

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## SiS INTERNATIONAL HOLDINGS LIMITED

新龍國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 529)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The directors (the “Directors”) of SiS International Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 together with comparative figures for the corresponding period in 2008. The interim financial statements have been reviewed by the Company’s auditors and audit committee.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended</b>	
		<b>30 June 2009</b>	<b>30 June 2008</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>1,745,696</b>	2,381,171
Cost of sales		<b>(1,673,104)</b>	(2,280,289)
Gross profit		<b>72,592</b>	100,882
Other income		<b>20,394</b>	19,584
Distribution costs		<b>(33,425)</b>	(38,167)
Administrative expenses		<b>(34,825)</b>	(39,465)
Loss on disposal of a subsidiary		<b>(2,254)</b>	-
Change in fair value of investment properties		<b>5,000</b>	25,605
Share of results of associates		<b>12,691</b>	15,600
Finance costs		<b>(1,598)</b>	(2,688)
Profit before taxation		<b>38,575</b>	81,351
Income tax expense	4	<b>(5,826)</b>	(11,051)
Profit for the period attributable to owners of the Company	5	<b><u>32,749</u></b>	<b><u>70,300</u></b>
Dividends	6	<b><u>13,551</u></b>	<b><u>27,102</u></b>
Earnings per share – basic	7	<b><u>12.08 HK cents</u></b>	<b><u>26.07 HK cents</u></b>
– diluted		<b><u>12.08 HK cents</u></b>	<b><u>26.03 HK cents</u></b>

\*For identification purposes only

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June 2009	30 June 2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>32,749</u>	<u>70,300</u>
Other comprehensive income:		
Gain on fair value changes of available-for-sale investments	4,069	2,808
Exchange realignment arising on translation of foreign operations	(1,137)	6,087
Share of exchange reserve of associates	2,099	(10,608)
Reclassification of the cumulative exchange difference to profit or loss upon disposal of a subsidiary	<u>2,254</u>	<u>-</u>
Other comprehensive income (expense) for the period attributable to owners of the Company	<u>7,285</u>	<u>(1,713)</u>
Total comprehensive income for the period	<u><b>40,034</b></u>	<u><b>68,587</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2009 (unaudited) <i>HK\$'000</i>	31 December 2008 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties		201,735	196,873
Property, plant and equipment		8,118	8,956
Prepaid lease payments		14,835	14,846
Interests in associates		116,412	109,372
Available-for-sale investments		16,678	12,610
Deferred tax assets		351	351
		<b>358,129</b>	<b>343,008</b>
<b>Current assets</b>			
Inventories		243,536	297,567
Trade and other receivables, deposits and prepayments	8	504,043	578,238
Staff advances		5	491
Tax recoverable		-	1,864
Prepaid lease payments		23	23
Investments held-for-trading		32,017	33,682
Pledged bank deposits		20,299	20,369
Bank balances and cash		249,312	131,096
		<b>1,049,235</b>	<b>1,063,330</b>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	9	454,193	407,578
Bills payable	10	29,848	74,758
Dividend payable		13,551	-
Derivative financial instruments		665	1,938
Tax payable		9,312	6,873
Bank loans		27,830	71,639
		<b>535,399</b>	<b>562,786</b>
<b>Net current assets</b>		<b>513,836</b>	<b>500,544</b>
<b>Total assets less current liabilities</b>		<b>871,965</b>	<b>843,552</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		15,581	14,234
<b>Net assets</b>		<b>856,384</b>	<b>829,318</b>
<b>Capital and reserves</b>			
Share capital		27,102	27,102
Share premium		58,238	58,238
Reserves		27,702	20,753
Retained profits		743,342	723,225
<b>Total equity</b>		<b>856,384</b>	<b>829,318</b>

*NOTES:*

**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 value, as appropriate.

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 2008.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 and details are set out in note 3. The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early adopted the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group’s 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 2008) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group’s ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the adoption of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

**3. SEGMENTAL INFORMATION**

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, executive directors, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of types of business, i.e. distribution of IT products and property investment. However, information reported to the Group’s chief operating decision maker, executive directors, for the purposes of resource allocation and performance assessment focuses on each of the geographical location, i.e. Hong Kong, Singapore and Malaysia in relation to distribution of IT products and on property investment. Amounts reported for the prior period have been restated to conform with the current period’s presentation.

