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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: 00529)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014 together with comparative figures for the corresponding period in 2013. The interim financial statements have been reviewed by the Company’s auditor and audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended	
		30 June 2014 HK\$'000 (unaudited)	30 June 2013 HK\$'000 (unaudited)
Revenue	3	1,026,823	754,376
Cost of sales		(946,207)	(683,890)
Gross profit		80,616	70,486
Other income		9,382	10,900
Other gains and losses	4	9,870	(27,318)
Distribution costs		(20,940)	(14,870)
Administrative expenses		(41,769)	(31,892)
Share of results of associates		11,151	24,326
Share of results of joint ventures		(118)	413
Finance costs		(8,644)	(2,435)
Profit before tax		39,548	29,610
Income tax (expense) credit	5	(3,298)	1,951
Profit for the period	6	36,250	31,561
Profit for the period attributable to:			
Owners of the Company		34,541	31,079
Non-controlling interests		1,709	482
		36,250	31,561

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

	<i>Notes</i>	Six months ended	
		30 June 2014 <i>HK cents</i> (unaudited)	30 June 2013 <i>HK cents</i> (unaudited)
EARNINGS PER SHARE	7		
-Basic		<u>12.5</u>	<u>11.2</u>
-Diluted		<u>12.4</u>	<u>11.2</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended	
	30 June 2014 <i>HK\$'000</i> (unaudited)	30 June 2013 <i>HK\$'000</i> (unaudited)
Profit for the period	<u>36,250</u>	<u>31,561</u>
Other comprehensive income (expense) :		
Items that may be subsequently reclassified to profit or loss		
Gain (loss) on fair value change of available-for-sale investments	11,637	(5,574)
Exchange realignment arising on translation of foreign operations	<u>8,009</u>	<u>1,670</u>
Other comprehensive income (expense) for the period	<u>19,646</u>	<u>(3,904)</u>
Total comprehensive income for the period	<u>55,896</u>	<u>27,657</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	54,189	26,025
Non-controlling interests	<u>1,707</u>	<u>1,632</u>
	<u>55,896</u>	<u>27,657</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2014	31 December 2013
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Investment properties		1,874,658	1,845,752
Property, plant and equipment		64,785	68,077
Goodwill		11,509	11,509
Intangible assets		45,391	47,836
Interests in associates		159,339	152,838
Interests in joint ventures		35	-
Available-for-sale investments		141,143	99,214
		<u>2,296,860</u>	<u>2,225,226</u>
Current assets			
Inventories		104,660	131,427
Trade and other receivables, deposits and prepayments	9	157,529	173,343
Amount due from a joint venture		18,276	-
Derivative financial instruments		-	7,690
Tax recoverable		1,001	71
Investments held-for-trading		12,684	11,097
Pledged deposits		447,784	444,035
Bank balances and cash		364,532	341,746
		<u>1,106,466</u>	<u>1,109,409</u>
Current liabilities			
Trade payables, other payables and accruals	10	125,751	140,126
Derivative financial instruments		1,068	-
Dividend payable		22,167	-
Tax payable		20,585	23,723
Bank loans		471,832	447,269
Bank overdrafts		35,705	32,590
		<u>677,108</u>	<u>643,708</u>
Net current assets		<u>429,358</u>	<u>465,701</u>
Total assets less current liabilities		<u>2,726,218</u>	<u>2,690,927</u>
Non-current liabilities			
Bank loans		206,214	209,802
Bonds		75,350	72,815
Deferred tax liabilities		15,958	14,740
Rental deposits		73,500	72,198
		<u>371,022</u>	<u>369,555</u>
Net assets		<u>2,355,196</u>	<u>2,321,372</u>
Capital and reserves			
Share capital		27,709	27,703
Share premium		71,488	71,367
Reserves		51,767	32,151
Retained profits		2,126,411	2,114,037
		<u>2,277,375</u>	<u>2,245,258</u>
Equity attributable to owners of the Company		2,277,375	2,245,258
Non-controlling interests		77,821	76,114
Total equity		<u>2,355,196</u>	<u>2,321,372</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 value.

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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new or Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*;
- Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*; and
- HK(IFRIC)-Int 21 *Levies*.

The application of the above new Interpretation and 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.

