



# SiS International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00529)

## Interim Report 2020



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## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors:

Lim Kia Hong (*Chairman and Chief Executive Officer*)  
Lim Kiah Meng (*Vice chairman*)  
Lim Hwee Hai  
Lim Hwee Noi

#### Independent Non-executive Directors:

Lee Hiok Chuan  
Ong Wui Leng  
Ma Shiu Sun, Michael

### COMPANY SECRETARY

Chiu Lai Chun, Rhoda

### REGISTERED OFFICE

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

803  
Nine Queen's Road Central  
Hong Kong  
Telephone: (852) 2138 3938  
Fax: (852) 2138 3928

### STOCK CODE

00529

### INVESTOR RELATIONS

[www.sisinternational.com.hk](http://www.sisinternational.com.hk)  
[enquiry@sis.com.hk](mailto:enquiry@sis.com.hk)

### AUDITORS

Deloitte Touche Tohmatsu  
(Registered Public Interest Entity Auditor)

### LEGAL ADVISORS

Cleary Gottlieb Steen & Hamilton (Hong Kong)  
Norton Rose Fulbright

### PRINCIPAL BANKERS

DBS Bank Ltd.  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
MUFG Bank, Ltd.  
OCBC Bank  
Standard Chartered Bank (Hong Kong) Limited  
Sumitomo Mitsui Banking Corporation  
The Tokyo Star Bank, Limited  
United Overseas Bank Limited

### PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor, North Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

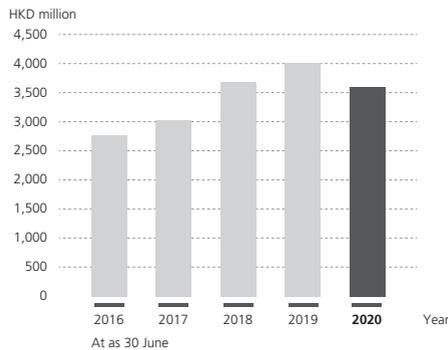
## MESSAGE FROM THE CHAIRMAN AND CEO

Dear Shareholders,

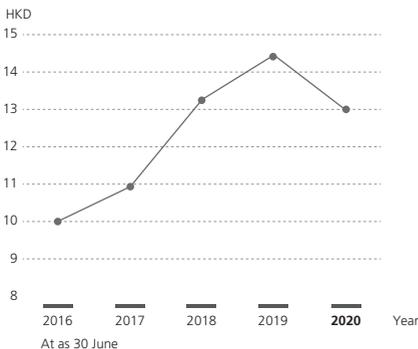
Despite the challenges faced by Group like all businesses around the world due to Covid-19, revenue for the six month period ended 30 June 2020 grew 6% to HK\$3,249 million with 12% increase in gross profit. The Group, however reported a loss after tax of HK\$309,534,000 compared to a profit HK\$159,876,000 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.

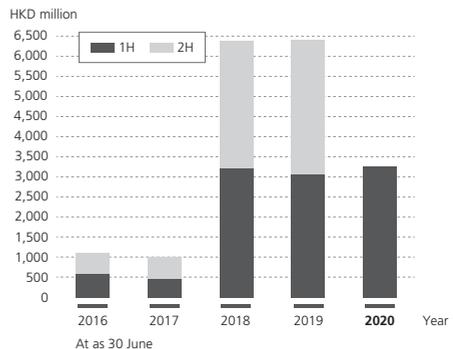
### Total equity



### Net assets value per share



### Revenue



## MESSAGE FROM THE CHAIRMAN AND CEO (Cont'd)

## BUSINESS REVIEW

## Real Estate Investment Business

	6 months ended 30 June 2020			6 months ended 30 June 2019			Variance	Variance
	Japan	Other regions	Total	Japan	Other regions	Total	Japan	Other regions
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%	%
Segment revenue	<u>115,987</u>	<u>22,373</u>	<u>138,360</u>	<u>119,048</u>	<u>22,152</u>	<u>141,200</u>	<u>-2.6%</u>	<u>1.0%</u>
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>(14,934)</u>	<u>0</u>	<u>(14,934)</u>	n/a	n/a
Segment (loss) profit	<u>(343,178)</u>	<u>(32,670)</u>	<u>(375,848)</u>	<u>144,005</u>	<u>90,753</u>	<u>234,758</u>		

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.

