



# SiS INTERNATIONAL HOLDINGS LIMITED

## 新龍國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 529)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

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 2007 together with the comparative figures for the corresponding period in 2006. The interim financial statements have been reviewed by the Company’s audit committee, and reviewed by the Company’s auditors in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	NOTES	For the six months ended	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Revenue	3	2,051,136	1,565,351
Cost of sales		(1,946,191)	(1,483,218)
Gross profit		104,945	82,133
Other income		30,762	18,758
Distribution costs		(42,197)	(37,250)
Administrative expenses		(35,369)	(28,738)
Other expenses		–	(2,326)
Reversal of impairment loss recognised on consideration receivables		–	1,227
Share of profit of associates		7,281	3,114
Finance costs		(2,698)	(2,439)
Profit before taxation	4	62,724	34,479
Income tax expense	5	(6,501)	(5,810)
Profit for the period		56,223	28,669
Attributable to:			
Equity holders of the Company		56,539	28,661
Minority interests		(316)	8
		56,223	28,669
Dividend	6	21,484	12,085
Earnings per share	7		
– Basic		21.05 cents	10.67 cents

\* For identification purposes only

## CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 (Unaudited) <i>HK\$'000</i>	31 December 2006 (Audited) <i>HK\$'000</i>
	<i>NOTES</i>		
<b>Non-current assets</b>			
Investment properties		172,663	137,700
Property, plant and equipment		10,766	9,813
Prepaid lease payments		14,881	14,892
Interests in associates		86,261	73,809
Available-for-sale investments		9,058	8,214
Staff advances – due after one year		96	1,838
Deferred tax assets		272	272
		293,997	246,538
<b>Current assets</b>			
Inventories		288,954	267,454
Trade and other receivables, deposits and prepayments	8	542,883	514,928
Staff advances – due within one year		1,158	694
Tax recoverable		361	361
Prepaid lease payments		23	23
Investments held-for-trading		64,012	54,214
Derivative financial instruments		1,503	–
Pledged bank deposits		19,631	18,828
Bank balances and cash		95,554	152,128
		1,014,079	1,008,630
<b>Current liabilities</b>			
Trade and other payables	9	463,015	457,503
Bills payable	10	64,512	83,810
Derivative financial instruments		152	1,510
Tax payable		15,141	10,421
Bank borrowings – due within one year		57,556	38,084
		600,376	591,328

## CONDENSED CONSOLIDATED BALANCE SHEET – Continued

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>Net current assets</b>	<u>413,703</u>	<u>417,302</u>
<b>Total assets less current liabilities</b>	<b>707,700</b>	663,840
<b>Non-current liabilities</b>		
Deferred tax liabilities	<u>6,119</u>	<u>6,085</u>
	<u><b>701,581</b></u>	<u>657,755</u>
<b>Capital and reserves</b>		
Share capital	<b>26,855</b>	26,855
Share premium and reserves	<u>674,425</u>	<u>630,108</u>
Equity attributable to equity holders of the Company	<b>701,280</b>	656,963
Minority interests	<u>301</u>	<u>792</u>
<b>Total equity</b>	<u><b>701,581</b></u>	<u>657,755</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 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 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 2006.

In the current interim period, the Group has applied, for the first time, the following of new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA that are effective for the Group’s financial year beginning 1 January 2007. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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>
HK (IFRIC)-INT 10	Interim Financial Reporting and Impairment <sup>5</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

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006

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

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK (IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup>
HK (IFRIC)-INT 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

### 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		Six months ended 30 June	
	(unaudited)		(unaudited)	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,292,809	1,088,412	40,894	33,509
Singapore	634,988	386,868	10,335	10,847
Malaysia	103,414	72,959	1,139	(1,194)
Others	19,925	17,112	447	(1,495)
	<u>2,051,136</u>	<u>1,565,351</u>	<u>52,815</u>	<u>41,667</u>
Interest income			1,998	1,796
Other unallocated corporate income			4,145	3,483
Reversal of impairment loss recognised on consideration receivables			–	1,227
Fair value changes in investments held-for-trading			9,628	(2,326)
Share of profit of associates			7,281	3,114
Finance costs			(2,698)	(2,439)
Unallocated corporate expenses			(10,445)	(12,043)
Profit before taxation			<u>62,724</u>	<u>34,479</u>

### 4. PROFIT BEFORE TAXATION

Six months ended 30 June	
2007	2006
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Profit before taxation has been arrived at after charging (crediting):

Allowance for doubtful debts	5,384	7,554
Depreciation	1,669	1,124
Dividend income from investments held-for-trading	(2,407)	(1,236)
Exchange gain, net	(3,794)	(8,314)
Gain on fair value changes of derivative financial instruments	(2,861)	(165)
(Gain) loss on fair value changes on investments held-for-trading	(9,628)	2,326
Interest income	<u>(1,998)</u>	<u>(1,796)</u>

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current tax:		
Hong Kong	4,567	4,223
Overseas	1,848	1,587
Underprovision for prior periods:		
Overseas	86	–
Income tax expense	<u>6,501</u>	<u>5,810</u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 June 2006: 17.5%) of the estimated assessable profit for the period.

