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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 2015

The directors (the “Directors”) of SiS International Holdings Limited (the “Company”) is pleased to announce that the condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 together with comparative figures for the corresponding period in 2014. 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 2015 HK\$'000 (unaudited)	30 June 2014 HK\$'000 (unaudited)
Revenue	3	579,618	1,026,823
Cost of sales		<u>(494,741)</u>	<u>(946,207)</u>
Gross profit		84,877	80,616
Other income		2,404	9,382
Other gains and losses	4	1,690	9,870
Distribution costs		(14,183)	(20,940)
Administrative expenses		(47,913)	(41,769)
Gain from changes in fair value of investment properties		46,139	-
Share of results of associates		7,868	11,151
Share of results of joint ventures		-	(118)
Finance costs		<u>(10,355)</u>	<u>(8,644)</u>
Profit before tax		70,527	39,548
Income tax expense	5	<u>(2,371)</u>	<u>(3,298)</u>
Profit for the period	6	<u>68,156</u>	<u>36,250</u>
Profit for the period attributable to:			
Owners of the Company		67,630	34,541
Non-controlling interests		<u>526</u>	<u>1,709</u>
		<u>68,156</u>	<u>36,250</u>

* For identification purposes only

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

	<i>Notes</i>	Six months ended	
		30 June 2015 <i>HK cents</i> (unaudited)	30 June 2014 <i>HK cents</i> (unaudited)
EARNINGS PER SHARE	7		
-Basic		<u>24.4</u>	<u>12.5</u>
-Diluted		<u>24.4</u>	<u>12.4</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended	
	30 June 2015 <i>HK\$'000</i> (unaudited)	30 June 2014 <i>HK\$'000</i> (unaudited)
Profit for the period	<u>68,156</u>	<u>36,250</u>
Other comprehensive income :		
Items that may be subsequently reclassified to profit or loss		
Gain on fair value change of available-for-sale investments	11,316	11,637
Exchange realignment arising on translation of foreign operations	<u>(10,466)</u>	<u>8,009</u>
Other comprehensive income for the period	<u>850</u>	<u>19,646</u>
Total comprehensive income for the period	<u>69,006</u>	<u>55,896</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	68,486	54,189
Non-controlling interests	<u>520</u>	<u>1,707</u>
	<u>69,006</u>	<u>55,896</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2015	31 December 2014
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Investment properties		2,211,948	2,015,865
Property, plant and equipment		187,225	191,012
Goodwill		11,509	11,509
Intangible assets		47,360	45,568
Interests in associates		161,894	166,067
Interests in joint ventures		-	-
Available-for-sale investments		154,553	136,640
Deposits for acquisition of investment property, and property, plant and equipment		63,346	-
		2,837,835	2,566,661
Current assets			
Inventories		63,973	74,880
Trade and other receivables, deposits and prepayments	9	115,753	126,741
Amount due from a joint venture		7,835	8,741
Derivative financial instruments		10,756	13,254
Tax recoverable		2,510	3,157
Investments held-for-trading		11,442	11,248
Pledged deposits		453,633	493,522
Bank balances and cash		410,209	327,583
		1,076,111	1,059,126
Current liabilities			
Trade payables, other payables and accruals	10	130,212	152,242
Dividend payable		13,873	-
Tax payable		17,610	18,072
Bank loans		575,988	437,850
Bonds		5,578	-
Bank overdrafts		35,786	39,084
		779,047	647,248
Net current assets		297,064	411,878
Total assets less current liabilities		3,134,899	2,978,539
Non-current liabilities			
Bank loans		359,131	312,853
Bonds		129,488	106,167
Deferred tax liabilities		21,092	21,011
Rental deposits		86,984	87,268
		596,695	527,299
Net assets		2,538,204	2,451,240
Capital and reserves			
Share capital	11	27,737	27,709
Share premium		72,093	71,488
Reserves		(8,095)	8,717
Retained profits		2,321,801	2,268,044
		2,413,536	2,375,958
Equity attributable to owners of the Company		2,413,536	2,375,958
Non-controlling interests		124,668	75,282
Total equity		2,538,204	2,451,240

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

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") that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions;
- Amendments to HKFRSs Annual Improvements to HKFRSs 2010-2012 Cycle; and
- Amendments to HKFRSs Annual Improvements to HKFRSs 2011-2013 Cycle.

