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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 2008

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 2008 together with comparative figures for the corresponding year in 2007 which are set out as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Revenue	2	4,563,332	4,260,503
Cost of sales		<u>(4,365,942)</u>	<u>(4,005,782)</u>
Gross profit		197,390	254,721
Other income	3	31,688	40,737
Distribution costs		(77,759)	(80,702)
Administrative expenses		(75,499)	(63,473)
Other expenses		(1,397)	(125)
Change in fair value of investments held-for-trading		(21,081)	1,836
Change in fair value of investment properties		(24,402)	38,514
Share of results of associates		28,482	18,152
Finance costs		<u>(4,854)</u>	<u>(5,403)</u>
Profit before taxation	4	52,568	204,257
Income tax expense	5	<u>(10,749)</u>	<u>(34,306)</u>
Profit for the year		<u>41,819</u>	<u>169,951</u>
Attributable to:			
Equity holders of the Company		41,819	170,341
Minority interests		-	(390)
		<u>41,819</u>	<u>169,951</u>
Dividends paid	6	<u>27,102</u>	<u>21,484</u>
Earnings per share – basic	7	<u>15.5 HK cents</u>	<u>63.4 HK cents</u>
– diluted		<u>15.5 HK cents</u>	<u>63.4 HK cents</u>

* For identification purposes only

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Investment properties		196,873	212,256
Property, plant and equipment		8,956	11,858
Prepaid lease payments		14,846	14,869
Interests in associates		109,372	103,022
Available-for-sale investments		12,610	10,492
Staff advances – due after one year		-	54
Deferred tax assets		351	224
		<u>343,008</u>	<u>352,775</u>
Current assets			
Inventories		297,567	315,010
Trade and other receivables, deposits and prepayments	8	578,238	584,758
Staff advances – due within one year		491	624
Tax recoverable		1,864	-
Prepaid lease payments		23	23
Investments held-for-trading		33,682	58,541
Pledged bank deposits		20,369	20,698
Bank balances and cash		131,096	157,182
		<u>1,063,330</u>	<u>1,136,836</u>
Current liabilities			
Trade payables, other payables and accruals	9	407,578	461,805
Bills payable	10	74,758	57,130
Derivative financial instruments		1,938	1,361
Tax payable		6,873	21,071
Bank loans – due within one year		71,639	100,143
		<u>562,786</u>	<u>641,510</u>
Net current assets		<u>500,544</u>	<u>495,326</u>
Total assets less current liabilities		<u>843,552</u>	<u>848,101</u>
Non-current liabilities			
Deferred tax liabilities		14,234	17,407
Net assets		<u>829,318</u>	<u>830,694</u>
Capital and reserves			
Share capital		27,102	26,855
Share premium		58,223	52,834
Reserves		20,768	42,497
Retained profits		723,225	708,508
Total equity		<u>829,318</u>	<u>830,694</u>

NOTES:

1. APPLICATION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK (IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions
HK (IFRIC) – INT 12	Service concession arrangements
HK (IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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.

The Group has not applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of financial statements ²
HKAS 23 (Revised)	Borrowing costs ²
HKAS 27 (Revised)	Consolidated and separate financial statements ³
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate ²
HKFRS 2 (Amendment)	Vesting conditions and cancellations ²
HKFRS 3 (Revised)	Business combinations ³
HKFRS 7 (Amendment)	Improving disclosures about financial instruments ²
HKFRS 8	Operating segments ²
HK (IFRIC) – INT 9 & HKSA 39 (Amendments)	Embedded derivatives ⁴
HK (IFRIC) – INT 13	Customer loyalty programmes ⁵
HK (IFRIC) – INT 15	Agreements for the construction of real estate ²
HK (IFRIC) – INT 16	Hedges of a net investment in a foreign operation ⁶
HK (IFRIC) – INT 17	Distributions of non-cash assets to owners ³
HK (IFRIC) – INT 18	Transfers of assets from customers ⁷

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

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

³ Effective for annual periods beginning on or after 1 July 2009.

⁴ Effective for annual periods ending on or after 30 June 2009.

⁵ Effective for annual periods beginning on or after 1 July 2008.

⁶ Effective for annual periods beginning on or after 1 October 2008.

⁷ Effective for transfers on or after 1 July 2009.

The application of HKAS 1 will result in a change in the presentation of primary statements of the financial statements and HKFRS 8 will result in a change in the basis of reporting of segment information.

The application of HKFRS 3 (Revised) may affect the Group’s accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. Segmental information

Business segments

For management purposes, the Group is currently organised into two operating segments - distribution of Information Technology ("IT") products and property investment. IT products include computer softwares, hardwares and IT related products. Last year's operating segment also include provision of employment agencies services of which the Group had disposed of on 29 December 2007. These segments are the basis on which the Group reports its primary segment information.

