



SiS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 529)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

The directors (the “Directors”) of SiS International Holdings Limited (the “Company”) are pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2005 together with comparative figures for the corresponding period in 2004 are set out as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Notes	2005 HK\$'000	2004 HK\$'000 (restated)
Revenue	2	3,194,899	2,828,800
Cost of sales		(3,022,328)	(2,693,160)
Gross profit		172,571	135,640
Other income		24,601	24,344
Distribution costs		(47,719)	(79,892)
Administrative expenses		(50,796)	(47,766)
Profit from operations		98,657	32,326
Impairment loss recognised in respect of deferred consideration on partial disposal of a subsidiary		(15,408)	–
Impairment loss recognised in respect of available-for-sale investments/investments in securities		(2,656)	(1,535)
Fair value decrease in investments held-for-trading		(2,836)	–
Gain (loss) on disposal of available-for-sale investments/investments in securities		7,161	(174)
Gain on disposal of investments held-for-trading		27	–
Increase (decrease) in fair value of investment properties		17,123	(7,595)
Impairment loss recognised in respect of interest in an associate		(795)	–
Gain on partial disposal of an associate		–	10,304
(Loss) gain on deemed disposal of an associate		(125)	6,045
Share of results of associates		6,118	6,267
Finance costs		(3,657)	(3,275)
Profit before taxation	3	103,609	42,363
Income tax expense	4	(16,569)	(4,771)
Profit for the year		87,040	37,592
Attributable to:			
Equity holders of the Company		86,896	37,451
Minority interests		144	141
		87,040	37,592
Dividends	5		
– Paid		5,371	5,371
– Proposed		12,085	5,371
		17,456	10,742
Earnings per share – basic	6	32.4 HK cents	13.9 HK cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	Notes	2005 HK\$'000	2004 HK\$'000 (restated)
Non-current assets			
Investment properties		136,145	119,132
Property, plant and equipment		8,678	9,923
Prepaid lease payments		14,915	14,938
Interests in associates		35,154	31,121
Investments in securities		–	965
Available-for-sale investments		7,471	–
Staff advances – due after one year		169	389
Club membership		–	1,300
Deferred tax assets		1,029	1,700
		<u>203,561</u>	<u>179,468</u>
Current assets			
Inventories		234,194	194,850
Trade and other receivables, deposits and prepayments	7	460,759	470,434
Investments held-for-trading		50,175	–
Staff advances – due within one year		322	474
Prepaid lease payments		23	23
Amount due from an associate		162	78
Derivative financial instruments		194	–
Pledged bank deposits		17,020	16,515
Bank balances and cash		94,943	165,349
		<u>857,792</u>	<u>847,723</u>
Current liabilities			
Trade and other payables	8	386,799	393,335
Bills payable		42,759	42,547
Amounts due to related companies		1,162	31,584
Derivative financial instruments		514	–
Taxation		4,832	3,307
Borrowings – due within one year		56,431	51,877
		<u>492,497</u>	<u>522,650</u>
Net current assets		<u>365,295</u>	<u>325,073</u>
Total assets less current liabilities		<u>568,856</u>	<u>504,541</u>
Non-current liabilities			
Borrowings – due after one year		–	21,250
Advances from minority shareholders		–	118
Deferred tax liabilities		4,499	–
		<u>4,499</u>	<u>21,368</u>
		<u>564,357</u>	<u>483,173</u>
Capital and reserves			
Share capital		26,855	26,855
Share premium and reserves		536,586	455,536
Equity attributable to equity holders of the Company		<u>563,441</u>	<u>482,391</u>
Minority interests		<u>916</u>	<u>782</u>
Total equity		<u>564,357</u>	<u>483,173</u>

Notes:

1. Application of Hong Kong Financial Reporting Standards/changes in accounting policies

In the current year, the Group has applied, from the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (“INT”) (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented.

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. The leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively.

On 1 January 2005, the Group has applied the relevant transitional provisions in HKAS 39 *Financial Instruments*. As a result, “Investments in securities” amounted to HK\$965,000 has been classified as “available-for-sale investments” on 1 January 2005.

