

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 2012

The directors (the “Directors”) of SiS International Holdings Limited (the “Company”) is pleased to announce that the consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 together with comparative figures for the corresponding period in 2011. The interim financial statements have been reviewed by the Company’s auditor and audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		30 June 2012	30 June 2011
	Notes	HK\$'000 (unaudited)	HK\$'000 (unaudited) (restated)
Continuing operations			
Revenue	3	1,159,338	264,044
Cost of sales		<u>(1,102,433)</u>	<u>(252,860)</u>
Gross profit		56,905	11,184
Other income		1,446	1,073
Other gains and losses	4	34,969	29,196
Distribution costs		(16,086)	(4,709)
Administrative expenses		(24,464)	(27,624)
Share of results of associates		(6,737)	23,775
Share of results of a jointly controlled entity		(503)	544
Finance costs		<u>(104)</u>	<u>(448)</u>
Profit before tax		45,426	32,991
Income tax expense	5	<u>(2,372)</u>	<u>(1,245)</u>
Profit for the period from continuing operations		43,054	31,746
Discontinued operations			
Gain on disposal of subsidiaries constituting discontinued operations	6	<u>-</u>	<u>551,432</u>
Profit for the period	7	<u>43,054</u>	<u>583,178</u>

* For identification purposes only

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

		For the six months ended	
		30 June 2012	30 June 2011
	<i>Notes</i>	<i>HK Cents</i>	<i>HK Cents</i>
		(unaudited)	(unaudited) (restated)
EARNINGS PER SHARE	8		
From continuing and discontinued operations			
-Basic		<u>15.5</u>	<u>212.3</u>
-Diluted		<u>15.5</u>	<u>211.1</u>
From continuing operations			
-Basic		<u>15.5</u>	<u>11.6</u>
-Diluted		<u>15.5</u>	<u>11.5</u>
From discontinued operations			
-Basic		<u>-</u>	<u>200.7</u>
-Diluted		<u>-</u>	<u>199.6</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June 2012	30 June 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited) (restated)
Profit for the period	<u>43,054</u>	<u>583,178</u>
Other comprehensive income (expense) :		
(Loss) gain on fair value changes of available-for-sale investments	(2)	25,512
Exchange realignment arising on translation of foreign operations	56	(4,124)
Release of investments reserve upon disposal of available-for-sale investments	(10,607)	-
Reclassification of cumulative exchange difference attributable to disposed subsidiaries to condensed consolidated income statement	-	(26,804)
Revaluation gain on property, plant and equipment upon transfer to investment properties	<u>-</u>	<u>933</u>
Other comprehensive expense for the period	<u>(10,553)</u>	<u>(4,483)</u>
Total comprehensive income for the period	<u>32,501</u>	<u>578,695</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2012	31 December 2011
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (restated)
Non-current assets			
Investment properties		841,480	835,067
Property, plant and equipment		21,568	21,373
Interests in associates		205,228	216,708
Interest in a jointly controlled entity		17,384	17,887
Available-for-sale investments		<u>103,004</u>	<u>107,767</u>
		<u>1,188,664</u>	<u>1,198,802</u>
Current assets			
Inventories		104,561	153,257
Trade and other receivables, deposits and prepayments	<i>10</i>	122,615	135,376
Tax recoverable		36	5
Investments held-for-trading		9,954	51,937
Bank balances and cash		<u>921,796</u>	<u>585,398</u>
		<u>1,158,962</u>	<u>925,973</u>
Current liabilities			
Trade payables, other payables and accruals	<i>11</i>	153,199	151,179
Bills payable	<i>12</i>	4,378	-
Dividend payable		38,785	-
Derivative financial instruments		-	5,429
Tax payable		32,488	31,542
Bank loans		<u>190,000</u>	<u>-</u>
		<u>418,850</u>	<u>188,150</u>
Net current assets		<u>740,112</u>	<u>737,823</u>
Total assets less current liabilities		<u>1,928,776</u>	<u>1,936,625</u>
Non-current liabilities			
Deferred tax liabilities		<u>4,112</u>	<u>5,677</u>
Net assets		<u>1,924,664</u>	<u>1,930,948</u>
Capital and reserves			
Share capital		27,703	27,703
Share premium		71,367	71,367
Reserves		60,051	70,604
Retained profits		<u>1,765,543</u>	<u>1,761,274</u>
Total equity		<u>1,924,664</u>	<u>1,930,948</u>

