

2008  
INTERIM REPORT



**SiS International Holdings Limited**  
( Stock Code : 529 )

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**CORPORATE INFORMATION**

**DIRECTORS**

***Executive Directors:***

Lim Siam Kwee (*Chairman*)  
Lim Kiah Meng  
Lim Kia Hong (*Chief Executive Officer*)  
Lim Hwee Hai  
Lim Hwee Noi

***Independent Non-executive Directors:***

Lee Hiok Chuan  
Woon Wee Teng  
Ong Wui Leng

**SECRETARY**

Chiu Lai Chun, Rhoda

**REGISTERED OFFICE**

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

**PRINCIPAL PLACE OF BUSINESS**

301, Eastern Harbour Centre  
28 Hoi Chak Street  
Quarry Bay  
Hong Kong  
Telephone : 2565 1682  
Fax : 2562 7428

**STOCK CODE**

529

**INVESTOR RELATIONS**

[www.sisinternational.com.hk](http://www.sisinternational.com.hk)

**AUDITORS**

Deloitte Touche Tohmatsu  
Certified Public Accountants  
35/F., One Pacific Place  
88 Queensway  
Hong Kong

**SOLICITORS**

Norton Rose

**PRINCIPAL BANKERS**

Bank of China  
DBS Bank  
Hang Seng Bank  
Hong Leong Bank Berhad  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
The Hongkong and Shanghai  
Banking Corp. Ltd.  
Malayan Banking Berhad  
OCBC Bank

**PRINCIPAL SHARE REGISTRARS AND  
TRANSFER OFFICE**

Butterfield Corporate Services Limited  
65 Front Street  
Hamilton  
Bermuda

**HONG KONG BRANCH SHARE  
REGISTRARS AND TRANSFER OFFICE**

Tricor Secretaries Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

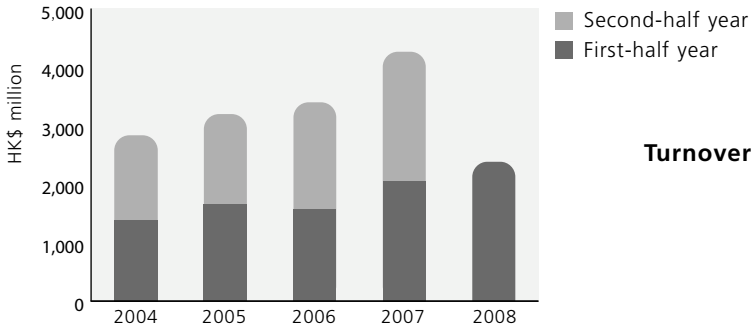
**CORPORATE PROFILE**

**SiS** is one of the largest distributors of computer systems, software, peripherals, networking products and mobile in Asia, the world's fastest growing region.

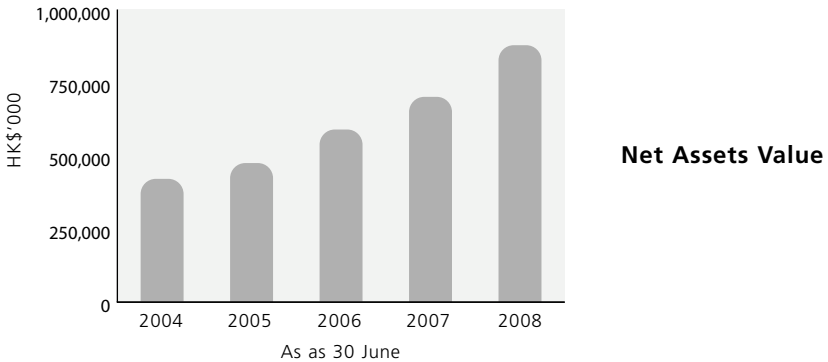
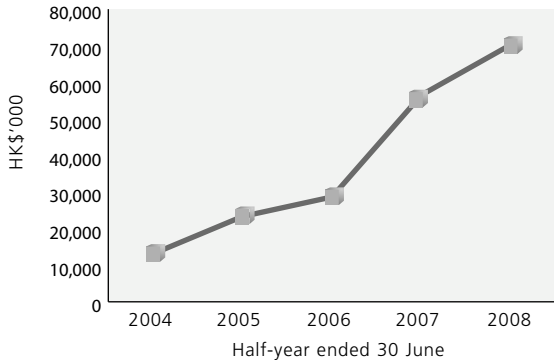
**SiS** offers manufacturers an immediate access into Asia with a well established network consisting of more than 10,000 resellers, retailers, system integrators, software houses, value added resellers, telco and OEMs strategically located throughout the region.