## MESSAGE FROM THE CHAIRMAN AND CEO (Cont'd)

### BUSINESS REVIEW (Cont'd)

#### 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.

### 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.

**Lim Kia Hong**

*Chairman and Chief Executive Officer*

Hong Kong, 28 August 2020

## 6 SiS International Holdings Limited

The directors (the "Directors") of SiS International Holdings Limited (the "Company") are pleased to announce the condensed consolidated 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 financial statements have been reviewed by the Company's auditor and audit committee.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	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 loss recognised 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>(309,534)</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>(309,534)</u>	<u>159,876</u>
<b>(LOSS) EARNINGS PER SHARE</b>	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**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	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>Item that will not be reclassified 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	<u>(704)</u>	<u>88</u>
	<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><u>(336,932)</u></u>	<u><u>201,710</u></u>
<b>Total comprehensive (expense) income for the period attributable to:</b>		
Owners of the Company	(346,372)	171,696
Non-controlling interests	<u>9,440</u>	<u>30,014</u>
	<u><u>(336,932)</u></u>	<u><u>201,710</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
<b>Non-current Assets</b>			
Investment properties	9	4,613,964	5,004,030
Property, plant and equipment	9	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	10	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	11	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	12	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>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**

AT 30 JUNE 2020

		30 June 2020	31 December 2019
	NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
<hr/>			
Non-current Liabilities			
Bank borrowings	12	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 obligations		24,302	21,984
		<hr/>	<hr/>
		1,870,152	1,969,014
		<hr/>	<hr/>
Net Assets		3,609,205	3,973,220
		<hr/>	<hr/>
Capital and Reserves			
Share capital	13	27,797	27,797
Share premium		73,400	73,400
Other reserves		(11,246)	7,584
Retained profits		3,168,330	3,501,431
		<hr/>	<hr/>
Equity attributable to owners of the Company		3,258,281	3,610,212
Non-controlling interests		350,924	363,008
		<hr/>	<hr/>
Total Equity		3,609,205	3,973,220
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investments reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Contributed surplus HK\$'000 (Note 1)	Share options reserve HK\$'000	Other reserve HK\$'000 (Note 2)	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2019 (audited)	27,797	73,400	1,260	(10,336)	933	2,860	3,695	(17,558)	3,441,825	3,523,876	331,288	3,855,164
Profit for the period	—	—	—	—	—	—	—	—	139,594	139,594	20,282	159,876
Other comprehensive income for the period	—	—	587	31,515	—	—	—	—	—	32,102	9,732	41,834
Total comprehensive income for the period	—	—	587	31,515	—	—	—	—	139,594	171,696	30,014	201,710
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(21,338)	(21,338)
Dividend recognised as distribution (note 8)	—	—	—	—	—	—	—	—	(19,458)	(19,458)	—	(19,458)
At 30 June 2019 (unaudited)	<u>27,797</u>	<u>73,400</u>	<u>1,847</u>	<u>21,179</u>	<u>933</u>	<u>2,860</u>	<u>3,695</u>	<u>(17,558)</u>	<u>3,561,961</u>	<u>3,676,114</u>	<u>339,964</u>	<u>4,016,078</u>
At 1 January 2020 (audited)	27,797	73,400	1,821	15,833	933	2,860	3,695	(17,558)	3,501,431	3,610,212	363,008	3,973,220
(Loss) profit for the period	—	—	—	—	—	—	—	—	(327,542)	(327,542)	18,008	(309,534)
Other comprehensive expense for the period	—	—	(10,744)	(8,086)	—	—	—	—	—	(18,830)	(8,568)	(27,398)
Total comprehensive (expense) income for the period	—	—	(10,744)	(8,086)	—	—	—	—	(327,542)	(346,372)	9,440	(336,932)
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	55	55
Redemption of preference shares	—	—	—	—	—	—	—	—	—	—	(560)	(560)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(21,019)	(21,019)
Dividend recognised as distribution (note 8)	—	—	—	—	—	—	—	—	(5,559)	(5,559)	—	(5,559)
At 30 June 2020 (unaudited)	<u>27,797</u>	<u>73,400</u>	<u>(8,923)</u>	<u>7,747</u>	<u>933</u>	<u>2,860</u>	<u>3,695</u>	<u>(17,558)</u>	<u>3,168,330</u>	<u>3,258,281</u>	<u>350,924</u>	<u>3,609,205</u>

