



SiS International Holdings Limited

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

INTERIM REPORT
2010



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Founded in 1983, SiS is one of the largest distributors of computer systems, software, peripherals and networking products in Asia.

Headquartered in Hong Kong, with regional offices in Singapore, Malaysia and Thailand, 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 and OEMs strategically located throughout the region.

SiS represents and has earned its reputation as the Preferred Distributor by a number of the world's most renowned manufacturers.

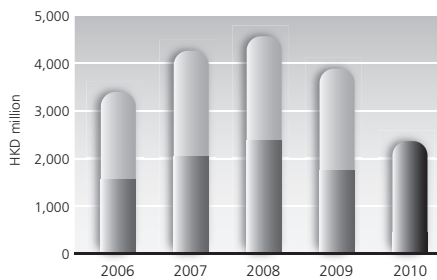
CHAIRMAN'S STATEMENT

Dear Shareholders,

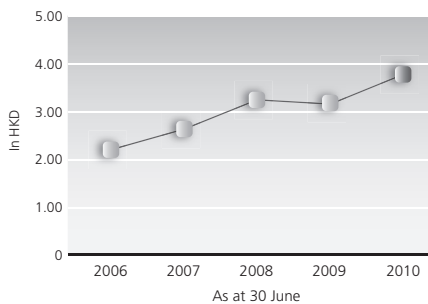
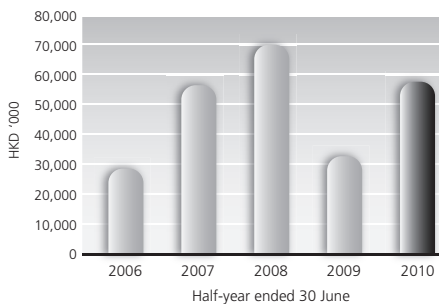
I am very pleased to report outstanding results and performance for the Group for the six months ended 30 June 2010. Net profit for the Group increased 76% to HK\$57,795,000 in the first half of 2010 as compared to HK\$32,749,000 for same period last year. The Group sales revenue for the same period increased 37% to HK\$2,397 million from HK\$1,746 million.

Financial Results Highlights:

- Profit before taxation: up 76% to HK\$68.0 million
- Earnings per share: up 77% from 12.08 HK cents to 21.33 HK cents
- Revenue: up 37% to HK\$2,397 million
- Profit attributed to shareholders: up 76% to HK\$57.8 million
- Returned on capital employed (annualized): up from 8% to 11%
- Net assets value per share: HK\$3.76



Net profit attributable to owners of the Company



Net Assets Value per share

Business Review

(1) IT Distribution Business

Riding on the global economic recovery, the Group achieved significant growth in its IT Distribution Business for first half year of 2010. Segmental profit from IT Distribution Business increased 112% from HK\$26.7 million to HK\$56.6 million. Sales revenue for IT distribution business for the first half year of 2010 increased 37% to HK\$2,393 million as compared to same period last year.

(2) Investment in IT Business

Despite the turbulent political climate in Thailand in early 2010, the Group's investments in SiS Distribution (Thailand) Public Company Limited ("SiS Thailand") continued to perform and grew steadily. SiS Thailand's impressive performance contributed HK\$15 million to the Group's profit during the first half year of 2010.

The Group has completed the disposal of its investment in ECS Pericomp Sdn Bhd in Malaysia for a consideration of Malaysia dollars 6.9 million (approximately HK\$17 million), and reported a gain on disposal of about HK\$3 million in April 2010.

(3) Real Estate Investments Business

The Group completed its acquisition of a prime commercial property located at 9 Queen's Road Central in Hong Kong for HK\$203 million in January 2010 and the disposal of an investment in car parks for a consideration of HK\$70 million in March 2010. In June 2010, the Group announced the acquisition of another prime commercial property located at Admiralty for a consideration of HK\$184 million. The newly acquired property is expected to be completed in November 2010. During the first half year of 2010, the Group recorded a fair valuation gain of HK\$3 million for its real estate investment business. Total fair value for the Group's investment properties amounted to HK\$406 million as at 30 June 2010.