**2008 INTERIM FINANCIAL HIGHLIGHTS**

<b>Revenue</b>	–	up 16% to HK\$2,381 million
<b>Profit before taxation</b>	–	up 30% to HK\$81 million
<b>Net profit attributable to equity holders</b>	–	up 24% to HK\$70 million
<b>Earnings per share</b>	–	up 24% to 26.07 HK cents
<b>Net asset value per share</b>	–	up 5% to HK\$3.24



**Net profit attributable to equity holders**



The Directors of SiS International Holdings Limited (the "Company") have pleasure in submitting the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007. The interim financial statements have been reviewed by the Company's audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2008</b>	2007
		<b>(unaudited)</b>	(unaudited)
	<i>NOTES</i>	<b>HK\$'000</b>	HK\$'000
Revenue	3	<b>2,381,171</b>	2,051,136
Cost of sales		<b>(2,280,289)</b>	(1,946,191)
Gross profit		<b>100,882</b>	104,945
Other income		<b>19,584</b>	30,762
Distribution costs		<b>(38,167)</b>	(42,197)
Administrative expenses		<b>(39,465)</b>	(35,369)
Change in fair value of investment properties		<b>25,605</b>	–
Share of results of associates		<b>15,600</b>	7,281
Finance costs		<b>(2,688)</b>	(2,698)
Profit before taxation		<b>81,351</b>	62,724
Income tax expense	4	<b>(11,051)</b>	(6,501)
Profit for the period	5	<b>70,300</b>	56,223
Attributable to:			
Equity holders of the Company		<b>70,300</b>	56,539
Minority interests		–	(316)
		<b>70,300</b>	56,223
Dividend	6	<b>27,102</b>	21,484
EARNINGS PER SHARE	7		
Basic		<b>26.07 HK cents</b>	21.05 HK cents
Diluted		<b>26.03 HK cents</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 June 2008

		<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
	<i>NOTES</i>		
<b>Non-current assets</b>			
Investment properties	8	<b>248,665</b>	212,256
Property, plant and equipment	8	<b>10,392</b>	11,858
Prepaid lease payments		<b>14,858</b>	14,869
Interests in associates		<b>101,874</b>	103,022
Available-for-sale investments		<b>20,579</b>	10,492
Staff advances – due after one year		<b>12</b>	54
Deferred tax assets		<b>845</b>	224
		<b>397,225</b>	352,775
<b>Current assets</b>			
Inventories		<b>362,764</b>	315,010
Trade and other receivables, deposits and prepayments	9	<b>630,661</b>	584,758
Staff advances – due within one year		<b>602</b>	624
Prepaid lease payments		<b>23</b>	23
Investments held-for-trading		<b>52,722</b>	58,541
Pledged bank deposits		<b>21,513</b>	20,698
Bank balances and cash		<b>149,606</b>	157,182
		<b>1,217,891</b>	1,136,836
<b>Current liabilities</b>			
Trade payables, other payables and accruals	10	<b>502,206</b>	461,805
Bills payable	11	<b>100,371</b>	57,130
Dividend payable		<b>27,102</b>	–
Derivative financial instruments		<b>596</b>	1,361
Tax payable		<b>23,005</b>	21,071
Bank loans – due within one year	12	<b>61,595</b>	100,143
		<b>714,875</b>	641,510