The application of the above 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 HK\$'000	Property investment HK\$'000	Total HK\$'000
Six months ended 30 June 2015			
<i>Segment revenue</i>			
External sales	<u>490,762</u>	<u>88,856</u>	<u>579,618</u>
<i>Segment profit</i>	<u>4,057</u>	<u>90,002</u>	<u>94,059</u>
Change in fair value of investments held-for-trading			(121)
Dividend income from investments held-for trading			288
Dividend income from available-for sale investments			138
Share of results of associates			7,868
Finance costs			(10,355)
Other unallocated income			980
Unallocated corporate expenses			<u>(22,330)</u>
Profit before tax			<u>70,527</u>
	Distribution of mobile and IT products HK\$'000	Property investment HK\$'000	Total HK\$'000
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 on 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			2,411
Unallocated corporate expenses			<u>(17,164)</u>
Profit before tax			<u>39,548</u>

Segment profit reported to the chief operating decision maker 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, change in fair value of investments held-for-trading, investment income and finance costs.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2015 HK\$'000	30 June 2014 HK\$'000
Other gains and losses comprises:		
Change in fair value of derivative financial instruments	4,294	(8,758)
Exchange (loss) gain, net	(2,465)	17,404
Change in fair value of investments held-for-trading	(121)	1,224
Loss on disposal of property, plant and equipment	(18)	-
	<u>1,690</u>	<u>9,870</u>

5. INCOME TAX EXPENSE

	Six months ended	
	30 June 2015 HK\$'000	30 June 2014 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current period	647	1,310
Underprovision in respect of prior periods	-	352
	<u>647</u>	<u>1,662</u>
Overseas Tax		
Current period	1,404	755
Overprovision in respect of prior periods	56	-
	<u>1,460</u>	<u>755</u>
Deferred tax	<u>264</u>	<u>881</u>
Income tax expense for the period	<u>2,371</u>	<u>3,298</u>

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

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

6. PROFIT FOR THE PERIOD

	Six months ended	
	30 June 2015 HK\$'000	30 June 2014 HK\$'000
Profit for the period has been arrived at after charging and (crediting):		
Cost of inventories recognised in cost of sales	455,594	896,760
Depreciation of property, plant and equipment	5,155	4,429
Amortisation of intangible assets	2,900	2,622
Share of tax expense of associates	2,943	3,571
Allowance (reversal of allowance) for inventories, net	2,674	(4,640)
Allowance for doubtful debts	-	43
Allowance for amount due from a joint venture	-	8,073
Interest income on bank deposits	(1,433)	(2,411)

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit of HK\$67,630,000 (30 June 2014: HK\$34,541,000) and the number of ordinary shares calculated below.

	Six months ended	
	30 June 2015 '000 shares	30 June 2014 '000 shares
Number of ordinary shares for the purpose of basic earnings per share	277,358	277,035
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	321	411
Number of ordinary shares for the purpose of diluted earnings per share	277,679	277,446

The computation of diluted earnings per share for the six months ended 30 June 2015 did not assume the exercise of certain share options of the Company and share options of SiS Mobile Holdings Limited ("SiS Mobile") as the exercise prices of those options are higher than the average market prices of the Company and SiS Mobile for the period.

8. DIVIDENDS

	Six months ended	
	30 June 2015 HK\$'000	30 June 2014 HK\$'000
Final dividend, payable in respect of the year ended 31 December 2014 of 5.0 HK cents per share (2014: 5.0 HK cents per share in respect of the year ended 31 December 2013)	13,873	13,854
Special dividend, payable in respect of the year ended 31 December 2013 of 3.0 HK cents per share	-	8,313
	13,873	22,167

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$67,956,000 (31 December 2014: HK\$69,944,000). 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 2015 HK\$'000	31 December 2014 HK\$'000
Within 30 days	36,539	21,387
31 to 90 days	12,863	19,161
91 to 120 days	3,535	1,805
Over 120 days	15,019	27,591
	<u>67,956</u>	<u>69,944</u>

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. For sales of electronic devices to banks, sales in Bangladesh are on instalment basis. No credit period is granted to customers for renting of properties and related company. Rent is payable in advance on presentation of a demand note. No interest is charged on overdue debts.