Prospect

The Group is moving ahead with confidence. With an extensive distribution network, an impressive line of world renowned products, an experienced management team, our IT distribution business will benefit with the increase in demand for IT products as the global economy recover. With a strong financial position, the Group will continue to seek opportunities on investments in IT businesses and expand its businesses in mobile, wireless and mobile solutions.

LIM Kia Hong

Chairman and Chief Executive Officer

Hong Kong, 18 August 2010

The directors (the "Directors") of SiS International Holdings Limited (the "Company") are pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 together with comparative figures for the corresponding period in 2009. The interim financial statements have been reviewed by the Company's auditors and audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Six months ended	
		30 June	30 June
		2010	2009
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue		2,396,895	1,745,696
Cost of sales		(2,291,874)	(1,673,104)
Gross profit		105,021	72,592
Other income		19,528	20,394
Other gains and losses	4	2,061	1,080
Distribution costs		(35,990)	(33,425)
Administrative expenses		(36,665)	(33,159)
Share of results of associates		15,369	12,691
Finance costs		(1,264)	(1,598)
Profit before taxation		68,060	38,575
Income tax expense	6	(10,265)	(5,826)
Profit for the period attributable to owners of the Company	7	57,795	32,749
Earnings per share			
– Basic and diluted (HK cents)	9	21.33	12.08

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Six months ended	
		30 June 2010	30 June 2009
	NOTE	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Profit for the period	7	<u>57,795</u>	<u>32,749</u>
Other comprehensive income:			
Gain on fair value changes of available-for-sale investments		10,321	4,069
Exchange realignment arising on translation of foreign operations		5,355	962
Reclassification of the cumulative exchange difference attributable to disposed subsidiary to income statement		–	2,254
Reclassification of the cumulative exchange difference attributable to disposed associate to income statement		<u>(976)</u>	<u>–</u>
Other comprehensive income for the period attributable to owners of the Company		<u>14,700</u>	<u>7,285</u>
Total comprehensive income for the period attributable to owners of the Company		<u>72,495</u>	<u>40,034</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	NOTES	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited and restated)
Non-current assets			
Investment properties	10	405,698	191,175
Property, plant and equipment	10	27,232	27,114
Interests in associates		128,657	133,459
Available-for-sale investments		45,653	28,382
Deposits for acquisition of investment properties	18	8,000	20,323
Deferred tax assets		459	459
		<u>615,699</u>	<u>400,912</u>
Current assets			
Inventories		328,800	236,115
Trade and other receivables, deposits and prepayments	11	663,286	582,379
Derivative financial instruments		764	697
Investments held-for-trading		33,832	42,501
Pledged bank deposits		22,613	21,086
Bank balances and cash		109,373	217,349
		<u>1,158,668</u>	<u>1,100,127</u>
Investment properties held for sale		–	65,000
		<u>1,158,668</u>	<u>1,165,127</u>
Current liabilities			
Trade payables, other payables and accruals	12	515,553	505,948
Bills payable	13	87,618	19,171
Deposits received for investment properties held for sale		–	3,500
Dividend payable		21,681	–
Tax payable		18,168	11,139
Bank loans	14	55,950	32,365
		<u>698,970</u>	<u>572,123</u>
Liabilities associated with investment properties held for sale		–	684
		<u>698,970</u>	<u>572,807</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30 JUNE 2010

		30 June	31 December
		2010	2009
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(audited and restated)
Net current assets		459,698	592,320
Total assets less current liabilities		1,075,397	993,232
Non-current liabilities			
Deferred tax liabilities		25,183	24,021
Bank loans – due over one year	<i>14</i>	30,064	–
		55,247	24,021
Net assets		1,020,150	969,211
Capital and reserves			
Share capital	<i>15</i>	27,102	27,102
Share premium		58,238	58,238
Reserves		53,710	39,194
Retained profits		881,100	844,677
Total equity		1,020,150	969,211

