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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The directors (the “Directors”) of SiS International Holdings Limited (the “Company”) are pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 together with comparative figures for the corresponding period in 2009. The interim financial statements have been reviewed by the Company’s auditors and audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		30 June 2010	30 June 2009
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$’000	HK\$’000
Revenue	3	2,396,895	1,745,696
Cost of sales		(2,291,874)	(1,673,104)
Gross profit		105,021	72,592
Other income		19,528	20,394
Other gains and losses	4	2,061	1,080
Distribution costs		(35,990)	(33,425)
Administrative expenses		(36,665)	(33,159)
Share of results of associates		15,369	12,691
Finance costs		(1,264)	(1,598)
Profit before taxation		68,060	38,575
Income tax expense	6	(10,265)	(5,826)
Profit for the period attributable to owners of the Company	7	57,795	32,749
Earnings per share – basic and diluted (HK cents)	9	21.33	12.08

*For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended	
		30 June 2010	30 June 2009
		(unaudited)	(unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Profit for the period	7	<u>57,795</u>	<u>32,749</u>
Other comprehensive income:			
Gain on fair value changes of available-for-sale investments		10,321	4,069
Exchange realignment arising on translation of foreign operations		5,355	962
Reclassification of the cumulative exchange difference attributable to disposed subsidiary to income statement		-	2,254
Reclassification of the cumulative exchange difference attributable to disposed associate to income statement		<u>(976)</u>	<u>-</u>
Other comprehensive income for the period attributable to owners of the Company		<u>14,700</u>	<u>7,285</u>
Total comprehensive income for the period attributable to owners of the Company		<u>72,495</u>	<u>40,034</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2010 (unaudited)	31 December 2009 (audited and restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties		405,698	191,175
Property, plant and equipment		27,232	27,114
Interests in associates		128,657	133,459
Available-for-sale investments		45,653	28,382
Deposits for acquisition of investment properties	13	8,000	20,323
Deferred tax assets		459	459
		615,699	400,912
Current assets			
Inventories		328,800	236,115
Trade and other receivables, deposits and prepayments	10	663,286	582,379
Derivative financial instruments		764	697
Investments held-for-trading		33,832	42,501
Pledged bank deposits		22,613	21,086
Bank balances and cash		109,373	217,349
		1,158,668	1,100,127
Investment properties held for sale		-	65,000
		1,158,668	1,165,127
Current liabilities			
Trade payables, other payables and accruals	11	515,553	505,948
Bills payable	12	87,618	19,171
Deposits received for investment properties held for sale		-	3,500
Dividend payable		21,681	-
Tax payable		18,168	11,139
Bank loans		55,950	32,365
		698,970	572,123
Liabilities associated with investment properties held for sale		-	684
		698,970	572,807
Net current assets		459,698	592,320
Total assets less current liabilities		1,075,397	993,232
Non-current liabilities			
Deferred tax liabilities		25,183	24,021
Bank loans – due over one year		30,064	-
		55,247	24,021
Net assets		1,020,150	969,211
Capital and reserves			
Share capital		27,102	27,102
Share premium		58,238	58,238
Reserves		53,710	39,194
Retained profits		881,100	844,677
Total equity		1,020,150	969,211

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting".

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, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except for the leasehold land as detailed below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Except for Amendment to HKFRS 17 "Leases" as described below, the application of the other new and revised HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

As part of Improvements to HKFRSs issued in 2009, HKAS17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions of HKAS17 Leases, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information which existed at the inception of these leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payment with carrying amount of HK\$14,869,000 and HK\$19,426,000 as at 1 January 2009 and 31 December 2009 respectively to property, plant and equipment that are measured using the cost model.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. 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's operating segments, based on information reported to the Group's chief operating decision maker, i.e. executive directors, for the purposes of resource allocation and performance assessment focus on each of the geographical locations, i.e. Hong Kong, Singapore and Malaysia in relation to distribution of IT products and on property investment.

The following is an analysis of the Group's revenue and results by reportable segment for the period:

3. SEGMENTAL INFORMATION (continued)

For the six months ended 30 June 2010 (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
SEGMENT REVENUE						
External sales	1,415,670	728,418	248,466	2,392,554	4,341	2,396,895
Segment profit	44,992	7,581	3,977	56,550	10,830	67,380
Other unallocated income						653
Change in fair value of investments held-for-trading						(8,669)
Other income from investments held-for-trading and available-for-sale investments						1,919
Share of results of associates						15,369
Gain on disposal of an associate						2,675
Finance costs						(1,264)
Unallocated corporate expenses						(10,003)
Profit before taxation						68,060

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
SEGMENT REVENUE						
External sales	1,032,949	529,789	177,776	1,740,514	5,182	1,745,696
Segment profit	24,230	1,852	645	26,727	9,482	36,209
Other unallocated income						2,813
Change in fair value of investments held-for-trading						(1,666)
Other income from investments held-for-trading and available-for-sale investments						2,412
Share of results of associates						12,691
Loss on disposal of a subsidiary						(2,254)
Finance costs						(1,598)
Unallocated corporate expenses						(10,032)
Profit before taxation						38,575

Segment profit reported to the chief operating decision maker, i.e. executive directors, for the purposes of resource allocation and performance assessment does not include central administration costs, directors' emoluments, share of results of associates, gain on disposal of an associate, loss on disposal of a subsidiary, investment income, finance costs and other corporate expenses.

4. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Other gains and losses comprises:		
Fair value gain on investment properties	3,100	5,000
Fair value loss on investments held-for-trading	(8,669)	(1,666)
Gain on disposal of an associate (note 5)	2,675	-
Gain on disposal of investment properties	5,000	-
Loss on deemed disposal of an associate	(45)	-
Loss on disposal of a subsidiary	-	(2,254)
	<u>2,061</u>	<u>1,080</u>

5. DISPOSAL OF AN ASSOCIATE

In April 2010, the Group disposed of its entire 20% interest in ECS Pericomp Sdn. Bhd. to ECS ICT Berhad ("ECS ICT"), pursuant to a group reorganization and preparation for listing of the shares of ECS ICT on the Stock Exchange of Malaysia, for a consideration of Malaysian dollars 6,900,000 (equivalent to HK\$16,698,000) settled by 1,000,000 ordinary shares in ECS ICT valued at Malaysian dollars 1.46 per share (equivalent to HK\$3,533,000 and representing 0.8% interest in ECS ICT) and the balance for cash of Malaysian dollars 5,440,000 (equivalent to HK\$13,165,000). The disposal has resulted in the recognition of a gain of HK\$2,675,000 in the income statement.

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
Hong Kong	7,580	4,015
Overseas	1,765	555
	<u>9,345</u>	<u>4,570</u>
Deferred taxation		
Current period	920	1,256
Income tax expense for the period	<u>10,265</u>	<u>5,826</u>

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

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

7. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
(Reversal of allowance) allowance for doubtful debts provided	(3,890)	2,084
Cost of inventories recognized as expenses	2,290,755	1,672,504
Depreciation of property, plant and equipment	1,057	1,640
Loss on disposal of property, plant and equipment	-	1
Share of tax of associates	5,540	5,103
Dividend income from available-for-sale investments	(246)	(27)
Dividend income from investments held-for-trading	(1,673)	(2,385)
Write back of allowance for inventories, net	(883)	(37)
Exchange gain, net	(7,876)	(8,615)
Change in fair value of derivative financial instruments	(67)	(1,273)
Interest on bank deposits	(636)	(489)

8. DIVIDENDS

	For the six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Dividend recognised as distribution during the period:		
Final dividend, payable in respect of the year ended 31 December 2009 of 8.0 HK cents per share (2009: 5.0 HK cents per share for the year ended 31 December 2008)	21,681	13,551

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2010 and 2009.

9. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share, profit for the period attributable to owners of the Company	57,795	32,749
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	271,017	271,017

The computation of diluted earnings per share for the six months ended 30 June 2010 and 2009 does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares for both periods. The effect of dilutive potential ordinary shares of an associate is considered to be insignificant.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$649,539,000 (31 December 2009: HK\$570,577,000). The following is an aged analysis of trade receivables at the reporting date presented based on the invoice date:

	30 June 2010 (unaudited) HK\$'000	31 December 2009 (audited) HK\$'000
Within 30 days	392,914	322,772
31 to 90 days	213,238	211,889
91 to 120 days	33,634	25,781
Over 120 days	9,753	10,135
	<hr/>	<hr/>
Trade receivables	649,539	570,577

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

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$379,628,000 (31 December 2009: HK\$400,101,000). The following is an aged analysis of trade payables at the reporting date presented based on the invoice date:

	30 June 2010 (unaudited) HK\$'000	31 December 2009 (audited) HK\$'000
Within 30 days	297,936	298,151
31 to 90 days	80,843	91,295
91 to 120 days	849	2,421
Over 120 days	-	8,234
	<hr/>	<hr/>
Trade payables	379,628	400,101

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

12. BILLS PAYABLE

The age of bills payable as at 30 June 2010 and 31 December 2009 were both within 90 days.

13. COMMITMENTS

At 30 June 2010, the Group has paid the deposits of HK\$8,000,000 for acquisition of investment properties for a consideration of HK\$184,000,000. The acquisition will be completed on or before 18 November 2010. As a result, as at 30 June 2010, the Group had outstanding commitment for the acquisition of certain investment properties of HK\$176,000,000.

14. EVENT AFTER THE END OF THE INTERIM PERIOD

Subsequent to the reporting date, the Group entered into an agreement to acquire 25.6% equity interest in Hangzhou Hangxin Electronic Industry Company Limited. The consideration amounted to RMB11,060,000 (equivalent to HK\$12,679,000) of which RMB9,000,000 (equivalent to HK\$10,318,000), being the first installment, has been paid. Hangzhou Hangxin Electronic Industry Company Limited is engaged in the manufacture of electronic products in the People Republic of China.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

BUSINESS REVIEW

The Directors are very pleased to report outstanding results and performance for the Group for the six months ended 30 June 2010. Net profit for the Group increased 76% to HK\$57,795,000 in the first half of 2010 as compared to HK\$32,749,000 for same period last year. Group sales revenue for the same period increased 37% to HK\$2,397 million from HK\$1,746 million.

