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## SIS INTERNATIONAL HOLDINGS LIMITED

新龍國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The directors (the “Directors”) of SiS International Holdings Limited (the “Company”) are pleased to announce the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 together with comparative figures for the corresponding period in 2019. The interim report has been reviewed by the Company’s auditor and audit committee.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended	
		30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
Revenue	3	3,248,584	3,056,270
Cost of sales and services		<u>(2,966,417)</u>	<u>(2,804,177)</u>
Gross profit		282,167	252,093
Other income		16,811	29,320
Other gains and losses, net	4	(48,970)	(52,929)
Impairment losses recognized under expected credit loss model, net of reversal		(21,960)	(191)
Distribution costs		(89,069)	(89,521)
Administrative expenses		(70,307)	(80,120)
Listing expenses		-	(14,934)
(Loss) gain from changes in fair value of investment properties		(415,747)	191,480
Share of results of associates		2,065	(907)
Finance costs		<u>(34,319)</u>	<u>(33,284)</u>
(Loss) profit before tax		(379,329)	201,007
Income tax credit (expense)	5	<u>69,795</u>	<u>(41,131)</u>
(Loss) profit for the period	6	<u><b>(309,534)</b></u>	<u>159,876</u>
<b>(Loss) profit for the period attributable to:</b>			
Owners of the Company		(327,542)	139,594
Non-controlling interests		<u>18,008</u>	<u>20,282</u>
		<u><b>(309,534)</b></u>	<u>159,876</u>

\* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)**

	Notes	Six months ended	
		30 June 2020 HK cents (unaudited)	30 June 2019 HK cents (unaudited)
(LOSS) EARNINGS PER SHARE	7		
-Basic (HK cents)		<u>(117.8)</u>	<u>50.2</u>
-Diluted (HK cents)		<u>(117.8)</u>	<u>50.2</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Six months ended	
	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
(Loss) profit for the period	<u>(309,534)</u>	<u>159,876</u>
<b>Other comprehensive (expense) income:</b>		
<b>Items that will not be classified to profit or loss</b>		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income	<u>(12,060)</u>	<u>322</u>
<b>Items that may be subsequently reclassified to profit or loss</b>		
Exchange differences arising on translation of foreign operations		
- Subsidiaries	(14,634)	41,424
- Associates	(704)	88
	<u>(15,338)</u>	<u>41,512</u>
Other comprehensive (expense) income for the period	<u>(27,398)</u>	<u>41,834</u>
Total comprehensive (expense) income for the period	<u>(336,932)</u>	<u>201,710</u>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(346,372)	171,696
Non-controlling interests	9,440	30,014
	<u>(336,932)</u>	<u>201,710</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Investment properties		4,613,964	5,004,030
Property, plant and equipment		531,860	514,369
Right-of-use assets		53,757	63,648
Goodwill		126,406	126,406
Interests in associates		109,563	108,202
Equity instruments at fair value through profit or loss ("FVTPL")		138,651	176,189
Equity instruments at fair value through other comprehensive income ("FVTOCI")		78,713	91,495
Deferred tax assets		69,823	78,567
Other financial assets		8,625	13,078
Other assets		2,500	2,500
		<b>5,733,862</b>	<b>6,178,484</b>
<b>Current assets</b>			
Inventories		656,719	824,832
Trade and other receivables, deposits and prepayments	9	1,210,025	1,188,188
Amount due from an associate		353	355
Derivative financial instruments		1,785	-
Tax recoverable		129	112
Equity instruments at FVTPL		13,968	14,362
Pledged bank deposits		456,752	454,759
Bank balances and cash		872,788	668,091
		<b>3,212,519</b>	<b>3,150,699</b>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	10	903,075	810,057
Contract liabilities		23,122	22,871
Lease liabilities		16,884	18,348
Advance lease payment		1,972	2,734
Amount due to an associate		10,097	1,382
Derivative financial instruments		-	975
Dividend payable		5,559	-
Tax payable		26,181	23,696
Bank borrowings		2,457,648	2,472,273
Rental deposits		22,486	34,613
		<b>3,467,024</b>	<b>3,386,949</b>
<b>Net current liabilities</b>		<b>(254,505)</b>	<b>(236,250)</b>
<b>Total assets less current liabilities</b>		<b>5,479,357</b>	<b>5,942,234</b>
<b>Non-current liabilities</b>			
Bank borrowings		1,227,240	1,233,510
Bonds		279,549	277,782
Lease Liabilities		79,581	90,185
Advance lease payments		38,411	50,911
Deferred tax liabilities		105,167	203,738
Rental deposits		115,902	90,904
Retirement benefits obligation		24,302	21,984
		<b>1,870,152</b>	<b>1,969,014</b>
<b>Net assets</b>		<b>3,609,205</b>	<b>3,973,220</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(continued)*