In addition, "club membership" with carrying amount of HK\$1,300,000 was reclassified to "available-for-sale investments" and re-measured at fair value at 1 January 2005 under the transitional provisions of HKAS 39. As a result, the carry amounts of "available-for-sale investments" and investments reserve as at 1 January 2005 have been increased by HK\$500,000.

The Group has not recognised the derivative financial instruments on the balance sheet prior to 1 January 2005. On 1 January 2005, the Group recognised the fair value of the foreign currency forward contracts deemed as held-for-trading financial liabilities, amounting to HK\$685,000, on the balance sheet and a corresponding adjustment to the Group's retained earnings. The profit for the current year has been increased by HK\$365,000.

As a result of the adoption of HKFRS 3 *Business Combinations*, the Group has derecognised all negative goodwill at 1 January 2005, which was previously recorded in reserves. Therefore, the retained profits of the Group at 1 January 2005 was increased by HK\$117,390,000. Reserve on consolidation of the Group was reduced by the same amount.

The adoption of HKAS 40 *Investment Property* and HK(SIC) Interpretation 21 *Income Taxes-Recovery of Revalued Non-Depreciable Assets* had no material effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

The cumulative effects of the changes in the accounting policies described above on the results for the current and prior years are increase in profit of HK\$463,000 and HK\$98,000 respectively.

2. Segment information

Geographical segments

	Revenue		Profit/(loss) from operations	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong and the PRC	2,032,015	1,889,419	72,371	36,551
Singapore	958,080	729,334	21,195	2,015
Malaysia	186,295	186,422	(271)	(11,738)
Thailand	6,665	1,153	50	–
Others	11,844	22,472	317	(53)
	<u>3,194,899</u>	<u>2,828,800</u>	<u>93,662</u>	<u>26,775</u>
Interest income			3,963	2,396
Unallocated corporate income			1,032	3,155
Profit from operations			<u>98,657</u>	<u>32,326</u>

Business segments

The Company's sole principal activity is the distribution of computer products. No business segment analysis is presented.

3. Profit before taxation

	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	2,410	2,372
Amortisation of prepaid lease payments	23	23
Interest income	(3,963)	(2,396)
	<u>(3,963)</u>	<u>(2,396)</u>

4. Income tax expense

	2005 HK\$'000	2004 HK\$'000
The charge comprises:		
Current tax		
Hong Kong	10,557	6,885
Overseas	693	123
	<u>11,250</u>	<u>7,008</u>
Under (over)provision in prior years		
Hong Kong	78	(1,728)
Overseas	66	(654)
	<u>144</u>	<u>(2,382)</u>
Deferred taxation		
Income tax expense for the year	5,175	145
Income tax expense for the year	<u>16,569</u>	<u>4,771</u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

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

5. Dividends

	2005 HK\$'000	2004 HK\$'000
Final dividend, paid in respect of 2004 of 2 HK cents per share (paid in respect of 2003 of 2 HK cents per share)	5,371	5,371
Final dividend, proposed in respect of 2005 of 4.5 HK cents per share (2004: 2 HK cents per share)	12,085	5,371
	<u>17,456</u>	<u>10,742</u>

The final dividend of 4.5 HK cents (2004: 2 HK cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

6. Earnings per share

The calculation of the basic earnings per share is based on the Group's net profit attributable to equity holders of the Company of HK\$86,896,000 (2004: HK\$37,451,000) and 268,550,000 (2004: 268,550,000) ordinary shares in issue during the year.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the two years ended 31 December 2005.

The impact on basic earnings per share as result of changes in accounting policies is insignificant.

7. 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. Service income receivable from customers are payable on presentation of invoices.