	For the year ended 31 December 2008			
	Distribution of IT products HK\$'000	Property investment HK\$'000	Consolidated HK\$'000	
EXTERNAL REVENUE	<u>4,552,754</u>	<u>10,578</u>	<u>4,563,332</u>	
SEGMENT RESULT				
Operations	<u>79,329</u>	<u>(15,116)</u>	64,213	
Other unallocated income			5,716	
Net loss from investments held-for-trading and available-for-sale investments			(15,062)	
Loss on deemed disposal of an associate	(819)	-	(819)	
Share of results of associates	28,482	-	28,482	
Finance costs			(4,854)	
Unallocated corporate expenses			<u>(25,108)</u>	
Profit before taxation			52,568	
Income tax expense			<u>(10,749)</u>	
Profit for the year			<u>41,819</u>	
	For the year ended 31 December 2007			
	Distribution of IT products HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
EXTERNAL 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>	-	193,617
Other unallocated income				14,094
Gain 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>

2. Segmental information (continued)

Geographical segments

The Group's operations are mainly located in Hong Kong, Singapore and Malaysia. The following table provides an analysis of the Group's sales by geographical market based on location of customers, irrespective of the origin of goods/services during the year.

	Revenue	
	Year ended 31 December 2008 HK\$'000	Year ended 31 December 2007 HK\$'000
Hong Kong	2,664,373	2,590,934
Singapore	1,517,455	1,352,985
Malaysia	353,024	271,258
Others	28,480	45,326
	4,563,332	4,260,503

3. Other income

	2008 HK\$'000	2007 HK\$'000
Other income comprises:		
Dividend income from available-for-sale investments	973	32
Dividend income from investments held-for-trading	5,003	4,954
Discount on early settlement to suppliers	14,096	15,296
Exchange gain, net	2,874	9,828
Changes in fair value of derivative financial instruments	-	184
Interest on bank deposits	2,653	4,266
Gain on disposal of available-for-sale investments	43	537
Gain on disposal of a subsidiary	-	242
	-	242

4. Profit before taxation

	2008 HK\$'000	2007 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	4,758	3,977
Amortisation of prepaid lease payments	23	23
	4,781	4,000

5. Income tax expense

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax		
Hong Kong	12,916	15,690
Overseas	<u>392</u>	<u>7,978</u>
	<u>13,308</u>	<u>23,668</u>
Under (over) provision in prior years		
Hong Kong	5	(263)
Overseas	<u>85</u>	<u>7</u>
	<u>90</u>	<u>(256)</u>
Deferred taxation		
Current year	(2,340)	10,894
Attributable to a change in tax rate	<u>(309)</u>	<u>-</u>
	<u>(2,649)</u>	<u>10,894</u>
Income tax expense for the year	<u>10,749</u>	<u>34,306</u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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

6. Dividends

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year 2007 of 10.0 HK cents per share (2007: 8.0 HK cents per share in respect of the year 2006)	<u>27,102</u>	<u>21,484</u>
Final dividend, proposed in respect of the year 2008 of 5.0 HK cents per share (2007: 10.0 HK cents per share)	<u>13,551</u>	<u>27,102</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 both the basic and diluted earnings per share is based on the Group's profit attributable to the equity holders of the Company of HK\$41,819,000 (2007: HK\$170,341,000) and weighted average number of ordinary shares of 270,448,766 during the year (2007: 268,550,000 shares).

The diluted earnings per share does not take into account outstanding share options as at balance sheet date as the effect of potential ordinary shares to be issued on the exercising the share options was anti-dilutive for both year ended 31 December 2008 and 2007.

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

8. 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 and renting of properties. The following is an aged analysis of trade receivables at the balance sheet date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 30 days	273,983	339,720
31 to 90 days	222,190	190,322
91 to 120 days	36,923	27,810
Over 120 days	<u>23,157</u>	<u>7,687</u>
Trade receivables	556,253	565,539
Deposits, prepayments and other receivables	<u>21,985</u>	<u>19,219</u>
	<u>578,238</u>	<u>584,758</u>

9. Trade payables, other payables and accruals

Included in trade payables, other payables and accruals are trade payables of HK\$305,259,000 (2007: HK\$331,762,000). The following is an aged analysis of trade payables at the balance sheet date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 30 days	240,777	319,304
31 to 90 days	61,316	9,288
91 to 120 days	512	627
Over 120 days	<u>2,654</u>	<u>2,543</u>
Trade payables	<u>305,259</u>	<u>331,762</u>

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

10. Bills payable

The age of bills payable as at 31 December 2008 and 31 December 2007 are both within 90 days.

FINAL DIVIDEND

The Directors recommend a final dividend of 5.0 HK cents per share for 2008 (2007: 10.0 HK cents per share) payable to shareholders on the register of members on 11 June 2009. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable in cash on 8 July 2009.