		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(audited)
<b>Capital and reserves</b>			
Share capital	<i>11</i>	<b>27,797</b>	27,797
Share premium		<b>73,400</b>	73,400
Other reserves		<b>(11,246)</b>	7,584
Retained profits		<b>3,168,330</b>	3,501,431
Equity attributable to owners of the Company		<b>3,258,281</b>	3,610,212
Non-controlling interests		<b>350,924</b>	363,008
<b>Total equity</b>		<b>3,609,205</b>	3,973,220

**Notes:**

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”).

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$254,505,000 as at 30 June 2020.

The Directors believe that the existing loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In the opinion of the Directors of the Company, the Group has a number of sources of funds available to enable its obligation and commitments to be settled on a timely manner. In addition, the Group will be able to draw the unutilised bank facilities or obtain additional financing from financial institutions by taking into account the current amount of the Group's assets which have not been pledged. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

The outbreak of Covid-19 and the subsequent quarantine measures including the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment, which directly and indirectly affected the operations of the Group. Hotel occupancy rate throughout Japan were severely impacted and there was temporary closure of several hospitality properties and early termination of lease agreements by two tenants in the hotel properties. As such, the valuation of properties and short-term performance of the business of the Group were affected in different aspects as disclosed in the relevant notes to the condensed consolidated financial statements.

**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 value.

## 2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and the accounting policy newly applied by the Group as described below, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

### *Application of amendments to HKFRSs*

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 2.1 *Impacts of application on Amendments to HKAS 1 and HKAS 8 Definition of Material*

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

#### 2.2 *Impacts on early application of Amendment to HKFRS 16 Covid-19- Related Rent Concessions*

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at 1 January 2020 and the current interim period.

#### 2.3 *Accounting policy newly applied by the Group*

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

##### Property, plant and equipment

Transfer from investment properties to property, plant and equipment will be made when there is a change in use evidenced by commencement of owner occupation. The fair value at the date of transfer becomes the deemed cost for subsequent accounting as property, plant and equipment.

### 3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2020 (unaudited)						
	Distribution of mobile and IT products		Property investment and hotel operation		Securities investment	Consolidated
	Hong Kong HK\$'000	Thailand HK\$'000	Japan HK\$'000	Other regions HK\$'000	HK\$'000	HK\$'000
<i>Segment revenue</i>						
External sales	<u>471,854</u>	<u>2,638,370</u>	<u>115,987</u>	<u>22,373</u>	<u>-</u>	<u>3,248,584</u>
<i>Segment (loss) profit</i>	<u>(3,185)</u>	<u>88,537</u>	<u>(343,178)</u>	<u>(32,670)</u>	<u>(37,558)</u>	<u>(328,054)</u>
Share of results of associates						2,065
Finance costs						(34,319)
Other unallocated income						3,645
Unallocated corporate expenses						<u>(22,666)</u>
Loss before tax						<u>(379,329)</u>

For the six months ended 30 June 2019 (unaudited)						
	Distribution of mobile and IT products		Property investment and hotel operation		Securities investment	Consolidated
	Hong Kong HK\$'000	Thailand HK\$'000	Japan HK\$'000	Other regions HK\$'000	HK\$'000	HK\$'000
<i>Segment revenue</i>						
External sales	<u>459,732</u>	<u>2,455,338</u>	<u>119,048</u>	<u>22,152</u>	<u>-</u>	<u>3,056,270</u>
<i>Segment (loss) profit</i>	<u>(1,582)</u>	<u>68,159</u>	<u>144,005</u>	<u>90,753</u>	<u>(52,019)</u>	<u>249,316</u>
Share of results of associates						(907)
Finance costs						(33,284)
Other unallocated income						7,550
Unallocated corporate expenses						<u>(21,668)</u>
Profit before tax						<u>201,007</u>

Segment (loss) profit reported to the chief operating decision makers for the purposes of resource allocation and performance assessment does not include central administration costs, corporate expenses, share of results of associates and finance costs.

