, the Group had total assets of HK\$1,489,611,000 which were financed by shareholders' funds of HK\$830,694,000, and total liabilities of HK\$658,917,000. The Group had a current ratio of approximately 1.77 as compared to that of approximately 1.71 at 31 December 2006.

As at 31 December 2007, the Group had HK\$177,880,000 bank balances and cash of which HK\$20,698,000 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 2007, the Group had short term bank loans and bills payable of total HK\$157,273,000. 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 December 2007, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank borrowings and bills payable) of HK\$20,607,000 compared to HK\$49,062,000 as at 31 December 2006.

Gearing ratio, as defined by total bank loans and bills payable to shareholders' funds, as at 31 December 2007 was 18.9% compared to 18.6% as at 31 December 2006.

### **Charges on Group Assets**

At the balance sheet date, the Group had pledged bank deposits of HK\$20,698,000 (2006: HK\$18,828,000) and an investment property of carrying value of HK\$44,800,000 (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**

The number of staff of the Group as at 31 December 2007 was 281 and the salaries and other benefits paid to employees, including share-based payments expense but excluding Directors' emoluments amounted to HK\$77,535,000 (2006: HK\$58,771,000). 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.

During the year 2007, the Company granted share options to eligible persons including the Directors and staffs with exercise price of HK\$1.72 per share and there are 9,950,000 share options outstanding as at balance sheet date. Estimated total fair value of the outstanding share options amounts to HK\$5,621,000 in which HK\$1,915,000 has been recognized in 2007 results. After the balance sheet date, total 2,466,661 share options have been exercised.

### **Currency Risk Management**

The Group maintains a conservative 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 as security for banking facilities to the Group amounted to HK\$202,122,000 (2006: HK\$250,155,000).

## **CORPORATE GOVERNANCE**

The Company has complied with the Code of Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2007, except for the Code A.4.1 and A.4.2 as disclosed in the Group’s 2007 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 2007, 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 2007.

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

Hong Kong, 15 April 2008

*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.*

*This results announcement is published on the Company’s website at [www.sisinternational.com.hk](http://www.sisinternational.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*