## Notes:

- Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition upon the group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited during the year ended 31 December 1992.
- Other reserve represents the difference between the fair value of the consideration (net of transaction cost) and the carrying amount of the reduction in the Company's interest in SIS Mobile Holdings Limited ("SIS Mobile"), arising from the listing of SIS Mobile's shares on The Stock Exchange of Hong Kong Limited on 15 January 2015.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended	
	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
<b>Net cash from operating activities</b>	<b>338,323</b>	<b>55,005</b>
<b>Investing activities</b>		
Purchase of investment properties	(52,566)	(245,894)
Proceeds on disposal of investment properties	—	33,800
Purchase of property, plant and equipment	(11,507)	(10,291)
Proceeds on disposal of investment in preference shares	—	2,870
Purchase of equity instruments at FVTPL	(407)	(438)
Purchase of equity instruments at FVTOCI	(312)	(293)
Placement of pledged deposits	(100)	(7,000)
Other investing cash flows	975	1,437
<b>Net cash used in investing activities</b>	<b>(63,917)</b>	<b>(225,809)</b>
<b>Financing activities</b>		
Dividends paid to non-controlling interests	(21,019)	(21,338)
Contribution from non-controlling interests	55	—
Redemption of preference share	(560)	—
Interest paid	(32,157)	(33,284)
New bank borrowings raised	1,593,071	1,648,647
Repayments of bank borrowings	(1,603,694)	(1,364,962)
Repayments of lease liabilities	(10,167)	(6,826)
<b>Net cash (used in) from financing activities</b>	<b>(74,471)</b>	<b>222,237</b>
<b>Net increase in cash and cash equivalents</b>	<b>199,935</b>	<b>51,433</b>
<b>Cash and cash equivalents at 1 January</b>	<b>668,091</b>	<b>586,755</b>
Effect of foreign exchange rate changes	4,762	6,905
<b>Cash and cash equivalents at 30 June, represented by bank balances and cash</b>	<b>872,788</b>	<b>645,093</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") 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.

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, 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 withdraw 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 to the Group were affected in different aspects as disclosed in the relevant notes.

### 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 (Cont'd)

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 the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the 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 the 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 amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

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. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### Application of amendments to HKFRSs (Cont'd)

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

##### 2.2.1 *Accounting policies*

###### **Leases**

###### Covid-19-related rent concessions

For rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

##### 2.2.2 *Transition and summary of effects*

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

#### **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. REVENUE AND SEGMENT INFORMATION

#### Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
	Distribution of mobile and IT products HK\$'000 (unaudited)	Hotels operations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Distribution of mobile and IT products HK\$'000 (unaudited)	Hotels operations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Types of goods or service</b>						
Distribution of mobile and IT products						
Mobile products	745,549	—	745,549	475,866	—	475,866
IT related products	2,351,572	—	2,351,572	2,424,796	—	2,424,796
	<u>3,097,121</u>	<u>—</u>	<u>3,097,121</u>	<u>2,900,662</u>	<u>—</u>	<u>2,900,662</u>
Commission income	13,103	—	13,103	14,408	—	14,408
<b>Hotel Operations</b>						
Room revenue	—	3,577	3,577	—	12,343	12,343
Food and beverage	—	949	949	—	2,536	2,536
	<u>—</u>	<u>4,526</u>	<u>4,526</u>	<u>—</u>	<u>14,879</u>	<u>14,879</u>
Revenue from contracts with customers	<u>3,110,224</u>	<u>4,526</u>	<u>3,114,750</u>	<u>2,915,070</u>	<u>14,879</u>	<u>2,929,949</u>
Leasing of investment properties			133,834			126,321
<b>Total revenue</b>			<u><u>3,248,584</u></u>			<u><u>3,056,270</u></u>
<b>Geographical market</b>						
Hong Kong	471,854	—	471,854	459,732	—	459,732
Thailand	2,638,370	—	2,638,370	2,455,338	—	2,455,338
Japan	—	4,526	4,526	—	14,879	14,879
	<u>—</u>	<u>4,526</u>	<u>4,526</u>	<u>—</u>	<u>14,879</u>	<u>14,879</u>
<b>Total before leasing of investment properties</b>	<u><u>3,110,224</u></u>	<u><u>4,526</u></u>	<u><u>3,114,750</u></u>	<u><u>2,915,070</u></u>	<u><u>14,879</u></u>	<u><u>2,929,949</u></u>
<b>Timing of revenue recognition</b>						
At a point in time	3,110,224	949	3,111,173	2,915,070	2,536	2,917,606
Over time	—	3,577	3,577	—	12,343	12,343
	<u>—</u>	<u>3,577</u>	<u>3,577</u>	<u>—</u>	<u>12,343</u>	<u>12,343</u>
<b>Total before leasing of investment properties</b>	<u><u>3,110,224</u></u>	<u><u>4,526</u></u>	<u><u>3,114,750</u></u>	<u><u>2,915,070</u></u>	<u><u>14,879</u></u>	<u><u>2,929,949</u></u>