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>
Six months ended 30 June 2014			
<i>Segment revenue</i>			
External sales	<u>939,954</u>	<u>86,869</u>	<u>1,026,823</u>
<i>Segment profit</i>	<u>9,874</u>	<u>37,343</u>	47,217
Change in fair value of investments held-for-trading			1,224
Dividend income from investments held-for-trading			3,130
Dividend income from available-for-sale investments			341
Share of results of associates			11,151
Share of results of joint ventures			(118)
Finance costs			(8,644)
Other unallocated income and gains			2,411
Unallocated corporate expenses			<u>(17,164)</u>
Profit before tax			<u>39,548</u>
	Distribution of mobile and IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2013			
<i>Segment revenue</i>			
External sales	<u>691,676</u>	<u>62,700</u>	<u>754,376</u>
<i>Segment profit</i>	<u>23,661</u>	<u>23,053</u>	46,714
Change in fair value on investments held-for-trading			(527)
Dividend income from investments held-for-trading			312
Dividend income from available-for-sale investments			204
Loss on deemed disposal of an associate			(9,622)
Share of results of associates			24,326
Share of results of a joint venture			413
Finance costs			(2,435)
Other unallocated income and gains			15,502
Unallocated corporate expenses			<u>(45,277)</u>
Profit before tax			<u>29,610</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 joint ventures, loss on deemed disposal of an associate, change in fair value of investments held-for-trading, investment income, other unallocated income and gains, and finance costs.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2014 HK\$'000	30 June 2013 HK\$'000
Other gains and losses comprises:		
Change in fair value of derivative financial instruments	(8,758)	5,296
Exchange gain (loss), net	17,404	(24,563)
Change in fair value of investments held-for-trading	1,224	(527)
Change in fair value of investment properties	-	2,098
Loss on deemed disposal of associate	-	(9,622)
	<u>9,870</u>	<u>(27,318)</u>

5. INCOME TAX EXPENSE (CREDIT)

	Six months ended	
	30 June 2014 HK\$'000	30 June 2013 HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	1,310	1,509
Underprovision in respect of prior periods	352	-
	<u>1,662</u>	<u>1,509</u>
Overseas Tax		
Current period	755	1,354
Overprovision in respect of prior periods	-	(9,800)
	<u>755</u>	<u>(8,446)</u>
Deferred tax	<u>881</u>	<u>4,986</u>
Income tax expense (credit) for the period	<u>3,298</u>	<u>(1,951)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Following the disposal of subsidiaries on 3 January 2011, a final assessment was issued by an overseas tax authority and concluded that no income tax is levied for certain sales of goods transactions. Accordingly, the accrual of income tax and other related expenses amounted HK\$9,800,000 and HK\$7,698,000 as disclosed in Note 6, respectively, are reversed in the prior period.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30 June 2014 HK\$'000	30 June 2013 HK\$'000
Profit for the period has been arrived at after Charging and (crediting):		
Cost of inventories recognised in cost of sales	896,760	642,004
Depreciation of property, plant and equipment	4,429	2,550
Amortisation of intangible assets	2,622	1,949
Share of tax expense (credit) of associates	3,571	(7,177)
Reversal of allowance for inventories, net	(4,640)	(1,474)
Allowance for doubtful debts	43	599
Allowance for amount due from a joint venture	8,073	-
Interest income on bank deposits	(2,411)	(2,481)
Reversal of overprovision for tax related expenses (Note 5)	-	(7,698)
	<u> </u>	<u> </u>

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit of HK\$34,541,000 (30 June 2013: HK\$31,079,000) and the number of ordinary shares calculated below.

	Six months ended	
	30 June 2014 '000 shares	30 June 2013 '000 shares
Number of ordinary shares for the purpose of basic earnings per share	277,035	277,033
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>411</u>	<u>402</u>
Number of ordinary shares for the purpose of diluted earnings per share	<u>277,446</u>	<u>277,435</u>

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

8. DIVIDENDS

	Six months ended	
	30 June 2014 HK\$'000	30 June 2013 HK\$'000
Final dividend, payable in respect of the year ended 31 December 2013 of 5.0 HK cents per share (2013: 5.0 HK cents per share in respect of the year ended 31 December 2012)	13,854	13,852
Special dividend, payable in respect of the year ended 31 December 2013 of 3.0 HK cents per share (2013: 3.0 HK cents per share in respect of the year ended 31 December 2012)	<u>8,313</u>	<u>8,311</u>
	<u>22,167</u>	<u>22,163</u>

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2014 (2013: Nil).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$58,535,000 (31 December 2013: HK\$91,203,000). The following is an analysis of trade receivables by age, net of allowance for doubtful debts, presented based on the invoice date, which approximated the revenue recognition date.

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Within 30 days	30,349	47,050
31 to 90 days	12,427	28,340
91 to 120 days	1,361	1,152
Over 120 days	14,398	14,661
	58,535	91,203

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

10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$51,053,000 (31 December 2013: HK\$67,080,000). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Within 30 days	40,695	63,015
31 to 90 days	9,961	3,921
91 to 120 days	84	144
Over 120 days	313	-
	51,053	67,080

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

11. ACQUISITION OF A SUBSIDIARY

On 7 March 2013, the Group acquired an additional 14.1% ownership interest in Information Technology Consultants Ltd (“ITCL”), incorporated in the People’s Republic of Bangladesh, a then associate of the Group, for a consideration of Bangladesh Taka222,169,000 (equivalent to HK\$22,104,000). Upon the completion of acquisition, the Group owned 43.6% ownership interest in ITCL and, in accordance with HKFRS 10, the Group assessed that it has control over ITCL, so the transaction has been accounted for as business combination using the acquisition method. ITCL is principally engaged in the business of provision of switching solution and electronic devices to banks in the People's Republic of Bangladesh and was acquired with the objective to invest in promising information technology business and expansion of business in emerging countries.

