



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 2008

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

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

* For identification purposes only

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2008 (Unaudited) <i>HK\$'000</i>	31 December 2007 (Audited) <i>HK\$'000</i>
	<i>NOTES</i>		
Non-current assets			
Investment properties		248,665	212,256
Property, plant and equipment		10,392	11,858
Prepaid lease payments		14,858	14,869
Interests in associates		101,874	103,022
Available-for-sale investments		20,579	10,492
Staff advances – due after one year		12	54
Deferred tax assets		845	224
		<u>397,225</u>	<u>352,775</u>
Current assets			
Inventories		362,764	315,010
Trade and other receivables, deposits and prepayments	8	630,661	584,758
Staff advances – due within one year		602	624
Prepaid lease payments		23	23
Investments held-for-trading		52,722	58,541
Pledged bank deposits		21,513	20,698
Bank balances and cash		149,606	157,182
		<u>1,217,891</u>	<u>1,136,836</u>
Current liabilities			
Trade payables, other payables and accruals	9	502,206	461,805
Bills payable	10	100,371	57,130
Dividend payable		27,102	-
Derivative financial instruments		596	1,361
Tax payable		23,005	21,071
Bank loans – due within one year		61,595	100,143
		<u>714,875</u>	<u>641,510</u>
Net current assets		<u>503,016</u>	<u>495,326</u>
Total assets less current liabilities		<u>900,241</u>	<u>848,101</u>
Non-current liabilities			
Deferred tax liabilities		22,195	17,407
Net assets		<u><u>878,046</u></u>	<u><u>830,694</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	<i>NOTES</i>	
Capital and reserves		
Share capital	27,102	26,855
Share premium and reserves	<u>850,944</u>	<u>803,839</u>
Total equity	<u>878,046</u>	<u>830,694</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 2007.

In the current period, the Group has applied, for the first time, the following of new interpretations (“new Interpretations”) issued by the HKICPA which are effective for the Group’s financial year beginning 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 other 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 product. Last period's operating segment also include provision of employment agencies services. These segments are the basis on which the Group reports its primary segment information.

An analysis of segment information by businesses are as follow:

	For the six months ended 30 June 2008 (unaudited)		
	Distribution of IT products HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
REVENUE	<u>2,376,073</u>	<u>5,098</u>	<u>2,381,171</u>
SEGMENT RESULT			
Operations	<u>46,507</u>	<u>28,246</u>	74,753
Other unallocated income			8,029
Other income from investments held-for-trading and available-for-sale investments			592
Share of results of associates	15,600	-	15,600
Finance costs			(2,688)
Unallocated corporate expenses			<u>(14,935)</u>
Profit before taxation			81,351
Income tax expense			<u>(11,051)</u>
Profit for the period			<u>70,300</u>

3. SEGMENTAL INFORMATION (continued)

Business Segments (continued)

	For the six months ended 30 June 2007 (unaudited)			
	Distribution of	Property	Others	Consolidated
	IT products	investment		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	2,045,795	3,978	1,363	2,051,136
SEGMENT RESULT				
Operations	46,087	3,459	(917)	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				(8,930)
Profit before taxation				62,724
Income tax expense				(6,501)
Profit for the period				56,223

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	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong	1,375,137	1,292,809
Singapore	807,240	634,988
Malaysia	182,157	103,414
Thailand	913	3,377
Others	15,724	16,548
	2,381,171	2,051,136

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current tax:		
Hong Kong	7,048	4,567
Overseas	199	1,848
Underprovision for prior periods:		
Hong Kong	1	–
Overseas	66	86
Deferred taxation		
Current period	3,295	–
Attributable to a change in tax rate	442	–
Income tax expense for the period	<u>11,051</u>	<u>6,501</u>

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

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

6. DIVIDEND

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

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:

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

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

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 certain 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:

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

9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

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

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.

10. BILLS PAYABLE

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

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 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 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 Scheme

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: HK\$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.

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).

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, 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, 10 September 2008

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, Ms. Lim Hwee Noi. The independent non-executive directors are Mr. Lee Hiok Chuan, Mr. Woon Wee Teng, and Ms. Ong Wui Leng.