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	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
At 1 January 2009 (audited)	27,102	58,238	109	13,735	919	2,860	3,130	723,225	829,318
Profit for the period	-	-	-	-	-	-	-	32,749	32,749
Other comprehensive income for the period	-	-	4,069	3,216	-	-	-	-	7,285
Total comprehensive income for the period	-	-	4,069	3,216	-	-	-	32,749	40,034
Recognition of equity-settled share based payments	-	-	-	-	-	-	583	-	583
Transfer to retained profits upon disposal of a subsidiary	-	-	-	-	(919)	-	-	919	-
Dividend approved (Note 8)	-	-	-	-	-	-	-	(13,551)	(13,551)
At 30 June 2009 (unaudited)	27,102	58,238	4,178	16,951	-	2,860	3,713	743,342	856,384
At 1 January 2010 (audited)	27,102	58,238	7,871	24,375	-	2,860	4,088	844,677	969,211
Profit for the period	-	-	-	-	-	-	-	57,795	57,795
Other comprehensive income for the period	-	-	10,321	4,379	-	-	-	-	14,700
Total comprehensive income for the period	-	-	10,321	4,379	-	-	-	57,795	72,495
Recognition of equity-settled share based payments	-	-	-	-	-	-	125	-	125
Reversal of share options forfeited	-	-	-	-	-	-	(309)	309	-
Dividend approved (Note 8)	-	-	-	-	-	-	-	(21,681)	(21,681)
At 30 June 2010 (unaudited)	27,102	58,238	18,192	28,754	-	2,860	3,904	881,100	1,020,150

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended	
	30 June 2010 HK\$'000 (unaudited)	30 June 2009 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(47,661)	151,543
Investing activities		
Dividend received from associates	9,496	7,750
Dividend received from equity investments	1,919	2,412
Additions to available-for-sale investments	(3,388)	–
Additions to investment properties	(190,998)	–
Proceeds from disposal of an associate	13,165	–
Proceeds from disposal of investment properties	66,500	–
Deposits for acquisition of investment properties	(8,000)	–
Other investing cash flows	(633)	(168)
Net cash (used in) from investing activities	(111,939)	9,994
Financing activities		
New bank loans raised	133,985	95,732
Repayment of bank loans	(82,341)	(138,929)
Net cash from (used in) financing activities	51,644	(43,197)
Net (decrease) increase in cash and cash equivalents	(107,956)	118,340
Cash and cash equivalents at 1 January	217,349	131,096
Effect of foreign exchange rate changes	(20)	(124)
Cash and cash equivalents at 30 June	109,373	249,312

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 (HKAS 34) "Interim Financial Reporting".

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, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except for the leasehold land as detailed below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Except for Amendment to HKFRS 17 "Leases" as described below, the application of the other new and revised HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions of HKAS 17 Leases, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information which existed at the inception of these leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. This resulted in a reclassification of prepaid lease payment with carrying amount of HK\$14,869,000 and HK\$19,426,000 as at 1 January 2009 and 31 December 2009 respectively to property, plant and equipment that are measured using the cost model.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENTAL INFORMATION

The Group's operating segments, based on information reported to the Group's chief operating decision maker, i.e. executive directors, for the purposes of resource allocation and performance assessment focus on each of the geographical locations, i.e. Hong Kong, Singapore and Malaysia in relation to distribution of IT products and on property investment.

The following is an analysis of the Group's revenue and results by reportable segment for the period:

	Distribution of IT products				Property	
	Hong Kong	Singapore	Malaysia	Total	investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2010						
Segment revenue						
External sales	<u>1,415,670</u>	<u>728,418</u>	<u>248,466</u>	<u>2,392,554</u>	<u>4,341</u>	<u>2,396,895</u>
Segment profit	<u>44,992</u>	<u>7,581</u>	<u>3,977</u>	<u>56,550</u>	<u>10,830</u>	<u>67,380</u>
Other unallocated income						653
Change in fair value of investments held-for-trading						(8,669)
Other income from investments held-for-trading and available-for-sale investments						1,919
Share of results of associates						15,369
Gain on disposal of an associate						2,675
Finance costs						(1,264)
Unallocated corporate expenses						(10,003)
Profit before taxation						<u>68,060</u>