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

## 6. DIVIDEND

Final dividend of 8.0 HK cents per share, totalling HK\$21,484,000 (six months ended 30 June 2006: 2005 final dividend HK\$12,085,000) for the year ended 31 December 2006 was paid to shareholders on 15 June 2007.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

## 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 2007 of HK\$56,539,000 (six months ended 30 June 2006: HK\$28,661,000) and 268,550,000 (six months ended 30 June 2006: 268,550,000) ordinary shares in issue during the period.

No diluted earnings per share is presented because the exercise price of the warrants issued by an associate was higher than the average market price for the associate's shares for both 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. No credit is granted to customers for provision of service.

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

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	Within 30 days	445,555
31 to 90 days	73,907	52,132
91 to 120 days	3,335	5,003
Over 120 days	3,377	4,189
Trade receivables	<u>526,174</u>	494,877
Other receivables, deposits and prepayments	<u>16,709</u>	20,051
	<u>542,883</u>	<u>514,928</u>

## 9. TRADE AND OTHER PAYABLES

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

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within 30 days	<b>287,175</b>	316,750
31 to 90 days	<b>19,939</b>	9,836
91 to 120 days	<b>1,121</b>	173
Over 120 days	<b>6,712</b>	3,421
	<hr/>	<hr/>
Trade payables	<b>314,947</b>	330,180
Other payables and accruals	<b>148,068</b>	127,323
	<hr/>	<hr/>
	<b>463,015</b>	457,503
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## 10. BILLS PAYABLE

The aged analysis of bills payable as at 30 June 2007 and 31 December 2006 are both within 90 days.

## BUSINESS REVIEW AND OUTLOOK

SiS Group recorded solid results and performance for the first half of 2007. SiS Group generated record profitability and sales for the first half of 2007. Net profit attributable to shareholders increased by 97% to HK\$56,539,000 from HK\$28,661,000 as compared with that of the same period last year. Profit before taxation increased by 82% to HK\$62,724,000 as compared with the same period last year. SiS Group sales turnover increased 31% to HK\$2,051,136,000 in the first half of 2007. Earnings per share increased by 97% to HK21.05 cents.

SiS's record results continue to demonstrate the operations excellence in SiS business model and on execution have resulted in record setting performance.

The sterling performance in the first half of 2007 was the result of successful adoption & implementation of strategic management initiatives including focusing on higher margin products. Through aggressive sales and product management, we achieved record sales in the first half of 2007 - highlighted by strong profit growth.

SiS listed associate company in Thailand - SiS Distribution (Thailand) Public Company Limited continue to grow both in net profit and revenue of 14% and 6% respectively as compared with the same period last year in spite of the political climate in Thailand.

In view of the optimistic economic outlook in the Asian region, SiS Group is moving ahead with confidence. The Group will continue to expand its profit margin on product lines and at the same time seizing the many opportunities presented in Asia.

## **FINANCIAL REVIEW AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 30 June 2007, the Group had total assets of HK\$1,308,076,000 which were financed by shareholders' funds of HK\$701,280,000 minority interest of HK\$301,000 and total liabilities of HK\$606,495,000. The Group had a current ratio of approximately 1.69 as compared to that of approximately 1.71 at 31 December 2006.

As at 30 June 2007, the Group had HK\$115,185,000 bank balances and cash of which HK\$19,631,000 was pledged to banks to cover 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 2007, the Group had HK\$57,556,000 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 2007, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank borrowings) of HK\$57,629,000 compared to HK\$132,872,000 as at 31 December 2006.

Gearing ratio, as defined by total bank loans and overdrafts to shareholders' funds, as at 30 June 2007 was 8% compared to 6% as at 31 December 2006.

### **Charges on Group Assets**

At the balance sheet date, the Group had pledged bank deposits of HK\$19,631,000 (as at 31 December 2006: HK\$18,828,000) and an investment property of net book value of HK\$40,000,000 (as at 31 December 2006: 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 at June 2007 was 292 and the salaries and other benefits paid to employees, excluding Directors' emoluments, amounted to HK\$36,944,000. 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\$249,353,000 (as at 31 December 2006: HK\$250,155,000).



## **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 months period ended 30 June 2007, except for those deviations fully described in the Corporate Governance Report as set out in page 7 to 8 in the Company’s 2006 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, SALES 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, 21 September 2007

*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.*