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

At 30 June 2008

		<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
	<i>NOTES</i>		
<b>Net current assets</b>		<u>503,016</u>	<u>495,326</u>
<b>Total assets less current liabilities</b>		<u>900,241</u>	<u>848,101</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>22,195</u>	<u>17,407</u>
		<b><u>878,046</u></b>	<b><u>830,694</u></b>
<b>Capital and reserves</b>			
Share capital	13	<u>27,102</u>	26,855
Share premium and reserves		<u>850,944</u>	<u>803,839</u>
<b>Total equity</b>		<b><u>878,046</u></b>	<b><u>830,694</u></b>



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the six months ended 30 June 2008*

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Investments reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007 (audited)	26,855	52,834	2,924	10,920	919	2,860	-	559,651	656,963	792	657,755
Gains on fair value changes of available-for-sale investments	-	-	844	-	-	-	-	-	844	-	844
Exchange realignment arising on translation of foreign operations	-	-	-	8,418	-	-	-	-	8,418	6	8,424
Net expense and income recognised directly in equity	-	-	844	8,418	-	-	-	-	9,262	6	9,268
Profit for the period	-	-	-	-	-	-	-	56,539	56,539	(316)	56,223
Total recognised expense and income for the period	-	-	844	8,418	-	-	-	56,539	65,801	(310)	65,491
Decrease in minority interests as a result of acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	-	(181)	(181)
Dividend paid	-	-	-	-	-	-	-	(21,484)	(21,484)	-	(21,484)
At 30 June 2007 (unaudited)	26,855	52,834	3,768	19,338	919	2,860	-	594,706	701,280	301	701,581
Gains on fair value changes of available-for-sale investments	-	-	1,432	-	-	-	-	-	1,432	-	1,432
Exchange realignment arising on translation of foreign operations	-	-	-	(1,846)	-	-	-	-	(1,846)	18	(1,828)
Share of exchange reserve of associates	-	-	-	14,357	-	-	-	-	14,357	-	14,357
Net expense and income recognised directly in equity	-	-	1,432	12,511	-	-	-	-	13,943	18	13,961
Profit for the period	-	-	-	-	-	-	-	113,802	113,802	(74)	113,728
Transfer to consolidated income statement on disposal of a subsidiary	-	-	-	(246)	-	-	-	-	(246)	(245)	(491)
Total recognised expense and income for the period	-	-	1,432	12,265	-	-	-	113,802	127,499	(301)	127,198
Recognition of equity-settled share based payments	-	-	-	-	-	-	1,915	-	1,915	-	1,915
At 31 December 2007 (audited)	26,855	52,834	5,200	31,603	919	2,860	1,915	708,508	830,694	-	830,694
Gains on fair value changes of available-for-sale investments	-	-	2,808	-	-	-	-	-	2,808	-	2,808
Exchange realignment arising on translation of foreign operations	-	-	-	5,884	203	-	-	-	6,087	-	6,087
Share of exchange reserve of associates	-	-	-	(10,608)	-	-	-	-	(10,608)	-	(10,608)
Net expense and income recognised directly in equity	-	-	2,808	(4,724)	203	-	-	-	(1,713)	-	(1,713)
Profit for the period	-	-	-	-	-	-	-	70,300	70,300	-	70,300
Total recognised expense and income for the period	-	-	2,808	(4,724)	203	-	-	70,300	68,587	-	68,587
Recognition of equity-settled share based payments	-	-	-	-	-	-	1,624	-	1,624	-	1,624
Ordinary shares issued upon exercise of share options	247	5,389	-	-	-	-	(1,393)	-	4,243	-	4,243
Dividend payable	-	-	-	-	-	-	-	(27,102)	(27,102)	-	(27,102)
At 30 June 2008 (unaudited)	27,102	58,223	8,008	26,879	1,122	2,860	2,146	751,706	878,046	-	878,046