Financial Results Highlights:

- Profit before taxation: up 76% to HK\$68.0 million
- Earnings per share: up 77% from 12.08 HK cents to 21.33 HK cents
- Revenue: up 37% to HK\$2,397 million
- Profit attributed to shareholders: up 76% to HK\$57.8 million
- Returned on capital employed (annualized): up from 8% to 11%
- Net assets value per share: HK\$3.76

(1) IT Distribution Business

Riding on the global economic recovery, the Group achieved significant growth in its IT Distribution Business for first half year of 2010. Segmental profit from IT Distribution Business increased 112% from HK\$26.7 million to HK\$56.6 million. Sales revenue for IT distribution business for the first half year of 2010 increased 37% to HK\$2,393 million as compared to same period last year.

(2) Investment in IT Business

Despite the turbulent political climate in Thailand in early 2010, the Group's investments in SiS Distribution (Thailand) Public Company Limited ("SiS Thailand") continued to perform and grew steadily. SiS Thailand's impressive performance contributed HK\$15 million to the Group's profit during the first half year of 2010.

The Group has completed the disposal of its investment in ECS Pericomp Sdn Bhd in Malaysia for a consideration of Malaysia dollars 6.9 million (approximately HK\$17 million), and reported a gain on disposal of about HK\$3 million in April 2010.

(3) Real Estate Investments Business

The Group completed its acquisition of a prime commercial property located at 9 Queen's Road Central in Hong Kong for HK\$203 million in January 2010 and the disposal of an investment in car parks for a consideration of HK\$70 million in March 2010. In June 2010, the Group announced the acquisition of another prime commercial property located at Admiralty for a consideration of HK\$184 million. The newly acquired property is expected to be completed in November 2010. During the first half year of 2010, the Group recorded a fair valuation gain of HK\$3 million for its real estate investment business. Total fair value for the Group's investment properties amounted to HK\$406 million as at 30 June 2010.

PROSPECT

The Group is moving ahead with confidence. With an extensive distribution network, an impressive line of world renowned products, an experienced management team, our IT distribution business will benefit with the increase in demand for IT products as the global economy recover. With a strong financial position, the Group will continue to seek opportunities on investments in IT businesses and expand its businesses in mobile, wireless and mobile solutions.

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2010, the Group had total assets of HK\$1,774,367,000 which were financed by shareholders' funds of HK\$1,020,150,000, and total liabilities of HK\$754,217,000. The Group had a current ratio of approximately 1.66 compared to that of approximately 2.03 at 31 December 2009.

As at 30 June 2010 the Group had HK\$131,986,000 bank balances and cash of which HK\$22,613,000 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 30 June 2010, the Group had bank loans and bills payable of total HK\$173,632,000 of which HK\$30,064,000 was due over one year. The Group's borrowings were mainly denominated in Hong Kong Dollar, Singapore Dollar and Malaysia Dollar and were charged by bank at floating interest rates.

Gearing ratio, as defined by total bank loans and bills payable to shareholders' funds, as at 30 June 2010 was 17% compared to 5% as at 31 December 2009.

Charges on Group Assets

At the reporting date, the Group had pledged bank deposits of HK\$22,613,000 (31 December 2009: HK\$21,086,000) and investment properties with carrying value of HK\$211,321,000 (31 December 2009: HK\$65,000,000) 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 2010 was 321 (30 June 2009: 284) and the salaries and other benefits paid to employees, excluding Directors' emoluments, amounted to HK\$43,911,000 (30 June 2009: HK\$35,632,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant share options to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

Currency Risk Management

The Group maintains a conservative approach on foreign exchange exposure management by entering into foreign currency forward contracts. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date. At 30 June 2010, the Group had outstanding forward contracts denominated in United States dollars with total notional amount of HK\$117,219,000 (31 December 2009: HK\$254,379,000) which were measured at fair value at the reporting date.

Contingent Liabilities

The Company's corporate guarantees extended to certain banks as security for banking facilities to the Group amounted to HK\$13,440,000 (31 December 2009: HK\$62,656,000).

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 period ended 30 June 2010, except for the Code A.4.1 and A.4.2 as disclosed in page 9 of the Group's 2009 annual report under the Corporate Governance section. In the Directors meeting held on 25 June 2010, Mr. Lim Kia Hong and Mr. Lim Kiah Meng have been elected as chairman and vice-chairman of the Company respectively, until the Directors meeting to be held after next Annual General Meeting in year 2011.

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 period ended 30 June 2010.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM 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 2010 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 2010.

On behalf of the Board of
SiS International Holdings Limited
LIM Kia Hong
Chairman

Hong Kong, 18 August 2010

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.