	2005 HK\$'000	2004 HK\$'000
Within 30 days	350,803	357,453
31 to 90 days	65,718	42,490
91 to 120 days	4,465	5,072
Over 120 days	6,006	16,177
Trade receivables	426,992	421,192
Deposits, prepayments and other receivables	33,767	49,242
	<u>460,759</u>	<u>470,434</u>

8. Trade and other payables

	2005 HK\$'000	2004 HK\$'000
Within 30 days	223,179	242,573
31 to 90 days	16,210	14,650
91 to 120 days	2,100	450
Over 120 days	17,287	15,708
Trade payables	258,776	273,381
Accruals and other payables	128,023	119,954
	<u>386,799</u>	<u>393,335</u>

FINAL DIVIDEND

The Directors recommend a final dividend of 4.5 HK cents per share for 2005 (2004: 2 HK cents per share) payable to shareholders on the register of members on 19 May 2006. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable in cash on 15 June 2006.

CLOSE OF REGISTER OF MEMBERS

The register of members will be closed from 16 May 2006 to 19 May 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year ended 31 December 2005, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 15 May 2006.

ADVANCES TO ENTITIES/TRADE RECEIVABLES

As at 31 December 2005, there were 268,550,000 shares of the Company (each a "Share") in issue. Based on the average closing price of HK\$0.634 per Share for the five trading days immediately preceding 31 December 2005, the market capitalisation of the Company was approximately HK\$170,260,700 (the "Market Capitalisation").

Based on the accounts of the Group for the period ended 31 December, 2005, the trade receivables (each a "Trade Receivable") due to the Group from each of the following customers (the "Customers") as at 31 December, 2005, exceeded 8% of the Market Capitalisation:

Trade receivables as at 31 December 2005 HK\$'000

Customer A	20,869
Customer B	22,353
Customer C	16,963
Customer D	28,018
Customer E	15,917
Customer F	14,513

The Customers are engaged in the provision of information technology ("IT") related services or distribution of IT products. They are companies of considerable size and reputation and are long-term, repeat customers of the Group. The Customers are group members of multi-national conglomerates, or companies with over 20 years of history, or members of companies listed on reputable stock exchanges. The average repayment and credit terms granted to the Customers are granted on normal commercial terms and are in line with the average credit period provided for trade customers of the Group, which is 30 to 60 days.

During the year ended 31 December 2005, no interest was charged and no collateral was given by the Customers in relation to the Trade Receivables. The Trade Receivables arose from the sale of the Group's products to the Customers in the ordinary and usual course of business of the Group and were governed by normal commercial terms agreed with each of the Customers on an arm's length's basis. To the best knowledge of the Directors, the Customers are parties independent of and not connected with the Company and its connected person (as defined in the Rules Governing the Listing Of Securities On The Stock Exchange Of Hong Kong Limited (the "Listing Rules")).

BUSINESS REVIEW

SiS has grown from strength to strength and expanded its market share year after year. The record results reflects an efficient distribution operations and our ability to select and offer customers the right product mix – a wide range of world class IT products contributed significantly to the higher earnings.

Our success is based on the long term partnerships we have established with our resellers and vendors. We respond proficiently to fast changing industry conditions without losing business focus. We have achieved remarkable accomplishments and received numerous accolades and honors including Top Performing Distributor for IBM, Microsoft, HP, Canon and Symantec both in Hong Kong and Singapore. This reaffirm SiS's industry leadership.

Aside from distribution, the Group activities include investing in Information Technology and Communication companies particularly those new startups in this field. Our goal is to create long term return by investing and assisting entrepreneurs in building businesses from the formative stage.

In 2005, the Group disposed certain investments and recorded a profit of HK\$7,161,000 as compared to a loss of HK\$174,000 in 2004.

In line with the changes in Hong Kong Financial Reporting Standards and Accounting Standards where most assets should be reported at fair market value instead of historical book cost, the income statement recorded a net revaluation gain of HK\$14,287,000 for its assets including investments in securities and properties for the year ended 31 December 2005.

Pursuant to the agreements entered into with purchasers for the disposal of a subsidiary during the year 2003, the disposal consideration remains outstanding despite payment extension to December 2005. The Group is taking actions to repossess the pledged shares from the purchasers. At balance sheet date, an impairment loss of HK\$15,408,000 has been recognized in the income statement determined by reference to the market price of the pledged share at that date.