### 3. SEGMENTAL INFORMATION (continued)

Below is an analysis of the Group's revenue and results by operating segment for the period:

For the six months ended 30 June 2009 (unaudited)						
Distribution of IT products						
	Hong Kong	Singapore	Malaysia	Total	Property investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External sales	<u>1,032,949</u>	<u>529,789</u>	<u>177,776</u>	<u>1,740,514</u>	<u>5,182</u>	<u>1,745,696</u>
Segment profit	<u>24,230</u>	<u>1,852</u>	<u>645</u>	<u>26,727</u>	<u>9,482</u>	<u>36,209</u>
Other unallocated income						2,813
Other income from investments held-for-trading and available-for-sale investments						746
Share of results of associates						12,691
Loss on disposal of a subsidiary						(2,254)
Finance costs						(1,598)
Unallocated corporate expenses						<u>(10,032)</u>
Profit before taxation						<u>38,575</u>

For the six months ended 30 June 2008 (unaudited)						
Distribution of IT products						
	Hong Kong	Singapore	Malaysia	Total	Property investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External sales	<u>1,371,599</u>	<u>823,759</u>	<u>180,715</u>	<u>2,376,073</u>	<u>5,098</u>	<u>2,381,171</u>
Segment profit (loss)	<u>43,261</u>	<u>(518)</u>	<u>7,580</u>	<u>50,323</u>	<u>28,246</u>	<u>78,569</u>
Other unallocated income						5,047
Other income from investments held-for-trading and available-for-sale investments						592
Share of results of associates						15,600
Finance costs						(2,688)
Unallocated corporate expenses						<u>(15,769)</u>
Profit before taxation						<u>81,351</u>

The Group does not allocate central administration costs, dividends from investments, share of results of associates, loss on disposal of a subsidiary, finance costs and other corporate expenses to individual reportable segments.

#### 4. INCOME TAX EXPENSE

	<b>For the six months ended 30 June</b>	
	<b>2009</b> <b>(unaudited)</b> <i>HK\$'000</i>	<b>2008</b> <b>(unaudited)</b> <i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong	4,015	7,049
Overseas	555	265
	<u>4,570</u>	<u>7,314</u>
Deferred taxation		
Current period	1,256	3,295
Attributable to a change in tax rate	-	442
	<u>1,256</u>	<u>3,737</u>
Income tax expense for the period	<u><b>5,826</b></u>	<u><b>11,051</b></u>

Hong Kong Profits Tax is provided at the rate of 16.5% on the estimated assessable profit for the period.

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

#### 5. PROFIT FOR THE PERIOD

	<b>For the six months ended 30 June</b>	
	<b>2009</b> <b>(unaudited)</b> <i>HK\$'000</i>	<b>2008</b> <b>(unaudited)</b> <i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Allowance (reversal of allowance) for doubtful debts provided	2,084	(1,638)
(Write back of allowance) allowance for inventories, net	(37)	289
Depreciation of property, plant and equipment	1,629	2,371
Amortisation of prepaid lease payments	11	11
Total depreciation and amortisation	1,640	2,382
Loss on disposal of property, plant and equipment	1	7
Changes in fair value of investments held-for-trading	1,666	2,280
and crediting		
Dividend income from available-for-sale investments	27	17
Dividend income from investments held-for-trading	2,385	2,812
Exchange gain, net	8,615	6,193
Changes in fair value of derivative financial instruments	1,273	765
Interest on bank deposits	489	1,836
Gain on disposal of available-for-sale investments	-	43
	<u><b>-</b></u>	<u><b>43</b></u>

## 6. DIVIDENDS

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividend recognised as distribution during the period in respect of final dividend of the financial year ended 31 December 2008 of 5.0 HK cents per share (2008: for the year ended 31 December 2007, 10.0 HK cents per share)	<b>13,551</b>	<b>27,102</b>

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 and 2008.

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings:		
Earnings for the purposes of basic and diluted earnings per share, profit for the period attributable to owners of the Company	<b>32,749</b>	<b>70,300</b>
	<b>'000</b>	<b>'000</b>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>271,017</b>	<b>269,704</b>
Effect of dilutive potential ordinary shares of share options	<b>-</b>	<b>355</b>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>271,017</b>	<b>270,059</b>

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 exercising the share options was anti-dilutive for the six months ended 30 June 2009. The effect of dilutive potential ordinary shares of an associate which is considered to be insignificant.

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

Included in trade and other receivables, deposits and prepayment are trade receivables of HK\$495,751,000 (31 December 2008: HK\$556,253,000). The following is an aged analysis of trade receivables at the reporting date:

	<b>30 June 2009 (unaudited) HK\$'000</b>	31 December 2008 (audited) HK\$'000
Within 30 days	313,686	273,983
31 to 90 days	138,624	222,190
91 to 120 days	27,120	36,923
Over 120 days	<u>16,321</u>	<u>23,157</u>
Trade receivables	<u><b>495,751</b></u>	<u><b>556,253</b></u>

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 renting of properties. No interest is charged on overdue debts.