Notes:

1. BASIS OF PREPARATION

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

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

- amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*; and
- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*;

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

Under the amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group’s investment property portfolio and concluded that the Group’s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment. Previously, the Group had recognised deferred taxes on changes in fair value of investment properties on the basis that the carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group’s deferred tax liabilities being decreased by HK\$28,489,000 and HK\$51,230,000 as at 1 January 2011 and 31 December 2011 respectively, with the corresponding adjustment being recognised in retained earnings. In addition, the application of the amendments has resulted in the Group’s income tax expense for the six months ended 30 June 2011 and 30 June 2012 being reduced by HK\$732,000 and HK\$1,077,000 respectively and hence resulted in the profit for the six months ended 30 June 2011 and 30 June 2012 being increased by the same amount. As a result of the adjustments, the basic and diluted earnings per share from continuing and discontinued operations for the six

months ended 30 June 2011 have been increased by 0.3 HK cents from 11.3 HK cents and 11.2 HK cents to 11.6 HK cents and 11.5 HK cents respectively whereas the basic and diluted earnings per share for the six months ended 30 June 2012 have been increased by 0.4 HK cents.

The effects of the above change on the individual line items of the consolidated statement of financial positions as at the beginning and the end of the immediately preceding financial year, i.e. 1 January 2011 and 31 December 2011 respectively, are as follows:

	<u>As at 1 January 2011</u>			<u>As at 31 December 2011</u>		
	<u>Original stated</u>	<u>Adjustments</u>	<u>Restated</u>	<u>Original stated</u>	<u>Adjustments</u>	<u>Restated</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax liabilities	37,331	(28,489)	8,842	56,907	(51,230)	5,677
Retained profits	<u>1,070,688</u>	<u>28,489</u>	<u>1,099,177</u>	<u>1,710,044</u>	<u>51,230</u>	<u>1,761,274</u>

The Directors anticipate that the application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Directors are in the process of assessing the potential financial impact on the Group's financial statements on application of the new HKFRSs which will be effective for the financial period beginning on 1 January 2013.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Distribution of mobile and IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2012			
<i>Segment revenue</i>			
External sales	<u>1,151,320</u>	<u>8,018</u>	<u>1,159,338</u>
<i>Segment profit</i>			
	<u>28,716</u>	<u>12,400</u>	41,116
Gain on disposal of available-for-sale investments			10,607
Fair value gain on investments held-for-trading			2,997
Dividend income from investments held-for-trading			2,087
Dividend income from available-for-sale investments			867
Loss on deemed disposal of an associate			(687)
Share of results of associates			(6,737)
Share of results of a jointly controlled entity			(503)
Other unallocated income and gains			14,679
Unallocated corporate expenses			(18,896)
Finance costs			<u>(104)</u>
Profit before tax			<u>45,426</u>

3. SEGMENT INFORMATION *(continued)*

	Distribution of mobile and IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2011			
<i>Segment revenue</i>			
External sales	<u>256,574</u>	<u>7,470</u>	<u>264,044</u>
<i>Segment profit</i>	<u>1,858</u>	<u>10,808</u>	12,666
Fair value gain on investments held-for-trading			6,538
Dividend income from investments held-for-trading			2,364
Dividend income from available-for-sale investments			4,523
Loss on deemed disposal of an associate			(104)
Share of results of associates			23,775
Share of results of a jointly controlled entity			544
Other unallocated income and gains			11,400
Unallocated corporate expenses			(28,267)
Finance costs			<u>(448)</u>
Profit before tax			<u><u>32,991</u></u>

Segment profit reported to the chief operating decision makers for the purposes of resource allocation and performance assessment does not include central administration costs, corporate expenses, share of results of associates and a jointly controlled entity, gain or loss on disposal of an associate and available-for-sale investments, investment income, other unallocated income and gains, and finance costs.

4. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other gains and losses comprises:		
Change in fair value of derivative financial instruments	4,374	1,817
Dividend income from available-for-sale investments	867	4,523
Dividend income from investments held-for-trading	2,087	2,364
Exchange gain, net	9,217	9,696
Fair value gain on investments held-for-trading	2,997	6,538
Fair value gain on investment properties	5,507	4,433
Gain on disposal of available-for-sale investments	10,607	-
Loss on deemed disposal of an associate	(687)	(104)
Loss on disposal of investment properties	-	(71)
	<u>34,969</u>	<u>29,196</u>

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (restated)
The charge comprises:		
Current tax		
Hong Kong	1,892	-
Overseas	1,974	153
Deferred tax		
Hong Kong	<u>(1,494)</u>	<u>1,092</u>
Income tax expense for the period	<u>2,372</u>	<u>1,245</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2011 as the companies comprising the Group did not have assessable profit subject to Hong Kong Profits Tax for the prior period.

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

6. DISCONTINUED OPERATIONS

The Group completed its disposal of its entire interests in SiS International Limited, SiS Technologies Pte. Ltd. and SiS Distribution (M) Sdn Bhd (the "Disposal Group") on 3 January 2011 on which the Group ceased control over the Disposal Group. The total consideration was approximately US\$124 million (equivalent to HK\$964,025,000) of which US\$70 million (equivalent to HK\$546,000,000) was received on the date of completion. A balance payment of approximately US\$54 million (equivalent to HK\$418,025,000) representing the net asset value of the Disposal Group ("Net Asset Value Payment") as defined in the agreement was received on 27 June 2011 upon completion of the determination of the net asset value. The Net Asset Value Payment is subject to adjustment on the value of certain assets and liabilities within a two years period.

7. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit for the period has been arrived at after charging and (crediting):		
Cost of inventories recognised in cost of sales	1,101,308	251,765
Depreciation of property, plant and equipment	549	175
Share of tax of associates	4,190	13,632
Allowance for inventories, net	9,862	8,344
Allowance for doubtful debts	6,426	-
Interest on bank deposits	<u>(1,088)</u>	<u>(840)</u>

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit of HK\$43,054,000 (30 June 2011 (restated): HK\$583,178,000 including continuing and discontinued operations) and the weighted average number of ordinary shares calculated below.

	For the six months ended 30 June	
	2012 '000	2011 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	277,033	274,749
Effect of dilutive potential ordinary share:		
Share options issued by the Company	404	1,502
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>277,437</u>	<u>276,251</u>

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

The calculation of basic and diluted earnings per share for continuing operations and discontinued operations for the six months ended 30 June 2011 is based on the restated profit for the period from continuing operations of HK\$31,746,000 and discontinued operations of HK\$551,432,000.

The denominators detailed above are for both basic and diluted earnings per share.

9. DIVIDENDS

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Final dividend, payable in respect of the year ended 31 December 2011 of 5.0 HK cents per share (2011: 8.0 HK cents per share in respect of the year ended 31 December 2010)	13,852	22,149
Special dividend, payable in respect of the year ended 31 December 2011 of 9.0 HK cents per share (2011: 4.0 HK cents per share in respect of the year ended 31 December 2010)	24,933	11,075
	<u>38,785</u>	<u>33,224</u>

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2012 and 2011.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables and GST receivable of HK\$95,796,000 (31 December 2011: HK\$96,601,000) and HK\$17,101,000 (31 December 2011: HK\$30,005,000) respectively. The following is an analysis of trade receivables by age net of allowance for doubtful debts, presented based on the invoice date.

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within 30 days	64,716	68,677
31 to 90 days	27,950	15,448
91 to 120 days	1,865	8,676
Over 120 days	<u>1,265</u>	<u>3,800</u>
	<u>95,796</u>	<u>96,601</u>

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. No credit is granted to tenants of properties and payment is due on presentation of demand note.