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2008*

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<b>32,127</b>	(24,406)
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of available-for-sale investments	<b>(4,118)</b>	–
Acquisition of investment properties	<b>(9,227)</b>	(34,901)
Other investing cash flows	<b>9,670</b>	6,233
	<b>(3,675)</b>	(28,668)
NET CASH USED IN FINANCING ACTIVITIES		
Issue of shares upon exercise of share options	<b>4,243</b>	–
Dividend paid	–	(21,484)
New bank loans raised	<b>269,338</b>	155,061
Repayment of bank loans	<b>(311,652)</b>	(137,424)
	<b>(38,071)</b>	(3,847)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(9,619)</b>	(56,921)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>157,182</b>	152,128
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>2,043</b>	(668)
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>149,606</b>	94,539

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2008*

**1. BASIS OF PREPARATION**

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

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

In the current period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2008.

HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

**3. SEGMENTAL INFORMATION*****Business segments***

For management purposes, the Group is currently organised into two operating segments – distribution of IT products and property investment. IT products include computer softwares, hardwares and IT related products. Last period's operating segment also include provision of employment agencies services, where the respective subsidiary belonged to this segment was disposed on 29 December 2007. These segments are the basis on which the Group reports its primary segment information.

An analysis of segment information by businesses are as follow:

	<b>For the six months ended</b>		
	<b>30 June 2008 (unaudited)</b>		
	<b>Distribution of IT products</b>	<b>Property investment</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
REVENUE	<b>2,376,073</b>	<b>5,098</b>	<b>2,381,171</b>
SEGMENT RESULT			
Operations	<b>46,507</b>	<b>28,246</b>	<b>74,753</b>
Other unallocated income			<b>8,029</b>
Other income from investments held-for-trading and available-for-sale investments			<b>592</b>
Share of results of associates	<b>15,600</b>	–	<b>15,600</b>
Finance costs			<b>(2,688)</b>
Unallocated corporate expenses			<b>(14,935)</b>
Profit before taxation			<b>81,351</b>

**3. SEGMENTAL INFORMATION (Continued)**

**Business segments (Continued)**

	For the six months ended			
	30 June 2007 (unaudited)			
	Distribution of IT products	Property investment	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	<u>2,045,795</u>	<u>3,978</u>	<u>1,363</u>	<u>2,051,136</u>
SEGMENT RESULT				
Operations	<u>46,087</u>	<u>3,459</u>	<u>(917)</u>	48,629
Other unallocated income				5,792
Other income from investments held-for-trading and available-for-sale investments				12,650
Share of results of associates	7,281	-	-	7,281
Finance costs				(2,698)
Unallocated corporate expenses				<u>(8,930)</u>
Profit before taxation				<u>62,724</u>

**Geographical Segments**

The Group's operation are mainly located in Hong Kong, Singapore and Malaysia. The following table provides an analysis of the Group's sales by geographical market based on location of customer, irrespective of the origin of the goods/services during the period.

	Revenue	
	For the six months ended	
	30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Hong Kong	<b>1,375,137</b>	1,292,809
Singapore	<b>807,240</b>	634,988
Malaysia	<b>182,157</b>	103,414
Others	<b>16,637</b>	19,925
	<u><b>2,381,171</b></u>	<u>2,051,136</u>

## 4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
The charge comprises:		
Current tax		
Hong Kong	7,048	4,567
Overseas	199	1,848
	7,247	6,415
Underprovision in prior years		
Hong Kong	1	–
Overseas	66	86
	67	86
Deferred taxation		
Current Period	3,295	–
Attributable to a change in tax rate	442	–
	3,737	–
Income tax expense for the period	11,051	6,501

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2007: 17.5%) of the estimated assessable profit for the period.