CLOSE OF REGISTER OF MEMBERS

The register of members will be closed from 8 June 2009 to 11 June 2009, 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 2008, 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 5 June 2009.

BUSINESS REVIEW

The year 2008 was unprecedented; we saw the collapse of global financial markets. Amid tough economic market conditions in year 2008, the Group continues to grow steadily and remains profitable.

(1) IT Distribution Business

Driving our success is our IT distribution business which remains our core business. IT distribution through distributors continues to be an integral part of the go-to-market strategy for IT manufacturers bringing products to market. SiS Group is one of the Top IT distributors in Asia representing some of the world's best renowned IT products.

With a strong management team who are experienced in IT distribution business, an extensive product range, a strong business partner relationships with resellers and vendors and a wide geographic coverage, the Group was able to maintain the momentum of previous years and achieved sales turnover growth of 7% to HK\$4,553 million from HK\$4,250 million in 2007, and operating profit amounted to HK\$79 million for the year 2008.

(2) Investment in IT Business

Our Group investment in IT business focused on investing in IT companies in the region. Results from these investments have proven to be successful in the year 2008. Despite the turbulent political climate in Thailand for the year 2008, the Group's investments in SiS Distribution (Thailand) Public Company Limited continue to perform well and grow steadily.

(3) Real Estate Investments Business

The weakening of the economy over the course of 2008 negatively impacted the Asian property market resulting in a fair valuation loss of HK\$24 million for the Group in year 2008 as compared with a gain of HK\$39 million in year 2007. The total fair value of these investment properties amounted to HK\$197 million at 31 December 2008.

AWARDS AND ACCOLADES

During the year, the Group was bestowed with several awards and accolades in recognition of its excellent performance.

PROSPECT

The economic environment for coming year is full of uncertainties. We are facing a softer economic environment in the near term. Demand for IT products may continue to soften. 2009 will be a challenging year. However, the directors are confident that the fundamentals of the Group are strong and will emerge stronger when the economy recovers. The Group has proven that it can excel during challenging times. With a strong balance sheet, an experienced management team, excellent relationships with vendors, a wide reseller network coupled with our industry leading position, the Group is well positioned to explore business opportunities, strengthen our position and pursue opportunities for profitable growth during this time.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 31 December 2008, the Group had total assets of HK\$1,406,338,000 which were financed by shareholders' funds of HK\$829,318,000 and total liabilities of HK\$577,020,000. The Group had a current ratio of approximately 1.89 as compared to that of approximately 1.77 at 31 December 2007.

As at 31 December 2008, the Group had HK\$151,465,000 bank balances and cash of which HK\$20,369,000 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 31 December 2008, the Group had short term borrowings and bank overdraft and bills payable of total HK\$146,397,000. 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 maintain a positive liquidity position. At the end of December 2008, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank borrowings and bills payable) of HK\$5,068,000.

Gearing ratio, as defined by total bank loans, bills payables and overdrafts to shareholders' funds, as at 31 December 2008 was 17.7% compared to 18.9% as at 31 December 2007.

Charges on Group Assets

At the balance sheet date, the Group had pledged bank deposits of HK\$20,369,000 (as at 31 December 2007: HK\$20,698,000) and an investment property of net book value of HK\$40,000,000 (as at 31 December 2007: HK\$44,800,000) 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 2008 was 308 and the salaries and other benefits paid to employees, including share-based payments expense but excluding Directors' emoluments amounted to HK\$75,644,000 (2007: HK\$77,535,000). 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 employee's 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 end date. During the second half of 2007, the Company granted share options to eligible persons including the Directors and staffs with exercise price of HK\$1.72 per share. Estimated total fair value of the share options granted amounts to HK\$5,621,000 in which HK\$2,623,000 (31 December 2007: HK\$1,915,000) has been recognized in the year of 2008. During the year 2008, a total of 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 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 as security for banking facilities to the Group amounted to HK\$62,544,000 (2007: HK\$202,122,000).

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 2008, except for the Code A.4.1 and A.4.2 as disclosed in the Group’s 2008 annual report under the Corporate Governance section.

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.

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 2008, including the accounting principles and practices adopted by the Company, in conjunction with the Company’s auditors.

PURCHASE, SALES OR 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 2008.

PUBLICATION OF RESULTS ANNOUNCEMENTS AND ANNUAL REPORT

This results announcement is published on the Company’s website at www.sisinternational.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2008 annual report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites on or before 30 April 2009.

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

Hong Kong, 9 April 2009

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, Ms. Lim Hwee Noi. The independent non-executive directors are Mr. Lee Hiok Chuan, Mr. Woon Wee Teng, and Ms. Ong Wui Leng.