



# SiS INTERNATIONAL HOLDINGS LIMITED

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

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

### RESULTS

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 2006 together with the comparative figures for the corresponding period in 2005. The interim financial statements has been reviewed by the Company's audit committee, and reviewed by the Company's auditors in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Revenue	3	1,565,351	1,644,784
Cost of sales		(1,483,218)	(1,554,386)
Gross profit		82,133	90,398
Other income		18,758	9,983
Distribution costs		(37,250)	(32,646)
Administrative expenses		(28,738)	(27,033)
Reversal of (allowance for) impairment loss recognised in respect of deferred consideration on partial disposal of a subsidiary		1,227	(17,000)
Fair value changes in investments held-for-trading		(2,326)	(200)
Gain on disposal of available-for-sale investments		-	5,283
Share of profit of associates		3,114	2,766
Finance costs		(2,439)	(2,001)
Profit before taxation	4	34,479	29,550
Income tax expense	5	(5,810)	(6,084)
Profit for the period		28,669	23,466
Attributable to:			
Equity holders of the Company		28,661	23,334
Minority interests		8	132
		28,669	23,466
Dividend	6	12,085	5,371
Earnings per shares			
- Basic	7	10.67 cents	8.69 cents

### CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June	31 December
		2006 (Unaudited) HK\$'000	2005 (Audited) HK\$'000
<b>Non-current assets</b>			
Investment properties		136,602	136,145
Property, plant and equipment		8,673	8,678
Prepaid lease payments		14,904	14,915
Interests in associates		39,479	35,154
Available-for-sale investments		8,090	7,471
Staff advances – due after one year		-	169
Deferred tax assets		1,029	1,029
		208,777	203,561
<b>Current assets</b>			
Inventories		276,423	234,194
Trade and other receivables, deposits and prepayments	8	404,195	460,759
Investments held-for-trading		47,849	50,175
Staff advances – due within one year		173	322
Prepaid lease payments		23	23
Amount due from an associate		835	162
Derivative financial instruments		138	194
Pledged bank deposits		17,757	17,020
Bank balances and cash		103,104	94,943
		850,497	857,792

	Notes	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	9	346,382	386,799
Bills payable	10	50,838	42,759
Amount due to a related company		8,674	1,162
Derivative financial instruments		293	514
Taxation		10,464	4,832
Bank loans		49,451	56,367
Bank overdrafts, secured		1,005	64
		<u>467,107</u>	<u>492,497</u>
<b>Net current assets</b>		<u>383,390</u>	<u>365,295</u>
<b>Total assets less current liabilities</b>		<u>592,167</u>	<u>568,856</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		4,720	4,499
		<u>587,447</u>	<u>564,357</u>
<b>Capital and reserves</b>			
Share capital		26,855	26,855
Share premium and reserves		559,621	536,586
<b>Equity attributable to equity holders of the Company</b>		<u>586,476</u>	<u>563,441</u>
<b>Minority interests</b>		<u>971</u>	<u>916</u>
<b>Total equity</b>		<u>587,447</u>	<u>564,357</u>

Notes:

1. **Basis of Preparation**

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

2. **Principal Accounting Policies**

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

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 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior periods adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)

Capital Disclosures<sup>1</sup>

HKFRS 7

Financial Instruments: Disclosures<sup>1</sup>

HK (IFRIC) – INT 7

Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies<sup>2</sup>

HK (IFRIC) – INT 8

Scope of HKFRS 2<sup>3</sup>

HK (IFRIC) – INT 9

Reassessment of Embedded Derivatives<sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006.

3. **Segmental Information**

*Geographical segments*

The Group's primary format for reporting segment information is geographical segments, based on locations of customers.

	Revenue		Segment results	
	Six months ended 30 June 2006 HK\$'000	2005 HK\$'000	Six months ended 30 June 2006 HK\$'000	2005 HK\$'000
Hong Kong and the PRC	1,088,412	988,226	25,736	23,966
Singapore	386,868	537,310	8,475	14,176
Malaysia	72,959	117,005	(1,376)	288
Others	17,112	2,243	(1,495)	232
	<u>1,565,351</u>	<u>1,644,784</u>	<u>31,340</u>	<u>38,662</u>
Unallocated corporate income			1,767	48
Interest income			1,796	1,992
Reversal of (allowance for) impairment loss recognised in respect of deferred consideration on partial disposal of a subsidiary			1,227	(17,000)
Fair value changes in investments held-for-trading			(2,326)	(200)
Gain on disposal of available-for-sale investments			–	5,283
Share of profit of associates			3,114	2,766
Finance costs			(2,439)	(2,001)
Profit before taxation			<u>34,479</u>	<u>29,550</u>