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

**5. PROFIT FOR THE PERIOD**

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Profit for the period has been arrived at after charging (crediting):		
Allowance (write back) for inventories, net	<b>289</b>	(73)
(Reversal of) allowance for doubtful debts provided, net	<b>(1,638)</b>	5,384
Depreciation and amortisation	<b>2,382</b>	1,680
Dividend income from available-for-sale investments	<b>(17)</b>	(31)
Dividend income from investments held-for-trading	<b>(2,812)</b>	(2,407)
Exchange gain, net	<b>(6,193)</b>	(3,794)
Changes in fair value of investments held-for-trading	<b>2,280</b>	(9,676)
Change in fair value of derivative financial instruments	<b>(765)</b>	(2,861)
Interest on bank deposits	<b>(1,836)</b>	(1,998)
Gain on disposal of available-for-sale investments	<b>(43)</b>	(536)
Loss (gain) on disposal of property, plant and equipment	<b>7</b>	(2)
	<hr/> <b>7</b>	<hr/> (2)

**6. DIVIDEND**

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Dividend recognised as distribution during the period		
Final dividend, payable in respect of the year 2007 of 10 HK cents per share (2007: 2006 final dividend of 8.0 HK cents per share)	<b>27,102</b>	21,484
	<hr/> <b>27,102</b>	<hr/> 21,484

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

**7. EARNINGS PER SHARE**

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Earnings:		
Earnings for the purpose of basic and diluted earnings per share, profit for the period attributable to equity holders of the Company	<b>70,300</b>	56,539
	<hr/>	<hr/>
	<b>Number of</b>	<b>Number of</b>
	<b>shares</b>	<b>shares</b>
	'000	'000
<hr/>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>269,704</b>	268,550
	<hr/>	<hr/>
Effect of dilutive potential ordinary shares on share options	<b>355</b>	
	<hr/>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>270,059</b>	
	<hr/>	

There are no outstanding potential dilutive shares for the six months ended 30 June 2007.

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



**8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent approximately HK\$9,227,000 (six months ended 30 June 2007: HK\$34,901,000) on acquisition of investment properties. The Group also spent approximately HK\$693,000 (six months ended 30 June 2007: HK\$2,568,000) on acquisition of property, plant and equipment.

The fair values of the Group's investment properties in Hong Kong and the PRC, and Singapore as at 30 June 2008 have been arrived at on the basis of valuation carried out on that date by Chartered Surveyors, Messrs. CB Richard Ellis Ltd. and Knight Frank Pte. Ltd. respectively, which are independent qualified professional valuers not connected with the Group and have recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar property.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

**9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 – 60 days to its trade customers. No credit is granted to customers for provision of service and renting of properties. No interest is charged on overdue debts.

Other receivables are unsecured, interest free and most of them are repayable within 30 days.

The following is an aged analysis of trade receivables at the balance sheet date:

	<b>30 June</b>	31 December
	<b>2008</b>	2007
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>296,261</b>	339,720
31 to 90 days	<b>248,519</b>	190,322
91 to 120 days	<b>32,408</b>	27,810
Over 120 days	<b>26,093</b>	7,687
	<hr/>	<hr/>
Trade receivables	<b>603,281</b>	565,539
Other receivables, deposits and prepayments	<b>27,380</b>	19,219
	<hr/>	<hr/>
	<b>630,661</b>	584,758
	<hr/>	<hr/>

**10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS**

Included in trade payables, other payables and accrual are trade payables of HK\$388,600,000 (31 December 2007: HK\$331,762,000). The following is an aged analysis of trade payables at the balance sheet date:

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Within 30 days	<b>237,073</b>	319,304
31 to 90 days	<b>79,762</b>	9,288
91 to 120 days	<b>63,519</b>	627
Over 120 days	<b>8,246</b>	2,543
Trade payables	<b>388,600</b>	331,762

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

**11. BILLS PAYABLE**

The aged analysis of bills payable as at 30 June 2008 and 31 December 2007 are both within 90 days.