PROSPECTS

Asia is one of the fastest growing regions and pose many opportunities. The strong economies would have high demand for IT and communication products and services. The Group is poised to take advantage of this opportunity. As such, the directors are looking ahead with confidence. We are enthusiastic about continued growth opportunities present in many different IT segments.

In the coming year, the Group will continue to expand its product range, focusing on high margin products, improve productivity and increasing our overall return to shareholders. We will also seek and identify new investment opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue of the Group for the year ended 31 December 2005 was HK\$3,194,899,000 and net profit before tax was HK\$103,609,000.

Liquidity and Financial Resources

As at 31 December 2005, the Group had total assets of HK\$1,061,353,000 which were financed by shareholders' funds of HK\$563,441,000, total liabilities of HK\$496,996,000 and minority interests of HK\$916,000. The Group had a current ratio of approximately 1.74 as compared to that of approximately 1.62 at December 2004.

As at 31 December 2005, the Group had HK\$111,963,000 bank balances and cash of which HK\$17,020,000 was pledged to banks for securing general banking facilities. The Group's working capital requirements were mainly financed by internal resources and short-term borrowings. As at 31 December 2005, the Group had HK\$56,367,000 short term bank borrowings and HK\$64,000 bank overdrafts. The Group's borrowings were mainly denominated in Malaysia Ringgit and Singapore dollars and were charged by banks at floating interest rates.

The Group continued to sustain a good liquidity position. At balance sheet date, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less both long term and short term bank borrowings) of HK\$55,532,000 compared to HK\$108,737,000 in 2004.

Gearing ratio, as defined by total bank loans and bank overdrafts to shareholders' funds, as at 31 December 2005 was 10% (2004: 15%). The decrease in gearing ratio is due to repayment of long term bank loan during the year.

Charges on Group Assets

At the balance sheet date, the Group had pledged bank deposits of HK\$17,020,000 (2004: HK\$16,515,000) and an investment property of carrying value of HK\$40,000,000 (2004: HK\$45,800,000) to banks to secure general banking facilities granted to subsidiaries.

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

As at 31 December 2005, the Group's staff number increased from 232 to 253. Salary, bonus, commission and other benefits paid to employees, excluding Directors' emoluments, during the financial year increased to HK\$52,329,000 (2004: HK\$52,236,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option schemes and may grant shares to eligible employees of the Group. The Directors believed that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually.

Currency Risk Management

Due to the Company has overseas operations and subsidiaries, earnings may experience some volatility related to movements in exchange rates. In order to reduce exposure to fluctuations in exchange rates, subsidiaries of the Company will make forward purchases from time to time. Besides, the Group has adopted a policy of attempting to match levels of local denominated account receivables with accounts payable and to limit holdings of local currencies.

Contingent Liabilities

The Company's corporate guarantees extended to certain banks and vendors as security for banking facilities and goods supplied to the Group amounted to HK\$248,364,000 (2004: HK\$226,127,000).

CORPORATE GOVERNANCE

The Group has complied with the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the year, except for the Code A.4.1 and A.4.2 as disclosed in the Group's 2005 interim report under the Corporate Governance section. There is no changes in deviations since the publication of the 2005 interim report.

The Company has adopted code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all directors and 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 during the year.

AUDIT COMMITTEE

The Audit Committee, which comprises all independent non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2005.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2005.

On behalf of the Board of
SiS International Holdings Limited
Lim Siam Kwee
Chairman

Hong Kong, 13 April 2006

As at the date of this announcement, the executive Directors are Mr Lim Siam Kwee, Mr Lim Kiah Meng, Mr Lim Kia Hong, Mr Lim Hwee Hai and Ms Lim Hwee Noi. The independent non-executive Directors are Mr Lee Hiok Chuan, Mr Woon Wee Teng and Ms Ong Wui Leng.

Please also refer to the published version of this announcement in The Standard.