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$113,362,000 (31 December 2011: HK\$103,991,000). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within 30 days	26,577	97,089
31 to 90 days	85,524	6,529
91 to 120 days	17	373
Over 120 days	<u>1,244</u>	<u>-</u>
	<u>113,362</u>	<u>103,991</u>

The average credit period pertaining to purchase of goods is 30 to 60 days.

12. BILLS PAYABLE

Bills payable are due within 60 days.

13. CAPITAL COMMITMENTS

Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements amounted to HK\$427,000 (31 December 2011: HK\$nil).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

BUSINESS REVIEW

(1) Mobile and IT Products Distribution Business

During the first half of 2012, the Group continued on its Diversification, Transformation and Expansion of its distribution business from IT distribution to include distribution of smart phones and mobility products. The Group's goal is to emerge as a leading distributor for smart phones and mobility products in the region.

Revenues from the distribution of mobile products and distribution management services increased 348% from HK\$257 million to HK\$1,151 million while the segment profits increased 1,445% to HK\$29 million as compared to the same period last year.

(2) Investment in IT Business

The Group's associated company, SiS Distribution (Thailand) Public Company Limited and its subsidiaries recorded a loss of HK\$7 million for the first time mainly due to the effects of the flooding and the keen market competition in the mobile phone distribution in Thailand resulting in the Group's share for the loss.

(3) Real Estate Investments Business

Our real estate investment portfolio remained stable and is generating consistent revenue to the Group of HK\$8 million. For the interim 2012, the Group recorded a fair valuation gain of HK\$6 million for its real estate investment business. Total carrying value of the Group's investment properties amounted to HK\$841 million as at 30 June 2012.

PROSPECT

Global economic outlook remains uncertain in the face of financial turmoil in Europe and the perceived slowing down of the China economy. Whilst the mobile phone and mobility products offer opportunities for growth, many mobile vendors are facing challenging times during product and technology transitions with market volatility, keen competition and profit erosion. As technology and innovations continue to evolve, change and transform consumers and businesses, the Directors are cautiously moving ahead. With a strong financial position, the Group will continue to diversify and make selective investments when the right opportunities arise to enhance our shareholders value.

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2012, the Group had total assets of HK\$2,347,626,000 which were financed by shareholders' funds of HK\$1,924,664,000 and total liabilities of HK\$422,962,000. The Group had a current ratio of approximately 2.8 compared to that of approximately 4.9 at 31 December 2011.

As at 30 June 2012 the Group had HK\$921,796,000 bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and short term borrowings. As at 30 June 2012, the Group had HK\$194,378,000 short term borrowings which were denominated in Hong Kong and Singapore dollars.

The Group continued to maintain a strong liquidity position. At the end of June 2012, the Group had a net cash surplus of HK\$727,418,000 compared to HK\$585,398,000 as at 31 December 2011.

Gearing ratio, as defined by total bank loans and bills payable to shareholders' funds as at 30 June 2012, was 10% compared to no gearing as at 31 December 2011.

Charges on Group Assets

At the balance sheet date, the Group had pledged investment properties with carrying value of HK\$564,347,000 (31 December 2011: HK\$560,000,000) to banks to secure general banking facilities granted to the Group.

Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes

The number of staff of the Group as at 30 June 2012 was 68 (30 June 2011: 21) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$10,617,000 (30 June 2011: HK\$4,287,000). 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. During the six months period ended 30 June 2012, no share options have been granted, exercised or lapsed. 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 2012, the Group had no outstanding forward contracts (31 December 2011: notional amount HK\$117,000,000).

Contingent Liabilities

The Company's corporate guarantees extended to a bank as security for banking facilities to the Group amounted to HK\$118,500,000 (31 December 2011: HK\$118,500,000).

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 2012, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in page 9 of the Group's 2011 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, SALE 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 2012.

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 2012 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 2012.

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

Hong Kong, 22 August 2012

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