**12. BANK LOANS**

	<b>30 June 2008 (unaudited) HK\$'000</b>	31 December 2007 (audited) HK\$'000
Secured	<b>31,586</b>	83,017
Unsecured	<b>30,009</b>	17,126
	<b>61,595</b>	100,143

The bank loans carry variable rates at inter-bank borrowing rates plus 0.69% to 4.38% per annum, and the effective interest rates ranged from 1.55% to 7.75% (for the year ended 31 December 2007: 1.90% to 7.75%) per annum during the period.

**13. SHARE CAPITAL**

	Number of ordinary shares of HK\$0.10 each		Share capital	
	30 June 2008 '000	31 December 2007 '000	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Authorised	<b>350,000</b>	350,000	<b>35,000</b>	35,000
Issued and fully paid:				
At beginning of period/year	<b>268,550</b>	268,550	<b>26,855</b>	26,855
Ordinary shares issued upon exercise of share options	<b>2,467</b>	–	<b>247</b>	–
At end of period/year	<b>271,017</b>	268,550	<b>27,102</b>	26,855

**14. PLEDGE OF ASSETS**

At 30 June 2008, certain of the Group's assets with a carrying values of HK\$66,313,000 (2007: HK\$65,498,000) were pledged to secure general banking facilities granted to the Group. The carrying values of these assets are analysed as follows:

	30 June 2008 (unaudited) HK\$'000	31 December 2007 (audited) HK\$'000
Investment properties	<b>44,800</b>	44,800
Bank deposits	<b>21,513</b>	20,698
	<b>66,313</b>	65,498

**15. RELATED PARTY TRANSACTIONS**

During the period, the Group entered into the following transactions with related parties:

	<b>Associates</b>		<b>Related companies</b>	
	<b>For the six months ended 30 June</b>			
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Sales of goods	–	2,649	–	–
Purchase of goods	<b>258</b>	–	–	–
Income from management service	<b>917</b>	728	–	–
Operating lease rental expense	–	–	<b>5,053</b>	3,084
	<b>258</b>	2,649	<b>5,053</b>	3,084
	<b>At 30 June</b>	<b>At 30 June</b>	<b>At 30 June</b>	<b>At 30 June</b>
	<b>2008</b>	2007	<b>2008</b>	2007
Amount due from related parties at reporting date included in other receivables	<b>159</b>	292	–	–

A director and/or his spouse has/have controlling interest in the related companies.

Apart from the above, remunerations paid or payable to directors of the Group for the six months ended 30 June 2008 amounted to HK\$7,142,000 including share base payment expense of HK\$796,000 (six months ended 30 June 2007: HK\$6,653,000 with nil share base payment expense).

## **INTERIM DIVIDEND**

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

## **BUSINESS REVIEW AND OUTLOOK**

SiS Group generated another year of strong revenue and profitability for the first half of 2008. Net profit attributable to equity holders increased by 24% to HK\$70,300,000 from HK\$56,539,000 as compared with that of the same period last year. Profit before taxation increased by 30% to HK\$81,351,000 as compared with the same period last year. SiS Group sales turnover increased 16% to HK\$2,381,171,000 in the first half of 2008. Basic earnings per share increased by 24% to HK26.07 cents.

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

During the first half year of 2008, IT distribution business contributed 16% growth in the turnover to HK\$2,376 million as compared with the same period of last year. Profit generated from distribution business grew to HK\$46.5 million amid challenging economic conditions during the period.

With an excellent management team who understand the IT distribution business, the Group will continue to expand its business; focus on operational excellence and higher margin products.

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

Despite the uncertain political climate in Thailand, the Group's investments in SiS Distribution (Thailand) Public Company Limited ("SiS Thailand") continue to deliver record performance. SiS Thailand's recorded high profit growth with revenue increased 21% and net profit increased 110% as compared to the previous year. The impressive performance of SiS Thailand has contributed HK\$14.4 million to the Group's profit.

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

The Group has recorded fair valuation gain of HK\$25.6 million for all its investment properties during the period. Rental income generated from the investment properties increased 28% to HK\$5,098,000 as compared with the same period of last year.