3. SEGMENTAL INFORMATION (Continued)

	Distribution of IT products				Property investment	Consolidated
	Hong Kong	Singapore	Malaysia	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2009						
Segment revenue						
External sales	1,032,949	529,789	177,776	1,740,514	5,182	1,745,696
Segment profit	24,230	1,852	645	26,727	9,482	36,209
Other unallocated income						2,813
Change in fair value of investments held-for-trading						(1,666)
Other income from investments held-for-trading and available-for-sale investments						2,412
Share of results of associates						12,691
Loss on disposal of a subsidiary						(2,254)
Finance costs						(1,598)
Unallocated corporate expenses						(10,032)
Profit before taxation						38,575

Segment profit reported to the chief operating decision maker, i.e. executive directors, for the purposes of resource allocation and performance assessment does not include central administration costs, directors' emoluments, share of results of associates, gain on disposal of an associate, loss on disposal of a subsidiary, investment income, finance costs and other corporate expenses.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 June	30 June
	2010	2009
	HK\$'000	HK\$'000
Other gains and losses comprises:		
Fair value gain on investment properties	3,100	5,000
Fair value loss on investments held-for-trading	(8,669)	(1,666)
Gain on disposal of an associate (<i>note 5</i>)	2,675	–
Gain on disposal of investment properties	5,000	–
Loss on deemed disposal of an associate	(45)	–
Loss on disposal of a subsidiary	–	(2,254)
	<u>2,061</u>	<u>1,080</u>

5. DISPOSAL OF AN ASSOCIATE

In April 2010, the Group disposed of its entire 20% interest in ECS Pericom Sdn. Bhd. to ECS ICT Berhad (“ECS ICT”), pursuant to a group reorganization and preparation for listing of the shares of ECS ICT on the Stock Exchange of Malaysia, for a consideration of Malaysian dollars 6,900,000 (equivalent to HK\$16,698,000) settled by 1,000,000 ordinary shares in ECS ICT valued at Malaysian dollars 1.46 per share (equivalent to HK\$3,533,000 and representing 0.8% interest in ECS ICT) and the balance for cash of Malaysian dollars 5,440,000 (equivalent to HK\$13,165,000). The disposal has resulted in the recognition of a gain of HK\$2,675,000 in the income statement.

6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2010 HK\$'000	30 June 2009 HK\$'000
The charge comprises:		
Current tax		
Hong Kong	7,580	4,015
Overseas	1,765	555
	<u>9,345</u>	<u>4,570</u>
Deferred taxation		
Current period	920	1,256
Income tax expense for the period	<u>10,265</u>	<u>5,826</u>

Hong Kong Profits Tax is provided at the rate of 16.5% on the estimated assessable profit for both periods.

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

7. PROFIT FOR THE PERIOD

	Six months ended	
	30 June 2010 HK\$'000	30 June 2009 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
(Reversal of allowance) allowance for doubtful debts provided	(3,890)	2,084
Cost of inventories recognised as expenses	2,290,755	1,672,504
Depreciation of property, plant and equipment	1,057	1,640
Loss on disposal of property, plant and equipment	–	1
Share of tax of associates	5,540	5,103
Dividend income from available-for-sale investments	(246)	(27)
Dividend income from investments held-for-trading	(1,673)	(2,385)
Write back of allowance for inventories, net	(883)	(37)
Exchange gain, net	(7,876)	(8,615)
Change in fair value of derivative financial instruments	(67)	(1,273)
Interest on bank deposits	(636)	(489)

8. DIVIDENDS

	Six months ended	
	30 June 2010 HK\$'000	30 June 2009 HK\$'000
Dividend recognised as distribution during the period:		
Final dividend, payable in respect of the year ended 31 December 2009 of 8.0 HK cents per share (2009: 5.0 HK cents per share for the year ended 31 December 2008)	21,681	13,551

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2010 and 2009.

9. EARNINGS PER SHARE

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

	Six months ended	
	30 June	30 June
	2010	2009
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share, profit for the period attributable to owners of the Company	57,795	32,749
	'000	'000

Number of shares:

Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	271,017	271,017
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The computation of diluted earnings per share for the six months ended 30 June 2010 and 2009 does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares for both periods. The effect of dilutive potential ordinary shares of an associate is considered to be insignificant.

10. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$211,321,000 (six months ended 30 June 2009: HK\$nil) and HK\$1,048,000 (six months ended 30 June 2009: HK\$857,000) on the acquisition of investment properties and property, plant and equipment respectively.