#### 4. OTHER GAINS AND LOSSES

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Other gains and losses comprises:		
Exchange gain, net	<b>8,500</b>	3,658
Impairment loss recognized on property, plant and equipment	<b>(21,808)</b>	-
Gain (loss) on disposal of property, plant and equipment	<b>5</b>	(504)
Gain (loss) on changes in fair value of derivative financial instruments	<b>2,672</b>	(2,548)
Loss on changes in fair value of financial assets at FVTPL	<b>(38,339)</b>	(53,535)
	<b>(48,970)</b>	(52,929)

#### 5. INCOME TAX CREDIT (EXPENSE)

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The (credit) charge comprises:		
Hong Kong Profits Tax		
Current period	-	541
(Over)underprovision in respect of prior periods	<b>(56)</b>	1,490
	<b>(56)</b>	2,031
Overseas Tax		
Current period	<b>20,126</b>	15,962
Under(over)provision in respect of prior periods	<b>16</b>	(82)
Withholding tax on dividend paid	<b>1,790</b>	1,301
	<b>21,932</b>	17,181
Deferred taxation	<b>(91,671)</b>	21,919
Income tax (credit) expense for the period	<b>(69,795)</b>	41,131

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made in the current period as the Group has no significant assessable profits in Hong Kong.

Corporate Tax in Thailand is calculated at 20% of the estimated assessable profit for both periods.

Corporate Tax in Japan is calculated at 23.2% on the estimated assessable profit for both periods. Pursuant to relevant laws and regulation in Japan, withholding tax is imposed at 20.42% and 5% on dividends paid to local investors and foreign investors respectively in respect of profit earned by Japanese entities.

Other overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

## 6. (LOSS) PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30 June 2020 HK\$'000 (unaudited)</b>	<b>30 June 2019 HK\$'000 (unaudited)</b>
(Loss) profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised in cost of sales	2,898,771	2,731,350
Depreciation of property, plant and equipment	12,776	12,360
Depreciation of right-of-use assets	5,983	5,253
Share of tax expense of associates	202	484
Write-down of inventories	1,674	1,514
Interest income on bank deposits	<b>(3,979)</b>	<b>(6,375)</b>

## 7. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on the Group's loss attributable to owners of the Company of HK\$327,542,000 (for the six months ended 30 June 2019: profit attributable to owners of the Company of HK\$139,594,000) and the number of ordinary shares calculated below.

	<b>Six months ended</b>	
	<b>30 June 2020 (unaudited)</b>	<b>30 June 2019 (unaudited)</b>
Number of ordinary shares for the purpose of basic and diluted earnings per share	<b>277,966,666</b>	<b>277,966,666</b>

The computation of diluted (loss) earnings per share for the six months ended 30 June 2020 and 30 June 2019 did not assume the exercise of the share options of the Company and SiS Mobile Holdings Limited ("SiS Mobile") as the exercise prices of those options were higher than the average market prices of the Company and SiS Mobile for the relevant period.

## 8. DIVIDENDS

	<b>Six months ended</b>	
	<b>30 June 2020 HK\$'000 (unaudited)</b>	<b>30 June 2019 HK\$'000 (unaudited)</b>
Final dividend, payable in respect of the year ended 31 December 2019 of 2 HK cents per share (for the six months ended 30 June 2019: 7 HK cents per share in respect of the year ended 31 December 2018)	<b>5,559</b>	<b>19,458</b>

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2020.



## 9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables and lease receivables of HK\$1,062,714,000 and HK\$13,514,000 respectively (31 December 2019: HK\$981,174,000 and HK\$1,459,000 respectively). The following is an analysis of trade receivables and lease receivables by age, net of allowance for credit losses, presented based on the invoice date.

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Within 30 days	600,840	469,723
31 to 90 days	333,162	426,720
91 to 120 days	52,904	39,709
Over 120 days	89,322	46,481
	<b><u>1,076,228</u></b>	<b><u>982,633</u></b>

The Group maintains a defined credit policy. For sales of goods, the Group allows credit period of 30 to 90 days to its trade customers. No credit period is granted to customers for leasing of properties, commission income and hotel operations. Rent is payable on presentation of a demand note. The Group holds rental deposits as collateral over these balances. No interest is charged on overdue debts.

## 10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$630,633,000 (31 December 2019: HK\$525,265,000). The following is an analysis of trade payables by age, presented based on the invoice date.

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Within 30 days	447,679	368,688
31 to 90 days	173,037	144,271
91 to 120 days	824	2,856
Over 120 days	9,093	9,450
	<b><u>630,633</u></b>	<b><u>525,265</u></b>

The average credit period on purchase of goods is 30 to 60 days.