10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$38,395,000 (31 December 2014: HK\$52,771,000). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within 30 days	29,345	34,532
31 to 90 days	6,254	15,380
91 to 120 days	102	127
Over 120 days	2,694	2,732
	<u>38,395</u>	<u>52,771</u>

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

11. SHARE CAPITAL

	No. of ordinary shares of HK\$0.10 each	Nominal value <i>HK\$ '000</i>
Authorised	<u>350,000,000</u>	<u>35,000</u>
Issued and fully paid		
At 1 January 2014	277,033,332	27,703
Exercise of share options	<u>55,555</u>	<u>6</u>
At 31 December 2014	277,088,887	27,709
Exercise of share options	<u>277,779</u>	<u>28</u>
At 30 June 2015	<u>277,366,666</u>	<u>27,737</u>

12. EVENT AFTER THE END OF REPORTING PERIOD

On 17 July 2015, a subsidiary of the Group has entered into a sale and purchase agreement with a third party to acquire a piece of land, superficies and parking lots in Osaka, Japan for a consideration of JPY390,018,000 (equivalent to HK\$24,727,000). The acquisition was completed on 31 July 2015.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

BUSINESS REVIEW

Real Estate Investments Business

Total revenue from Group's real estate investment portfolio for the period increased to HK\$89 million and reported an segment profit of HK\$ 44 million (excluding gain from change in fair value) as compared to HK\$37 million in last interim period.

In 2015, the Group acquired two additional hotel properties in Japan; First Cabin in Tsukiji near Ginza Tokyo and the hotel B Kyoto Sanjo in Kyoto Japan. As a result of the additional acquisitions, the Group now has a total of ten hotel properties located in various cities in Japan. Although Japanese yen has depreciated during the period, the Group's exchange rate risk was mostly offset by the borrowings in Japanese Yen and the increase in market value of the properties.

We acquired a whole floor commercial office in Hong Kong at Admiralty at a consideration of HK\$312 million, the acquisition was completed in July 2015. The income stream from this property will contribute and strengthen the Group's results positively.

Total carrying value of the Group's investment properties in Japan, Hong Kong and Singapore amounted to HK\$2,212 million as at 30 June 2015, increased by 10% when compared with year ended 31 December 2014.

Investment in IT Business

Our associate company SiS Distribution (Thailand) Public Company Limited continued to perform and contributed HK\$8 million to the Group, despite of the political and economic challenges in Thailand.

Revenue contribution from our subsidiary Information Technology Consultants Limited (“ITCL”) increased 10% to HK\$43 million for the six months period ended 30 June 2015 when compared with the same period in 2014. ITCL is one of the largest provider of payment switch and gateway in the provision of financial services and mobile banking solutions to banks and telcos in Bangladesh. It holds a prominent leading position in providing electronic and mobile banking payment services as well as supplying payment terminals to customers in Bangladesh.

The use of electronic payments is rapidly being adopted all over the world. The Group will continue to monitor the development in Bangladesh and seek strategic partners to further expand the business in the area of electronic & mobile payment services.

Distribution

As a result of intensive competition in mobility products and weak demands in retail market in Hong Kong, the revenues from mobile & IT products distribution and distribution management services reduced 48% from HK\$940 million to HK\$491 million and the segment profits decreased 59% from HK\$10 million to HK\$4 million as compared to the same period in 2014.

PROSPECT

The global economic outlook remains cloudy for the second half of the year. Every challenge presents new opportunity. Despite the challenges and unstable global economic outlook, the Group is cautiously moving ahead with confidence. With a strong financial position, the Group will leverage its knowledge and experiences as it continue to explore and seek for other investment and diversification opportunities that offer high return to the Group and shareholders.

The Group believe that the number of tourists travelling to Japan will continue to increase in the near future in the face of devaluation of the Japanese Yen and the oncoming Olympics 2020 in Japan. Budget & business hotels businesses in Japan have become sizeable businesses.

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2015, the Group had total assets of HK\$3,913,946,000 which were financed by total equity of HK\$2,538,204,000 and total liabilities of HK\$1,375,742,000. The Group had current ratio of approximately 1.4 compared to that of approximately 1.6 at 31 December 2014.