The fair values of the Group's investment properties were determined by the directors with reference to market evidence of recent transaction prices for similar properties. The resulting increase in fair value of investment properties of HK\$3,100,000 (six months ended 30 June 2009: HK\$5,000,000) has been recognised directly in income statement for the six months ended 30 June 2010.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayment are trade receivables of HK\$649,539,000 (31 December 2009: HK\$570,577,000). The following is an aged analysis of trade receivables at the reporting date presented based on the invoice date:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Within 30 days	392,914	322,772
31 to 90 days	213,238	211,889
91 to 120 days	33,634	25,781
Over 120 days	9,753	10,135
Trade receivables	649,539	570,577

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 renting of properties. No interest is charged on overdue debts.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accrual are trade payables of HK\$379,628,000 (31 December 2009: HK\$400,101,000). The following is an aged analysis of trade payables at the reporting date presented based on the invoice date:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Within 30 days	297,936	298,151
31 to 90 days	80,843	91,295
91 to 120 days	849	2,421
Over 120 days	–	8,234
Trade payables	379,628	400,101

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

13. BILLS PAYABLE

The age of the bills payable as at 30 June 2010 and 31 December 2009 are both within 90 days.

14. BANK LOANS

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Secured	60,954	32,365
Unsecured	25,060	–
	86,014	32,365

During the period, the Group obtained new bank loans amounting to HK\$133,985,000 (2009: HK\$95,732,000) and repaid bank loans amounting to HK\$82,341,000 (2009: HK\$138,929,000). The bank loans carry variable rates ranged from 0.8% to 5.6% per annum during the period (31 December 2009: 3.8% to 5.6%).

15. SHARE CAPITAL

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Authorised		
350,000,000 ordinary shares of HK\$0.10 each	35,000	35,000
Issued and fully paid		
271,016,661 ordinary shares of HK\$0.10 each	27,102	27,102

16. PLEDGE OF ASSETS

At 30 June 2010, certain of the Group's assets with the aggregate carrying value of HK\$233,934,000 (31 December 2009: HK\$86,086,000) were pledged to secure general banking facilities granted to the Group. The carrying values of these assets are analysed as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Investment properties	211,321	65,000
Bank deposits	22,613	21,086
	233,934	86,086

17. RELATED PARTY TRANSACTIONS

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

	Associates		Related companies	
	Six months ended		Six months ended	
	30 June 2010 HK\$'000	30 June 2009 HK\$'000	30 June 2010 HK\$'000	30 June 2009 HK\$'000
Sales of goods	1,550	–	–	–
Purchase of goods	467	426	–	–
Income from management service	1,123	924	–	–
Operating lease rental expense	–	–	4,782	4,673
	30 June 2010 HK\$'000	31 December 2009 HK\$'000	30 June 2010 HK\$'000	31 December 2009 HK\$'000

Amount due from the
associates at reporting
date included in other
receivables

1,277	171	–	–
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17. RELATED PARTY TRANSACTIONS (Continued)

Two directors have controlling interest in one of the related companies. All executive directors (and their associates) together hold 56% indirect interest in another related company.

Apart from the above, remunerations paid or payable to the directors of the Company for the six months ended 30 June 2010 are HK\$5,706,000 (six months ended 30 June 2009: HK\$5,149,000) including share-based payment expense of HK\$61,000 (six months ended 30 June 2009: HK\$286,000).

18. COMMITMENTS

At 30 June 2010, the Group has paid the deposits of HK\$8,000,000 for the acquisition of investment properties for a consideration of HK\$184,000,000. The acquisition will be completed on or before 18 November 2010. As a result, as at 30 June 2010, the Group had outstanding commitment for the acquisition of certain investment properties of HK\$176,000,000.