## 11. SHARE CAPITAL

	No. of ordinary shares of HK\$0.10 each	Nominal value HK\$'000
Authorised	<b><u>350,000,000</u></b>	<b><u>35,000</u></b>
Issued and fully paid At 1 January 2019 (audited), 31 December 2019 (audited) and 30 June 2020 (unaudited)	<b><u>277,966,666</u></b>	<b><u>27,797</u></b>

## 12. CAPITAL COMMITMENTS

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Investment in unquoted equity instruments	<b>468</b>	780
Refurbishment of investment properties	<b><u>16,523</u></b>	<b><u>37,759</u></b>

## INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## BUSINESS REVIEW

Despite the challenges faced by Group like all businesses around the world due to Covid-19, revenue for the six month period ended 30 June 2020 grew 6% to HK\$3,249 million with 12% increase in gross profit. The Group, however reported a loss after tax of HK\$309,534,000 compared to a profit HK\$159,876,000 in the last interim period due mainly to fair value loss and impairment loss of total HK\$437,555,000 from its investment properties and property, plant and equipment, including hotels and hospitality properties which were affected by the Covid-19 pandemic. Excluding these losses, the Group's operations maintained a positive segment profit for both real estate and distribution business.

Total assets of the Group decreased 4% to HK\$8,946 million. Net assets value per share decreased from HK\$14.3 to HK\$13.0.

### Real Estate Investment Business

	6 months ended 30 June 2020			6 months ended 30 June 2019			Variance	Variance
	Japan HK\$'000	Other regions HK\$'000	Total HK\$'000	Japan HK\$'000	Other regions HK\$'000	Total HK\$'000	Japan %	Other regions %
Segment revenue	115,987	22,373	138,360	119,048	22,152	141,200	-2.6%	1.0%
Operating profit	40,271	21,436	61,707	39,979	18,233	58,212	0.7%	17.6%
Changes in fair value and impairment loss	(383,449)	(54,106)	(437,555)	118,960	72,520	191,480	n/a	n/a
Listing fee	0	0	0	(14,934)	0	(14,934)	n/a	n/a
Segment (loss) profit	(343,178)	(32,670)	(375,848)	144,005	90,753	234,758		

The segment revenue comprised both the leasing income in Japan, Hong Kong, Singapore and Thailand as well as hotel operations income from two hospitality properties in Japan.

Total leasing and operation income from real estate investment business decreased 2% to HK\$138,360,000 during the period and generated a segment profit (excluding change in fair value and impairment loss of property and listing fee) of HK\$61,707,000 as compared to HK\$58,212,000 in the last corresponding period.

Leasing income from properties in the other regions (countries other than Japan) remained stable and were not materially affected. The segment recorded HK\$54,106,000 loss of fair valuation in investment properties and an increase in operating profit was contributed by the higher lease rate from renewal lease agreements in Hong Kong during 2019 and higher occupancy rate in Singapore.

The Group's investment properties as at 30 June 2020 were fair valued by the Directors by reference to comparable market transactions as available in the relevant market, appropriate adjustments have been made to reflect the difference in market conditions and characteristics of each property such as location, size, view, and age. etc., and where appropriate by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential.

Like all hospitality around the world, the Group's real estate and hospitality business in Japan was affected by the Covid-19 pandemic. The Group recorded loss of HK\$361,641,000 from change in fair valuation of investment properties and an impairment loss of HK\$21,808,000 from property, plant & equipment. The fair value change is short-term and non-cash in nature. The long-term value of these properties remains positive. The decline was offset partially by the revenue generated by the leasing income from the newly opened 258-rooms hotel in SiS Rinku Tower, Osaka.

### **Distribution Business**

During the period, total revenue from distribution business increased 7% or HK\$195,154,000 to HK\$3,110,224,000 as compared to the same period last year contributed primarily by revenue growth from distribution business in Thailand as it has started distribution of new brands products and completion of value-add project sales during the period. As a result the segment profit from distribution business increased 28% to HK\$85,352,000.

### **Investment in IT, Securities and other Business**

Amid the challenges posed by the fallout caused by the pandemic, our associate company, Information Technology Consultants Limited ("ITCL") contributed steadily to the Group. It is on track to provide automation technologies for electronic payment services to the market in Bangladesh.

The Group's securities investment recorded segment loss of HK\$37,558,000 from securities investment as compared to a loss of HK\$52,019,000 in the last corresponding period. The Group will continue to hold on potential investments in its securities investment portfolio and ride out the tough trading conditions.

## **PROSPECT**

The outlook for the second half year remains extremely uncertain and challenging in the face of Covid-19 pandemic. This is an unusual time faced by mankind and businesses all around the world.