12. EVENT AFTER THE END OF REPORTING PERIOD

On 14 July 2014, a subsidiary of the Group has entered into a sale and purchase agreement with a third party to acquire a trust beneficial interest in the land and building in Hokkaido, Japan for a consideration of JPY2.7 billion (approximately HK\$206 million). The acquisition was completed on 30 July 2014.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

BUSINESS REVIEW

The momentum of transformation and building core businesses has begun to take shape as the Group progresses.

(a) Distribution Business

Revenue from mobile & IT products distribution and distribution management services increased 36% to HK\$940 million from HK\$692 million. The shift of consumers and corporates towards mobility & mobile devices opened up bigger market opportunities but at the same time created intense competition. Segment profits decreased to HK\$10 million due to margin pressure.

(b) Investment in IT Business

Amid the uncertain political situation in Thailand, our associated company, SiS Distribution (Thailand) Public Company Limited continued to perform and contributed a profit of HK\$11 million to the Group.

Information Technology Consultants Limited, the largest provider of payment gateway in the provision of financial and mobile banking solutions to banks and telcos in Bangladesh, is continuing to expand its business.

(c) Real Estate Investments Business

The Group's investment in income-generating properties with long term potential for capital appreciation, has begun to contribute positively to the net results of the Group. With the additional acquisition of five Toyoko Inn properties located in Naha, Kanazawa, Hiratsuka, Niigata and Tokushima in October 2013, revenue and segment profit generated from the Group's real estate investment portfolio for the six months ended 30 June 2014 has increased to HK\$87 million and HK\$37 million as compared to HK\$63 million and HK\$23 million respectively. Total carrying value of the Group's investment properties amounted to HK\$1,875 million as at 30 June 2014.

On 30 July 2014, the Group completed the acquisition of a trust beneficial interest in a hotel property located in Otaru Japan operating under the name of "Dormy Inn Premium Otaru" for a consideration of approximately HK\$206 million.

PROSPECT

The Group remains cautiously optimistic about the business outlook in the remaining quarters of 2014. We are staying focused as we continued with the journey of transformation for a long term success. Backed by our strong balance sheet, the Group will continue to 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 2014, the Group had total assets of HK\$3,403,326,000 which were financed by total equity of HK\$2,355,196,000 and total liabilities of HK\$1,048,130,000. The Group had current ratio of approximately 1.6 compared to that of approximately 1.7 at 31 December 2013.

As at 30 June 2014 the Group had HK\$812,316,000 (31 December 2013: HK\$785,781,000) bank deposits balances and cash of which HK\$447,784,000 (31 December 2013: HK\$444,035,000) was pledged to banks to secure bank borrowings. The Group's working capital requirements were mainly financed by internal resources, bank loans and overdraft. As at 30 June 2014, the Group had short term loans and bank overdrafts of total HK\$507,537,000 (31 December 2013: HK\$479,859,000) and long term loans and bonds of HK\$281,564,000 (31 December 2013: HK\$282,617,000). The borrowings were mainly denominated in Japanese Yen, Hong Kong Dollars and Bangladesh Taka and were charged by banks at floating interest rate.

The Group continued to maintain a solid liquidity position. At the end of June 2014, the Group had a net cash surplus (bank balances and cash including pledged deposits less bank borrowings and bonds) of HK\$23,215,000 compared to HK\$23,305,000 as at 31 December 2013.

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 30 June 2014 was 34% (31 December 2013: 33%).

Charges on Group Assets

At the balance sheet date, the Group had pledged deposits of HK\$447,784,000 (31 December 2013: HK\$444,035,000) and investment properties with carrying value of HK\$1,314,804,000 (31 December 2013: HK\$1,293,279,000) were pledged to banks to secure general banking facilities granted to the Group and for purchase of investment properties.

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

The number of staff of the Group as at 30 June 2014 was 290 (30 June 2013: 275) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$15,375,000 (30 June 2013: HK\$15,063,000). 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 2014, share options of 55,555 have been exercised and the average closing share price immediate before the date of exercise of the share options was HK\$3.11. 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 2014, the Group had notional amount HK\$124,800,000 outstanding forward contracts (31 December 2013: HK\$78,000,000).

Contingent Liabilities

At 30 June 2014 the Company's corporate guarantees extended to banks as security for banking facilities to the Group amounted to HK\$118,500,000 (31 December 2013: HK\$189,480,000).

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 2014, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in page 11 of the Group's 2013 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 six months period ended 30 June 2014.

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 2014 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 2014.

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

Hong Kong, 22 August 2014

As at the date of this announcement, the executive directors are Mr. Lim Kia Hong, Mr. Lim Kiah Meng, 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.