### 3. REVENUE AND SEGMENT INFORMATION (Cont'd)

#### Segment information

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

	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
<b>For the six months ended 30 June 2020 (unaudited)</b>						
<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						(22,666)
Loss before tax						<u>(379,329)</u>
	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
<b>For the six months ended 30 June 2019 (unaudited)</b>						
<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						(21,668)
Profit before tax						<u>201,007</u>

Segment (loss) profit reported to the chief operating decision maker 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

	Six months ended	
	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
Other gains and losses comprises:		
Exchange gain, net	8,500	3,658
Impairment loss recognised on property, plant and equipment ( <i>Note 9</i> )	(21,808)	—
Gain (loss) on disposal of property, plant and equipment	5	(504)
Gain (loss) on changes in fair value of derivative financial instruments	2,672	(2,548)
Loss on changes in fair value of financial assets at FVTPL	(38,339)	(53,535)
	<u>(48,970)</u>	<u>(52,929)</u>

## 5. INCOME TAX CREDIT (EXPENSE)

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

## 5. INCOME TAX CREDIT (EXPENSE) (Cont'd)

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

	Six months ended	
	30 June 2020 <i>HK\$'000</i> (unaudited)	30 June 2019 <i>HK\$'000</i> (unaudited)
(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	<u>(3,979)</u>	<u>(6,375)</u>

## 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 (unaudited) (for the six months ended 30 June 2019: profit attributable to owners of the Company of HK\$139,594,000 (unaudited)) and the number of ordinary shares calculated below.

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

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 as the exercise prices of those options were higher than the average market prices of the Company and SiS Mobile for the relevant periods.

## 8. DIVIDENDS

	Six months ended	
	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
Dividend recognised as distribution:		
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)	<u>5,559</u>	<u>19,458</u>

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

## **9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT**

The Group's investment properties in Hong Kong, Singapore and Thailand 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, age and etc., and where appropriate by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential. The resulting decrease in fair value of investment properties of HK\$54,106,000 (unaudited) (for the six months ended 30 June 2019: increase in fair value of investment properties of HK\$72,520,000 (unaudited)) has been recognised in the profit or loss for the current period.

The Group's investment properties in Japan as at 30 June 2020 were fair valued by the Directors by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential. There has been no change from the valuation techniques used in the prior year. The resulting decrease in fair value of investment properties of HK\$349,940,000 (unaudited) (for the six months ended 30 June 2019: increase in fair value of investment properties of HK\$118,960,000 (unaudited)) has been recognised in the profit or loss for the current period.

The fair values of the investment properties under development in Japan as at 30 June 2020 were fair valued by the Directors by income approach with adjustment made to account for the development costs, and indirect costs that will be expended to complete the development. There has been no change from the valuation techniques used in the prior year. The resulting decrease in fair value of investment properties of HK\$11,701,000 (unaudited) (for the six months ended 30 June 2019: Nil (unaudited)) has been recognised in the profit or loss for the current period.

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

During the current period, the Group transferred a hotel property from investment property to property, plant and equipment at a carrying amount of HK\$41,040,000 (unaudited) upon commencement of owner-occupation.

During the six months ended 30 June 2019, the Group disposed of an investment property at a consideration of HK\$33,800,000 (unaudited).