4. **Profit Before Taxation**

	Six months ended 30 June 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Allowance for doubtful debts	7,554	2,165
Depreciation	1,124	1,218
Dividend income from investments held-for-trading	(1,236)	–
Exchange gain, net	(8,314)	(536)
Interest income	(1,796)	(1,992)
Share of the tax of associates (included in share of profit of associates)	830	1,542
	<u>830</u>	<u>1,542</u>

**5. Income Tax Expense**

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Current tax:		
Hong Kong	4,223	3,450
Other jurisdictions	1,587	2,695
Overprovision for prior periods:		
Other jurisdictions	-	(61)
Income tax expense	<u>5,810</u>	<u>6,084</u>

Hong Kong Profits Tax is calculated at 17.5% (Six months ended 30 June 2005: 17.5%) of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

**6. Dividend**

On 15 June 2006, a dividend of 4.5 HK cents per share, totalling HK\$12,085,000 (Six months ended 30 June 2005: HK\$5,371,000) was paid to shareholders as the final dividend for the year ended 31 December 2005.

**7. Earnings Per Share**

The calculation of the basic earnings per share is based on the Group's profit attributable to the equity holders of the Company for the six months ended 30 June 2006 of HK\$28,661,000 (Six months ended 30 June 2005: HK\$23,334,000) and 268,550,000 (Six months ended 30 June 2005: 268,550,000) ordinary shares in issue during the period.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the current and prior periods.

**8. Trade and Other Receivables, Deposits and Prepayments**

The Group maintained 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.

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within 30 days	306,608	350,803
31 to 90 days	54,309	65,718
91 to 120 days	1,949	4,465
Over 120 days	395	6,006
Trade receivables	<u>363,261</u>	426,992
Other receivables, deposits and prepayments	<u>40,934</u>	33,767
	<u>404,195</u>	<u>460,759</u>

**9. Trade and Other Payables**

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within 30 days	206,494	223,179
31 to 90 days	8,662	16,210
91 to 120 days	365	2,100
Over 120 days	4,341	17,287
Trade payables	<u>219,862</u>	258,776
Other payables and accruals	<u>126,520</u>	128,023
	<u>346,382</u>	<u>386,799</u>

**10. Bills Payable**

The aged analysis of bills payable as at 30 June 2006 and 31 December 2005 are both within 90 days.

**INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (Six months ended 30 June 2005: Nil).

**BUSINESS REVIEW AND OUTLOOK**

The Group recorded good profitability growth for the first half of 2006. Net profit attributable to equity holders increased by 23% to HK\$28,661,000 in the first half of 2006 from HK\$23,334,000 in first half of 2005. Sales turnover in first half of 2006 amounted to HK\$1,565,351,000. Earnings per share increased by 23% to HK10.67 cents in first half of 2006 from HK8.69 cents in first half of 2005.

The efforts taken by the Group to focus on higher margin product mix resulted in the improvement in net profit for the Group.

The Group will continue to embrace new and rapid technology enhancements to its operation. Recognizing the buoyancy of the economy, the Group will continue its cost control policy by seeking for new ways to reduce its distribution costs.

With new software and hardware products introduced by major vendors, the Group looks ahead with confidence. In July 2006, the Group entered into a distribution agreement with Apple Computer Inc. to distribute Apple range of products in Singapore. The Group will continue to expand its product mix by adding products that can contribute to the growth and at the same time seizing the many opportunities presented by a rapidly prospering Asia to generate good returns to the Group and shareholders.

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

As at 30 June 2006, the Group had total assets of HK\$1,059,274,000 which were financed by shareholders' funds of HK\$586,476,000, minority interest of HK\$971,000 and total liabilities of HK\$471,827,000. The Group had a current ratio of approximately 1.82 as compared to that of approximately 1.74 at 31 December 2005.

As at 30 June 2006, the Group had HK\$120,861,000 bank balances and cash of which HK\$17,757,000 was pledged to banks to cover banking facility 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 2006, the Group had HK\$50,456,000 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 sustain a good liquidity position. At the end of June 2006, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank borrowings) of HK\$70,405,000 compared to HK\$55,532,000 as at 31 December 2005.

Gearing ratio, as defined by total bank loans and bank overdrafts to shareholders' funds, as at 30 June 2006 was 9% compared to 10% as at 31 December 2005.

#### **Charges on Group Assets**

At the balance sheet date, the Group had pledged bank deposits of HK\$17,757,000 (as at 31 December 2005: HK\$17,020,000) and an investment property of net book value of HK\$40,000,000 (as at 31 December 2005: HK\$40,000,000) 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 in June 2006 was 260 and the salary and other benefits paid to employees, excluding Directors' emoluments, amounted to HK\$29,425,000. There are no significant changes in staff remuneration policies from last year end date.

#### **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.

#### **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\$245,415,000 (as at 31 December 2005: HK\$248,364,000).

#### **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 month period ended 30 June 2006, except for those deviations fully described in Corporate Governance Report as set out in page 7 to 8 of the Company's 2005 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, 15 September 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.