As at 30 June 2015 the Group had HK\$863,842,000 (31 December 2014: HK\$821,105,000) bank deposits balances and cash of which HK\$453,633,000 (31 December 2014: HK\$493,522,000) was pledged to banks to secure bank borrowings. The Group's working capital requirements were mainly financed by internal resources, bank loans, bonds and overdraft. As at 30 June 2015, the Group had short term loans, bonds and bank overdrafts of total HK\$617,352,000 (31 December 2014: HK\$476,934,000) and long term loans and bonds of HK\$488,619,000 (31 December 2014: HK\$419,020,000). The borrowings were mainly denominated in Japanese Yen, Hong Kong Dollars and Bangladesh Taka and were charged by banks at floating interest rate.

At the end of June 2015, the Group had net borrowings (total bank borrowings, bonds and bank overdraft less bank balances and cash and pledged deposits) of HK\$242,129,000 (31 December 2014: HK\$74,849,000).

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 30 June 2015 was 44% (31 December 2014: 37%).

Charges on Group Assets

As at 30 June 2015, the Group had pledged deposits of HK\$453,633,000 (31 December 2014: HK\$493,522,000) and investment properties with carrying value of HK\$1,584,065,000 (31 December 2014: HK\$1,436,778,000) 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 2015 was 341 (30 June 2014: 290) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$18,618,000 (30 June 2014: HK\$15,375,000). 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 2015, share options of 277,779 have been exercised and the weighted average closing share price immediate before the dates of exercise of the share options was HK\$3.77 and HK\$3.75, and 2,250,000 share options were granted to grantees. 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 2015, the Group had notional amount HK\$273,000,000 outstanding forward contracts (31 December 2014: HK\$179,400,000).

Capital Expenditure

During the period, the Group spent approximately HK\$1,566,000 (six months ended 30 June 2014: HK\$1,155,000) and HK\$173,885,000 (six months ended 30 June 2014: Nil) on the acquisition of property, plant and equipment and investment properties respectively.

During the period, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of a property for a consideration of HK\$311,600,000. Initial deposit of HK\$31,160,000 has been paid while the remaining balance of HK\$280,440,000 shall be payable upon completion of the acquisition. The Group also entered into a renovation agreement with an independent third party for renovation of a newly acquired hotel property in Japan for amount contracted but not provided for HK\$7,847,000. (31 December 2014: Nil).

Contingent Liabilities

At 30 June 2015, the Company's corporate guarantees extended to a bank and an ESCO service provider as security for banking facilities and providing ESCO service respectively to the Group amounted to total HK\$63,501,000 (31 December 2014: HK\$168,072,000).

Deemed Disposal of Subsidiaries

With the listing of the shares of SiS Mobile on the Stock Exchange of Hong Kong Limited on 15 January 2015,

- (a) an amount of HK\$23,519,000 was capitalised by the issuance of 235,190,000 ordinary shares of HK\$0.10 each from SiS Mobile to the Company;
- (b) 88,757,333 ordinary shares of SiS Mobile of HK\$0.10 each were declared by the Company as a special dividend by way of distribution in specie to the Company's qualifying shareholders; and
- (c) 44,800,000 ordinary shares of HK\$0.1 each were issued by SiS Mobile at HK\$0.82 per share to the public for a total gross proceeds of HK\$36,736,000.

With the issuance of SiS Mobile's shares to the public and the Company's qualifying shareholders, the Company's equity interest in SiS Mobile has been diluted from 100% to 52.30% and considered to be a deemed disposed. Although there is a reduction in the equity interest in SiS Mobile, the Company is still able to exercise control over SiS Mobile and the effect of the reduction in the Company's interest in SiS Mobile of HK\$17,558,000, being the difference between the fair value of consideration of HK\$30,521,000 (net of issue expense of HK\$6,215,000) and the non-controlling interest in SiS Mobile of HK\$48,079,000, has been recognised directly in reserves.

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 2015, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in page 11 of the Group’s 2014 annual report under the Corporate Governance section.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company.

AUDIT COMMITTEES

The Audit Committee comprises all independent non-executive Directors. The Audit Committee has reviewed the Company’s condensed consolidated financial statements for the six months ended 30 June 2015, including the accounting principles and practices adopted by the Company, in conjunction with the Company’s auditors.

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 2015.

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 2015 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 2015.

APPRECIATION

We would like to thank our committed staff for their contributions, our customers, business partners, shareholders and directors for their support in SiS. Our success would not have been possible without their dedication, contributions, efforts, time and confidence.

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

Hong Kong, 26 August 2015

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.