We have the resilience to weather during difficult times. When the vaccine finally arrives, the skies will open, planes will fly and business will soar again. Japan, being a hot favourite with travelers will likely resume its tourism and hospitality business quickly as other businesses gradually pick up. This is our hope in the coming months and year. We stand resolute in building our core strengths in all our businesses during this period.

## **FINANCIAL REVIEW AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 30 June 2020, the Group had total assets of HK\$8,946,381,000 which were financed by total equity of HK\$3,609,205,000 and total liabilities of HK\$5,337,176,000. The Group had current ratio of approximately 0.93 which is the same as at 31 December 2019.

As at 30 June 2020 the Group had HK\$1,329,540,000 (31 December 2019: HK\$1,122,850,000) bank deposits balances and cash of which HK\$456,752,000 (31 December 2019: HK\$454,759,000) were pledged to banks to secure bank borrowings. The Group's working capital requirements were mainly financed by internal resources, bank borrowings and bonds. As at 30 June 2020, the Group had short term borrowings HK\$2,457,648,000 (31 December 2019: HK\$2,472,273,000) and long term borrowings and bonds of HK\$1,506,789,000 (31 December 2019: HK\$1,511,292,000). The borrowings were mainly denominated in Japanese Yen, United States Dollars, Thai Baht and Hong Kong Dollars and were charged by banks at floating interest rate.

At the end of June 2020, the Group had net cash deficit (total bank borrowings and bonds less bank balances and cash and pledged deposits) of HK\$2,634,897,000 (31 December 2019: HK\$2,860,715,000).

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 30 June 2020 was 110% (31 December 2019: 100%).

### **Charges on Group Assets**

As at 30 June 2020, the Group had pledged deposits of HK\$456,752,000 (31 December 2019: HK\$454,759,000) and investment properties with carrying values of HK\$4,365,800,000 (31 December 2019: HK\$4,705,311,000) and property, plant and equipment with carrying value of HK\$307,332,000 (31 December 2019: HK\$344,743,000) were pledged to banks to secure general banking facilities granted to the Group and for purchase of investment properties and working capital. Certain shares of subsidiaries have been pledged to the banks as at 30 June 2020 and 31 December 2019 to secure several banking facilities available to the Group.

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

The number of staff of the Group as at 30 June 2020 was 703 (30 June 2019: 670) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$81,654,000 (30 June 2019: HK\$87,381,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares 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. During the six months period ended 30 June 2020, no share options have been exercised. 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**

Certain purchase of goods of the Group are dominated in United States Dollars. Certain bank balances are dominated in United States Dollars, Australian Dollars, Singapore Dollars, Japanese Yen and Renminbi, while certain bank borrowings are dominated in United States Dollars and Japanese Yen. These currencies are other functional currencies of the relevant group entities. The Group currently does not have comprehensive currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

## **Capital Expenditure**

During the period, the Group spent approximately HK\$11,507,000 (six months ended 30 June 2019: HK\$10,291,000) and HK\$52,566,000 (six months ended 30 June 2019: HK\$245,894,000) on addition of property, plant and equipment and investment properties respectively.

## **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 HKEX (the "Listing Rules") throughout the period ended 30 June 2020, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in page 10 and 11 of the Group's 2019 annual report under the Corporate Governance section.

## **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.

## **AUDIT COMMITTEE**

The Audit Committee comprises all independent non-executive Directors. The Audit Committee has reviewed the Company's interim report for the six months ended 30 June 2020, including the accounting policies and practices adopted by the Company, in conjunction with the Company's auditors.

## **PURCHASE, SALE 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 six months period ended 30 June 2020.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the Company's website at [www.sisinternational.com.hk](http://www.sisinternational.com.hk) and the website of the HKEX at [www.hkexnews.hk](http://www.hkexnews.hk). The 2020 interim report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites on or before 30 September 2020.

## **APPRECIATION**

I would like to thank our committed staff, customers, vendors, business partners, banks, shareholders and all those who are rallying behind us as we wait for business to resume.

On behalf of the Board of  
**SiS International Holdings Limited**  
**LIM Kia Hong**  
*Chairman and Chief Executive Officer*

Hong Kong, 28 August 2020

*As at the date of this announcement, the executive directors are Mr. Lim Kia Hong, Mr. Lim Kiah Meng, Mr. Lim Hwee Hai, and Madam Lim Hwee Noi. The independent non-executive directors are Mr. Lee Hiok Chuan, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael.*