Despite the challenges and uncertainty in the global economy, the Group, with a strong distribution channel, an impressive line up of world renowned IT vendors, close customer relationship is moving ahead with confidence. The Group, with a strong financial position, is well positioned to continue to explore opportunities in the IT arena where it represents throughout the region.

**FINANCIAL REVIEW AND ANALYSIS****Liquidity and Financial Resources**

As at 30 June 2008, the Group had total assets of HK\$1,615,116,000 which were financed by shareholders' funds of HK\$878,046,000 and total liabilities of HK\$737,070,000. The Group had a current ratio of approximately 1.70 as compared to that of approximately 1.77 at 31 December 2007.

As at 30 June 2008, the Group had HK\$171,119,000 bank balances and cash of which HK\$21,513,000 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 2008, the Group had HK\$61,595,000 short term borrowings and bank overdraft. The Group's borrowings were mainly denominated in Hong Kong dollars, Singapore dollars and Malaysia Ringgit and were charged at floating interest rates.

The Group continued to maintain a strong liquidity position. At the end of June 2008, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank loans and bills payable) of HK\$9,153,000 compared to HK\$20,607,000 as at 31 December 2007.

Gearing ratio, as defined by total bank loans and overdrafts to shareholders' funds, as at 30 June 2008 was 18.4% compared to 18.9% as at 31 December 2007.

**Charges on Group Assets**

At the balance sheet date, the Group had pledged bank deposits of HK\$21,513,000 (as at 31 December 2007: HK\$20,698,000) and an investment property of net book value of HK\$44,800,000 (as at 31 December 2007: HK\$44,800,000) to banks to secure general banking facilities granted to subsidiaries.

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

Staff number of the Group at June 2008 was 306 and the salaries and other benefits paid to employees, including share-based payments expense but excluding Directors' emoluments, amounted to HK\$37,813,000 (30 June 2007: HK\$36,945,000). There are no significant changes in staff remuneration policies from last year end date. During the second half year of 2007, the Company granted share options to eligible persons including the Directors and staffs with exercise price of HK\$1.72 per share. Estimated total fair value of the share options granted amounts to HK\$5,621,000 in which HK\$1,624,000 (30 June 2007: nil) has been recognized in the first half year of 2008. During the first half year of 2008, total 2,466,661 shares options have been exercised.

**Currency Risk Management**

The Group maintains a conservative approach on foreign exchange exposure management. There are no significant changes in the strategies to hedge against exposure to fluctuations in exchange rates from last year end date.

**FINANCIAL REVIEW AND ANALYSIS (Continued)**

**Contingent Liabilities**

The Company's corporate guarantees extended to certain banks as security for banking facilities to the Group amounted to HK\$62,656,000 (as at 31 December 2007: HK\$202,122,000).

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES**

At 30 June 2008, the interests of the directors and their associates, in the shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

**Ordinary shares of HK\$0.10 each of the Company**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Lim Siam Kwee	Beneficial owner	8,691,066	3.21%
Lim Kiah Meng	Beneficial owner and held by spouse	2,881,199	1.06%
	Held by controlled corporation (Note)	178,640,000	65.92%
		<u>181,521,199</u>	<u>66.98%</u>
Lim Kia Hong	Beneficial owner and held by spouse	2,881,199	1.06%
	Held by controlled corporation (Note)	178,640,000	65.92%
		<u>181,521,199</u>	<u>66.98%</u>

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Lim Hwee Hai	Beneficial owner	2,797,866	1.03%
Lim Hwee Noi	Beneficial owner	2,542,666	0.94%
Lee Hiok Chuan	Beneficial owner	83,333	0.03%
Woon Wee Teng	Beneficial owner	83,333	0.03%
Ong Wui Leng	Beneficial owner	83,333	0.03%

*Note:* Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and Mr. Lim Kia Hong and their spouses together own 40.5% and 39.5% respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

Directors of the Company and their associates had interest in share options under the Company's share option scheme, details of which are set out in "Share Options" below.