## 9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$356,682,000 (31 December 2008: HK\$305,259,000). The following is an aged analysis of trade payables at the reporting date:

	<b>30 June 2009 (unaudited) HK\$'000</b>	31 December 2008 (audited) HK\$'000
Within 30 days	293,911	240,777
31 to 90 days	58,989	61,316
91 to 120 days	2,349	512
Over 120 days	<u>1,433</u>	<u>2,654</u>
Trade payables	<u><b>356,682</b></u>	<u><b>305,259</b></u>

The average credit period on purchase of goods is 30 to 60 days. The Group has 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 30 June 2009 and 31 December 2008 are both within 90 days.



## **INTERIM DIVIDEND**

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

## **BUSINESS REVIEW**

The unprecedented business environment that challenged the global economy and IT industry at the end of 2008 continued to affect market conditions in the first half 2009.

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

Sales revenue were HK\$1,741 million for first half of 2009, and segment profit for the first half of the year amounted to HK\$27 million. The Group is taking measures to reduce its cost whilst seeking new profitable growth opportunities in this unstable environment.

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

Our Group's investment in IT business is focused in investing in IT companies in the region. The Group's investments in SiS Distribution (Thailand) Public Company Limited continue to perform well and is growing steadily.

The Group had announced the proposed disposal one of its associated companies, ECS Pericomp Sdn Bhd, at a consideration of Malaysia Ringgit 6.9 million (equivalent to approximately HK\$15,180,000). Completion of the proposed transaction would be conditional upon satisfaction or waiver of certain stated conditions. Details of the transaction can be found in the announcement made by the Group on 18 June 2009.

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

Asian property market is beginning to recover. A revaluation gain of HK\$5 million was recorded in the first half year of 2009. The total fair value of these investment properties amounted to HK\$202 million at 30 June 2009.

## **PROSPECT**

While there are some indicators suggesting an economic recovery, the year ahead remains challenging. The Group, having strong fundamentals, an experienced management team, a wide reseller network and an ability to respond to challenging market conditions, is confident that it will emerge stronger when the economy recovers. The Group is well positioned to pursue opportunities presented and rides the next upturn when the economy recovers.

## **FINANCIAL REVIEW AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 30 June 2009, the Group had total assets of HK\$1,407,364,000 which were financed by shareholders' funds of HK\$856,384,000 and total liabilities of HK\$550,980,000. The Group had a current ratio of approximately 1.96 as compared to that of approximately 1.89 at 31 December 2008.

As at 30 June 2009, the Group had HK\$269,611,000 bank balances and cash of which HK\$20,299,000 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 2009, the Group had short term borrowings and bank overdraft and bills payable of total HK\$57,678,000. The Group's borrowings were mainly denominated in 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 June 2009, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank borrowings and bills payable) of HK\$211,933,000.

Gearing ratio, as defined by total bank loans, bills payables and overdrafts to shareholders' funds, as at 30 June 2009 was 6.7% compared to 17.7% as at 31 December 2008.

### **Charges on Group Assets**

At the balance sheet date, the Group had pledged bank deposits of HK\$20,299,000 (as at 31 December 2008: HK\$20,369,000) and an investment property of net book value of HK\$40,000,000 (as at 31 December 2008: 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 30 June 2009 was 284 and the salaries and other benefits paid to employees, including share-based payments expense but excluding Directors' emoluments amounted to HK\$35,632,000 (30 June 2008: HK\$37,813,000). 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\$583,000 (30 June 2008: HK\$1,624,000) has been recognized during the period. No share options have been exercised for the six months period ended 30 June 2009.

### **Currency Risk Management**

The Group maintains a conservative approach on foreign exchange exposure management by entering into foreign currency forward contracts. There are no significant changes in the strategies to hedge against exposure to fluctuations in exchange rates from last year end date. At 30 June 2009, the Group had outstanding forward contracts denominated in United States dollars with total notional amount of HK\$388,876,000 (31 December 2008: HK\$229,487,000) which are measured at fair value at the balance sheet date.

## **Contingent Liabilities**

The Company's corporate guarantees extended to certain banks as security for banking facilities to the Group amounted to HK\$62,320,000 (31 December 2008: HK\$62,544,000).

## **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 six months period ended 30 June 2009, except for the Code A.4.1 and A.4.2 as disclosed in page 8 of 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.

## **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 six months period ended 30 June 2009.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

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). The 2009 interim report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites on or before 30 September 2009.

On behalf of the Board of  
**SiS International Holdings Limited**  
**LIM Kia Hong**  
*Chief Executive Officer*

Hong Kong, 11 September 2009

*As at the date of this announcement, the executive directors are Mr. Lim Kiah Meng, Mr. Lim Kia Hong, Mr. Lim Hwee Hai, Madam Lim Hwee Noi. The independent non-executive directors are Mr. Lee Hiok Chuan, Mr. Woon Wee Teng, and Ms. Ong Wui Leng.*