19. EVENT AFTER THE END OF THE INTERIM PERIOD

Subsequent to the reporting date, the Group entered into an agreement to acquire 25.6% equity interest in Hangzhou Hangxin Electronic Industry Company Limited. The consideration amounted to RMB11,060,000 (equivalent to HK\$12,679,000) of which RMB9,000,000 (equivalent to HK\$10,318,000), being the first instalment, has been paid. Hangzhou Hangxin Electronic Industry Company Limited is engaged in the manufacture of electronic products in the People's Republic of China.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2010, the Group had total assets of HK\$1,774,367,000 which were financed by shareholders' funds of HK\$1,020,150,000, and total liabilities of HK\$754,217,000. The Group had a current ratio of approximately 1.66 compared to that of approximately 2.03 at 31 December 2009.

As at 30 June 2010 the Group had HK\$131,986,000 bank balances and cash of which HK\$22,613,000 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 2010, the Group had bank loans and bills payable of total HK\$173,632,000 of which HK\$30,064,000 was due over one year. The Group's borrowings were mainly denominated in Hong Kong Dollar, Singapore Dollar and Malaysia Dollar and were charged by bank at floating interest rates.

Gearing ratio, as defined by total bank loans and bills payable to shareholders' funds, as at 30 June 2010 was 17% compared to 5% as at 31 December 2009.

Charges on Group Assets

At the reporting date, the Group had pledged bank deposits of HK\$22,613,000 (31 December 2009: HK\$21,086,000) and investment properties with carrying value of HK\$211,321,000 (31 December 2009: HK\$65,000,000) to banks to secure general banking facilities granted to subsidiaries.

FINANCIAL REVIEW AND ANALYSIS (Continued)

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

The number of staff of the Group as at 30 June 2010 was 321 (30 June 2009: 284) and the salaries and other benefits paid to employees, excluding Directors' emoluments, amounted to HK\$43,911,000 (30 June 2009: HK\$35,632,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant share options to eligible employees of the Group. The Directors believe 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. There are no significant changes in staff remuneration policies from last year.

Currency Risk Management

The Group maintains a conservative approach on foreign exchange exposure management by entering into foreign currency forward contracts. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date. At 30 June 2010, the Group had outstanding forward contracts denominated in United States dollars with total notional amount of HK\$117,219,000 (31 December 2009: HK\$254,379,000) which were measured at fair value at the reporting date.

Contingent Liabilities

The Company's corporate guarantees extended to certain banks as security for banking facilities to the Group amounted to HK\$13,440,000 (31 December 2009: HK\$62,656,000).

OTHER INFORMATION

Directors' Interests In shares

At 30 June 2010, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Personal interests	Family interests	Joint Interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kiah Meng (Note 4)	4,869,866	483,333	534,000	178,640,000	184,527,199	68.09%
Lim Kia Hong (Note 4)	5,237,774	441,333	-	178,640,000	184,319,107	68.01%
Lim Hwee Hai (Note 3)	2,797,866	3,045,824	-	-	5,843,690	2.16%
Lim Hwee Noi (Note 3, 4)	3,045,824	2,797,866	-	-	5,843,690	2.16%
Lee Hiok Chuan	83,333	-	-	-	83,333	0.03%
Woon Wee Teng	83,333	-	-	-	83,333	0.03%
Ong Wui Leng	83,333	-	-	-	83,333	0.03%

Notes:

- (1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) 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 his spouse and Mr. Lim Kia Hong and his spouse 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.
- (3) 2,797,866 shares and 3,045,824 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.
- (4) In addition to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 608,000 shares on behalf of six beneficiaries aged below 18. Out of these 608,000 shares, 400,000 shares and 208,000 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interest of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

Directors' Interests in Shares (Continued)

(ii) Share Options

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

(iii) Long positions in the shares and underlying shares of associated corporations of the Company

- (a) Ordinary share of Baht 1 each of SiS Distribution (Thailand) Public Company Limited ("SiS THAI"), which is listed in the Stock Exchange of Thailand.