## 9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Resulting from the temporary closure of a hotel property due to Covid-19 pandemic, the management of the Group concluded that there was an indication for impairment and conducted impairment assessment on the recoverable amounts of the hotel property. Based on the result of the assessment, an impairment of HK\$21,808,000 (unaudited) has been recognised against the carrying amount of property, plant and equipment.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions set out in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The application has no material impact to the current interim period.

## 10. 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 (unaudited) and HK\$13,514,000 (unaudited), 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.

	30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (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
	<u>1,076,228</u>	<u>982,633</u>

The Group maintains a defined credit policy. For sale 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.

**11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS**

Included in trade payables, other payables and accruals are trade payables of HK\$630,633,000 (unaudited) (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	<b>447,679</b>	368,688
31 to 90 days	<b>173,037</b>	144,271
91 to 120 days	<b>824</b>	2,856
Over 120 days	<b>9,093</b>	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.

**12. BANK BORROWINGS**

During the current interim period, the Group repaid bank borrowings of HK\$1,603,694,000 (unaudited) (for the six months ended 30 June 2019: HK\$1,364,962,000 (unaudited)) and obtained new short-term bank borrowings amounting to HK\$1,593,071,000 (unaudited) (for the six months ended 30 June 2019: HK\$1,648,647,000 (unaudited)).

**13. SHARE CAPITAL**

	<b>No. of ordinary shares of HK\$0.10 each</b>	<b>Nominal value HK\$'000</b>
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>

**14. SHARE-BASED PAYMENTS****(a) Share Options Scheme of the Company**

A new share option scheme was adopted by the Company on 26 May 2017 (the “New Scheme”), while the old share option scheme adopted by the Company on 21 May 2007 had expired on 20 May 2017 (the “Old Scheme”). The Old Scheme and New scheme are collectively referred as SiS International Share Option Scheme (the “SiS International Share Option Scheme”). Pursuant to the SiS International Share Option Scheme, the Company may grant options to qualified persons, including employees and Directors, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

<b>Grantee</b>	<b>Outstanding at 1 January 2020 (audited) and 30 June 2020 (unaudited)</b>
Directors	990,000
Employees and others	<u>1,260,000</u>
	<u><u>2,250,000</u></u>

No options were granted, exercised, lapsed or forfeited during the six months ended 30 June 2020.

**(b) Share Option Scheme of SiS Mobile Holdings Limited (“SiS Mobile Share Option Scheme”)**

Pursuant to the SiS Mobile Share Option Scheme adopted by the SiS Mobile on 16 December 2014, SiS Mobile may grant options to qualified persons, including employees and directors of SiS Mobile, its subsidiaries and its related companies.

<b>Grantee of SiS Mobile</b>	<b>Outstanding at 1 January 2020 (audited) and 30 June 2020 (unaudited)</b>
Directors	6,390,000
Employees and others	<u>1,200,000</u>
	<u><u>7,590,000</u></u>

No options were granted, exercised, lapsed or forfeited during the six months ended 30 June 2020.

**15. PLEDGE OF ASSETS**

At the end of the reporting period,

- (a) the Group's investment properties with carrying amounts of HK\$4,365,800,000 (unaudited) (31 December 2019: HK\$4,705,311,000) and property, plant and equipment with carrying amounts of HK\$307,332,000 (unaudited) (31 December 2019: HK\$344,743,000) were charged to secure general banking facilities available to the Group;
- (b) bank deposits of HK\$456,752,000 (unaudited) (31 December 2019: HK\$454,759,000) were pledged to secure the Group's bank borrowings; and
- (c) certain shares of subsidiaries have been pledged to the banks at both 30 June 2020 and 31 December 2019 to secure several banking facilities available to the Group.

In addition, lease liabilities of HK\$54,035,000 (unaudited) (31 December 2019: HK\$63,969,000) are recognised with related right-of-use assets of HK\$53,757,000 (unaudited) (31 December 2019: HK\$63,648,000) as at 30 June 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

**16. RELATED PARTY TRANSACTIONS**

- (a) During the current period, the Group had the following transactions with related parties:

<b>Nature of transactions</b>	<b>Six months ended</b>	
	<b>30 June 2020 HK\$'000 (unaudited)</b>	<b>30 June 2019 HK\$'000 (unaudited)</b>
Sales of goods	<b>8</b>	2
Purchase of goods	<b>145,648</b>	208,892
Other services fee income	<b>2,878</b>	3,208
Service expenses	<b><u>3,381</u></b>	<u>3,436</u>

- (b) Remuneration paid or payable to the Directors who are considered to be the key management personnel for the six months ended 30 June 2020 was HK\$7,939,000 (unaudited) (for the six months ended 30 June 2019: HK\$9,262,000 (unaudited)).