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 30 June 2008.



**SHARE OPTIONS**

For the details of the Company's share option scheme, please refer to note 38 to the consolidated financial statement and page 15 to 16 in the 2007 annual report.

Particulars of share options outstanding during the period are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options		
				Outstanding at 1 January 2008	Exercised during the period	Outstanding at 30 June 2008
<b>Directors and their associates:</b>						
<b>Lim Siam Kwee</b>						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	266,666	(266,666)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	266,667	–	266,667
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	266,667	–	266,667
<b>Lim Kiah Meng and spouse</b>						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	349,999	(349,999)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	350,000	–	350,000
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	350,001	–	350,001
<b>Lim Kia Hong and spouse</b>						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	349,999	(349,999)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	350,000	–	350,000
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	350,001	–	350,001
<b>Lim Hwee Hai</b>						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	266,666	(266,666)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	266,667	–	266,667
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	266,667	–	266,667

## SHARE OPTIONS (Continued)

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options		
				Outstanding at 1 January 2008	Exercised during the period	Outstanding at 30 June 2008
<b>Lim Hwee Noi</b>						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	266,666	(266,666)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	266,667	–	266,667
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	266,667	–	266,667
<b>Lee Hiok Chuan</b>						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	83,333	(83,333)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333	–	83,333
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	83,334	–	83,334
<b>Woon Wee Teng</b>						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	83,333	(83,333)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333	–	83,333
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	83,334	–	83,334
<b>Ong Wui Leng</b>						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	83,333	(83,333)	–
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333	–	83,333
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	83,334	–	83,334
<b>Total directors and their associates</b>				<u>5,250,000</u>	<u>(1,749,995)</u>	<u>3,500,005</u>

**SHARE OPTIONS (Continued)**

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options		
				Outstanding at 1 January 2008	Exercised during the period	Outstanding at 30 June 2008
<b>Employees and other qualified persons</b>						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	1,566,662	(716,666)	849,996
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	1,566,667	–	1,566,667
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	1,566,671	–	1,566,671
<b>Total employees and other qualified persons</b>				<u>4,700,000</u>	<u>(716,666)</u>	<u>3,983,334</u>
<b>Total number of share options</b>				<u>9,950,000</u>	<u>(2,466,661)</u>	<u>7,483,339</u>

The following share options were exercised during the financial period:

Exercise date	Number of share exercised	Share price at the exercise date
		HK\$
3 March 2008	200,000	2.20
26 March 2008	733,332	1.96
27 March 2008	283,333	1.93
28 March 2008	1,249,996	1.93
	<u>2,466,661</u>	

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company or any of their spouses or associates to acquire benefits by means of the acquisition of share in or debentures of the Company or any other body corporate.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and the chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of ordinary share held</b>	<b>Percentage of the issued share capital of the Company</b>
Yeo Seng Chong	Beneficial owner and held by spouse	650,000	0.24%
	Held by controlled corporation ( <i>Note 1</i> )	16,500,000	6.09%
		<u>17,150,000</u>	<u>6.33%</u>
Lim Mee Hwa	Beneficial owner and held by spouse	650,000	0.24%
	Held by controlled corporation ( <i>Note 1</i> )	16,500,000	6.09%
		<u>17,150,000</u>	<u>6.33%</u>
Yeoman Capital Management Pte Ltd	Investment Manager	16,500,000	6.09%

*Note 1:* Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 35.0% direct interest in Yeoman Capital Management Pte. Ltd..

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2008.

**CORPORATE GOVERNANCE**

On 23 September 2005, the Company has adopted its own corporate governance code which is substantially similar or in exceeds as the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules. The Company has complied with the Code throughout the six months period ended 30 June 2008, except for those deviations fully described in the Corporate Governance Report as set out in page 8 to 11 of the Company’s 2007 Annual Report.

**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**

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

On behalf of the Board  
**LIM Kia Hong**  
*Chief Executive Officer*

Hong Kong, 10 September 2008