Name of Director	Personal interests	Corporate interests (Note 1)	Total number	Approximate
			of issued ordinary shares held in SiS THAI	% of issued share capital of SiS THAI
Lim Kia Hong	75,000	99,750,000	99,825,000	48.27%
Lim Hwee Hai	75,000	–	75,000	0.04%

- (b) Share warrants granted by SiS THAI (Note 2)

Name of Director	Capacity	Outstanding number of
		share warrants of SiS THAI
Lim Kia Hong	Personal	75,000
Lim Hwee Hai	Personal	75,000

Directors' Interests in Shares (Continued)

(iii) Long positions in the shares and underlying shares of associated corporations of the Company (Continued)

Notes:

- (1) The Company indirectly holds 99,750,000 ordinary shares of the issued capital of SIS THAI. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 68.01% in the Company, therefore Mr. Lim has deemed corporate interest in SIS THAI under the SFO.
- (2) At the annual general meeting of SIS THAI held on 2 April 2010, its shareholders approved the issue of warrants to the directors. Each warrant is entitled to buy one ordinary share of SIS THAI at the book value per share from the latest financial statement of SIS THAI before the date of exercise but not lower than Baht 4.92. The warrants can be exercised every six months from the first exercise date which is 1 June 2010 until the last exercise date which is 3 December 2012. The exercise date will be the first business day of June and December of each year.

Save as disclosed above, none of the Directors nor their associates, at 30 June 2010, had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

For details of the Company's share option scheme, please refer to note 37 to the consolidated financial statement and pages 17 to 19 in the 2009 annual report.

The following table discloses movements in Company's share options during the period:

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options		
				Outstanding at 1 January 2010	Lapsed during the period	Outstanding at 30 June 2010
Directors and their associates:						
Lim Siam Kwee (deceased)						
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)	–
Lim Kiah Meng and spouse						
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
Lim Kia Hong and spouse						
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
Lim Hwee Hai						
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 2010	Lapsed during the period	Outstanding at 30 June 2010
Lim Hwee Noi						
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
Lee Hiok Chuan						
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
Woon Wee Teng						
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
Ong Wui Leng						
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
Total directors and their associates				<u>3,500,005</u>	<u>(533,334)</u>	<u>2,966,671</u>

SHARE OPTIONS (Continued)

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options		
				Outstanding at 1 January 2010	Lapsed during the period	Outstanding at 30 June 2010
Employees and other qualified persons						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	849,996	–	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
Total employees and other qualified persons				<u>3,983,334</u>	<u>–</u>	<u>3,983,334</u>
Total number of share options				<u>7,483,339</u>	<u>(533,334)</u>	<u>6,950,005</u>

Other than disclosed above, no share options were granted, exercised or expired during the reporting period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, 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 and long positions in the issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS (Continued)

Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Shareholder	Personal Interests	Family Interests	Corporate interests (Note 1)	Other interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeo Seng Chong	600,000	1,150,000	11,942,000	–	13,692,000	5.05%
Lim Mee Hwa	1,150,000	600,000	11,942,000	–	13,692,000	5.05%
Yeoman Capital Management Pte. Ltd.	–	–	200,000	13,228,000	13,428,000	4.95%

Notes:

- (1) Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 35.0% direct interest in Yeoman Capital Management Pte. Ltd.
- (2) Yeoman Capital Management Pte Ltd holds the shares of the Company as an investment manager.

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 2010.

CORPORATE GOVERNANCE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period ended 30 June 2010, except for the Code A.4.1 and A.4.2 as disclosed in page 9 of the Group's 2009 annual report under the Corporate Governance section. In the Directors meeting held on 25 June 2010, Mr. Lim Kia Hong and Mr. Lim Kiah Meng have been elected as chairman and vice-chairman of the Company respectively, until the Directors meeting to be held after next Annual General Meeting in year 2011.

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

Neither the Company nor any subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2010.

On behalf of the Board of

SiS International Holdings Limited

LIM Kia Hong

Chairman and Chief Executive Officer

Hong Kong, 18 August 2010

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Lim Kia Hong (*Chairman*)
Lim Kiah Meng (*Vice-chairman*)
Lim Hwee Hai
Lim Hwee Noi

Independent Non-executive Directors:

Lee Hiok Chuan
Woon Wee Teng
Ong Wui Leng

SECRETARY

Chiu Lai Chun, Rhoda

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STOCK CODE

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INVESTOR RELATIONS

www.sisinternational.com.hk

AUDITORS

Deloitte Touche Tohmatsu

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 Corporation Limited
Malayan Banking Berhad
OCBC Bank

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
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Pembroke HM 08 Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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