**17. CAPITAL COMMITMENTS**

	30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
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Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:

— Investment in unquoted equity instruments	468	780
— Refurbishment of investment properties	<u>16,523</u>	<u>37,759</u>

**18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS****(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis**

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable. These financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of fair value hierarchy into which fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair measurement is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)****(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Cont'd)**

Financial assets/(liabilities)	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30.06.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)		
1. Listed equity securities classified as equity instruments at FVTPL	152,619	190,551	Level 1	Quoted bid prices in active markets.
2. Listed equity securities classified as equity instrument at FVTOCI	11,229	13,988	Level 1	Quoted bid prices in active markets.
3. Unquoted equity investments classified as equity instrument at FVTOCI	67,484	77,507	Level 3	The discount cash flows method and discount rate of 19.5% (31 December 2019: 19.5%) was used to capture the present value of the expected future economic benefit to be derived from the ownership of these investees ( <i>Note 1</i> ).  Discount of 25% (31 December 2019: 25%) for lack of marketability, determined by reference to the share price of listed entities in similar industries ( <i>Note 2</i> ).
4. Foreign currency forward contracts classified as derivative financial instruments	1,785	(975)	Level 2	Discounted cash flow: Future cash flows are estimated based on quoted forward exchange rates, which is observable at the end of period end.

*Note 1: A slight increase in the discount rate used in isolation would result in a significant decrease in the fair value measurement of the private equity investments, and vice versa.*

*Note 2: An increase in the discount for lack of marketability or discount rate would result in a decrease in the fair value measurement of unquoted equity investment, and vice versa.*

There were no transfers between Level 1, 2 and 3 during both periods presented.

**18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)**

- (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Cont'd)

*Reconciliation of Level 3 fair value measurements*

	Financial assets at FVTOCI <i>HK\$'000</i>
At 1 January 2019 (audited)	50,286
Net fair value gain in other comprehensive income	878
Purchase	234
	<u>51,398</u>
At 30 June 2019 (unaudited)	<u>51,398</u>
At 1 January 2020 (audited)	77,507
Net fair value loss in other comprehensive income	(10,335)
Purchase	312
	<u>67,484</u>
At 30 June 2020 (unaudited)	<u>67,484</u>

- (ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

## **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).

## **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.

## FINANCIAL REVIEW AND ANALYSIS (Cont'd)

### 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.

## OTHER INFORMATION

### Directors' Interests In Shares

At 30 June 2020, 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 ("HKEX") 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)	Percentage	
					Total number of issued shares held	of the issued share capital of the Company
Lim Kia Hong	6,933,108	400,000	—	178,640,000	185,973,108	66.90%
Lim Kiah Meng	5,403,200	250,000	534,000	178,640,000	184,827,200	66.49%
Lim Hwee Hai (Note 3)	4,493,200	4,751,158	—	—	9,244,358	3.33%
Lim Hwee Noi (Note 3)	4,751,158	4,493,200	—	—	9,244,358	3.33%
Lee Hiok Chuan	250,000	—	—	—	250,000	0.09%
Ong Wui Leng	250,000	—	—	—	250,000	0.09%

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 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (3) 4,493,200 shares and 4,751,158 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.

#### (ii) Share Options

The Directors 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.

**OTHER INFORMATION (Cont'd)****Directors' Interests In Shares (Cont'd)****(iii) Long positions in the shares and underlying shares of subsidiaries of the Company**

- (a) Ordinary share of HK\$0.10 each of SiS Mobile Holdings Limited ("SiS Mobile"), which is listed on the Main Board of the HKEX (Stock Code: 1362)

Name of Director	Personal interests	Family interests	Joint interests	Corporate Interests	Total number	Percentage
					ordinary shares held	of the issued share capital of SiS Mobile
			(Note 1)	(Note 2 and 3)		
Lim Kia Hong	1,846,754	128,000	—	203,607,467	205,582,221	73.42%
Lim Kiah Meng	1,729,024	80,000	170,880	203,607,467	205,587,371	73.42%
Lim Hwee Hai (Note 4)	1,065,984	1,145,330	—	—	2,211,314	0.79%
Lim Hwee Noi (Note 4)	1,145,330	1,065,984	—	—	2,211,314	0.79%
Lee Hiok Chuan	64,000	—	—	—	64,000	0.02%
Ong Wui Leng	64,000	—	—	—	64,000	0.02%

**Notes:**

- (1) Shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) 146,442,667 shares are registered in the name of SiS International Holdings Limited. It is owned as to approximately 50.50% by Gold Sceptre Limited.
- (3) Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of SiS Mobile. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (4) 1,065,984 shares and 1,145,330 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.

**OTHER INFORMATION (Cont'd)****Directors' Interests In Shares (Cont'd)****(iii) Long positions in the shares and underlying shares of subsidiaries of the Company (Cont'd)**

- (b) 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)	Total number of issued ordinary shares held	Approximate% of issued share capital of SIS Thai
Lim Kia Hong	241,875	224,510,470	224,752,345	63.60%
Lim Hwee Hai	244,687	—	244,687	0.07%

*Note: The Company indirectly holds 224,510,470 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 66.90% in the Company, therefore Mr. Lim has deemed corporate interest in SIS Thai under the SFO.*

**(iv) Share options of SIS Mobile, a subsidiary of the Company**

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Outstanding at 1 January 2020 and 30 June 2020
<b>Directors and their associates:</b>				
<b>Lim Kia Hong</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
<b>Lim Kiah Meng</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
<b>Lim Hwee Hai</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
<b>Lim Hwee Noi</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	200,000
				4,200,000

**OTHER INFORMATION (Cont'd)****Directors' Interests In Shares (Cont'd)****(v) Long positions in the shares and underlying shares of associated corporation of the Company**

Ordinary share of 10 Taka each of Information Technology Consultants Limited ("ITCL"), which is incorporated in Bangladesh, and is listed in The Dhaka Stock Exchange and The Chittagong Stock Exchange

Name of Director	Corporate Interests (Note)	Approximate % of issued share capital of ITCL
Lim Kiah Meng	56,391,279	46.05%

*Note: A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 10,346,536 ordinary shares in ITCL, while the Company indirectly holds 46,044,743 ordinary shares. As disclosed in (i) above, Mr. Lim Kiah Meng and his family has total interest of 66.49% in the Company, therefore Mr. Lim has deemed corporate interest of 46,044,743 in ITCL under the SFO.*

Other than as disclosed above, none of the Directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 30 June 2020.

**OTHER INFORMATION (Cont'd)****Share Options**

For details of the Company's share option scheme, please refer to note 46 to the consolidated financial statement and pages 33 to 35 in the 2019 annual report.

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

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of outstanding share option at 1 January 2020 and 30 June 2020
<b>Directors and their associates:</b>				
<b>Lim Kia Hong</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Kiah Meng</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Hwee Hai</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Hwee Noi</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lee Hiok Chuan</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
<b>Ong Wui Leng</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
<b>Ma Shiu Sun, Michael</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Total directors and their associates</b>				<b>990,000</b>

**OTHER INFORMATION (Cont'd)****Share Options (Cont'd)**

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of outstanding share option at 1 January 2020 and 30 June 2020
<b>Employees and other qualified persons:</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	420,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	420,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	420,000
<b>Total employees and other qualified persons</b>				1,260,000
<b>Total number of share options</b>				2,250,000

No share options were granted, exercised, lapsed or forfeited during the six months ended 30 June 2020.

**Substantial Shareholders**

As at 30 June 2020, 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.

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

Name of Shareholder	Personal interests	Family Interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeo Seng Chong	700,000	1,220,000	12,146,000	14,066,000	5.06%
Lim Mee Hwa	1,220,000	700,000	12,146,000	14,066,000	5.06%

*Notes:*

- (1) *Mr. Yeo Seng Chong and Madam Lim Mee Hwa are spouse so they have deemed interest in their spouse's shares under the SFO.*
- (2) *Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 50% direct interest in a corporation which 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.

## **OTHER INFORMATION (Cont'd)**

### **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 ended 30 June 2020.

On behalf of the Board of  
**SIS International Holdings Limited**

**LIM Kia Hong**

*Chairman and Chief Executive Officer*

Hong Kong, 28 August 2020