



SiS International Holdings Limited

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



INTERIM REPORT

2012



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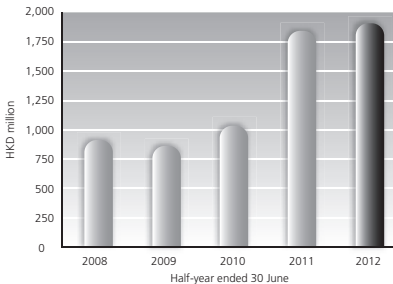


MESSAGE FROM THE CHAIRMAN & CEO

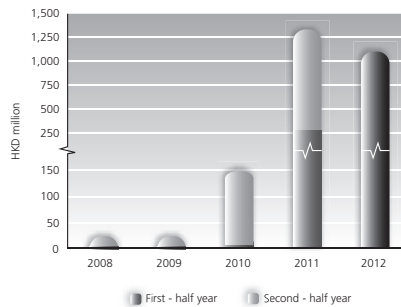
Dear Shareholders,

I am glad to present to our shareholders results for the Group for the six months ended 30 June 2012. Profit from continuing operations for the period increased 36% to HK\$43,054,000 as compared to HK\$31,746,000 for the same period of last year. Total profit for the period decreased to HK\$43,054,000 as compared to the previous year was due to the inclusion of profit from the disposal of several of the Group's subsidiaries during the first half of 2011. Sales revenue from the Group's continuing operations increased 339% to HK\$1,159 million from HK\$264 million. Net assets value amounted to HK\$1,925 million (HK\$6.9 per share) as at 30 June 2012.

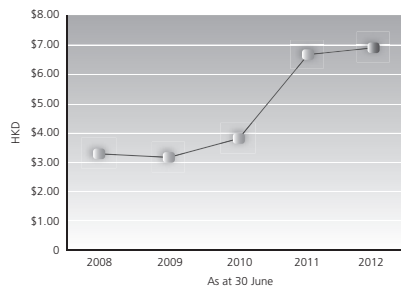
Shareholders' equity



Revenue from continuing operation



Net assets value per share



**Financial Results Highlights:**

Revenue:	up 339% to HK\$1,159 million
Profit from continuing operations:	up 36% to HK\$43 million
Profit for the period:	HK\$43 million
Basic earnings per share	
from continuing operation:	up 34% from 11.6 HK cents to 15.5 HK cents
Net assets value per share:	HK\$6.9

BUSINESS REVIEW**(1) Mobile and IT Products Distribution Business**

During the first half of 2012, the Group continued on its Diversification, Transformation and Expansion of its distribution business from IT distribution to include distribution of smart phones and mobility products. The Group's goal is to emerge as a leading distributor for smart phones and mobility products in the region.

Revenues from the distribution of mobile products and distribution management services increased 348% from HK\$257 million to HK\$1,151 million while the segment profits increased 1,445% to HK\$29 million as compared to the same period last year.

(2) Investment in IT Business

The Group's associated company, SiS Distribution (Thailand) Public Company Limited and its subsidiaries recorded a loss of HK\$7 million for the first time mainly due to the effects of the flooding and the keen market competition in the mobile phone distribution in Thailand resulting in the Group's share for the loss.

(3) Real Estate Investments Business

Our real estate investment portfolio remained stable and is generating consistent revenues to the Group of HK8 million. For the interim 2012, the Group recorded a fair valuation gain of HK\$6 million for its real estate investment business. Total carrying value of the Group's investment properties amounted to HK\$841 million as at 30 June 2012.

PROSPECT

Global economic outlook remains uncertain in the face of financial turmoil in Europe and the perceived slowing down of the China economy. Whilst the mobile phone and mobility products offer opportunities for growth, many mobile vendors are facing challenging times during product and technology transitions with market volatility, keen competition and profit erosion. As technology and innovations continue to evolve, change and transform consumers and businesses, the directors are cautiously moving ahead. With a strong financial position, the Group will continue to diversify and make selective investments when the right opportunities arise to enhance our shareholders value.

On behalf of the Board

LIM Kia Hong

Chairman & Chief Executive Officer

Hong Kong, 22 August 2012



The directors (the "Directors") of SiS International Holdings Limited (the "Company") is pleased to announce that the consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 together with comparative figures for the corresponding period in 2011. The interim financial statements have been reviewed by the Company's auditor and audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended	
		30 June 2012	30 June 2011
NOTES		HK\$'000 (unaudited)	HK\$'000 (unaudited) (restated)
Continuing operations			
	Revenue	1,159,338	264,044
	Cost of sales	<u>(1,102,433)</u>	<u>(252,860)</u>
	Gross profit	56,905	11,184
	Other income	1,446	1,073
	Other gains and losses	34,969	29,196
	Distribution costs	(16,086)	(4,709)
	Administrative expenses	(24,464)	(27,624)
	Share of results of associates	(6,737)	23,775
	Share of results of a jointly controlled entity	(503)	544
	Finance costs	(104)	(448)
	Profit before tax	45,426	32,991
	Income tax expense	(2,372)	(1,245)
	Profit for the period from continuing operations	43,054	31,746
Discontinued operations			
	Gain on disposal of subsidiaries constituting discontinued operations	–	551,432
	Profit for the period	<u>43,054</u>	<u>583,178</u>
EARNINGS PER SHARE			
	From continuing and discontinued operations		
	– Basic (HK cents)	<u>15.5</u>	<u>212.3</u>
	– Diluted (HK cents)	<u>15.5</u>	<u>211.1</u>
	From continuing operations		
	– Basic (HK cents)	<u>15.5</u>	<u>11.6</u>
	– Diluted (HK cents)	<u>15.5</u>	<u>11.5</u>
	From discontinued operations		
	– Basic (HK cents)	–	<u>200.7</u>
	– Diluted (HK cents)	–	<u>199.6</u>



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended	
	30 June 2012 HK\$'000 (unaudited)	30 June 2011 HK\$'000 (unaudited) (restated)
Profit for the period	<u>43,054</u>	<u>583,178</u>
Other comprehensive income (expense):		
(Loss) gain on fair value changes of available-for-sale investments	(2)	25,512
Exchange realignment arising on translation of foreign operations	56	(4,124)
Release of investments reserve upon disposal of available-for-sale investments	(10,607)	–
Reclassification of cumulative exchange difference attributable to disposed subsidiaries to condensed consolidated income statement	–	(26,804)
Revaluation gain on property, plant and equipment upon transfer to investment properties	<u>–</u>	<u>933</u>
Other comprehensive expense for the period	<u>(10,553)</u>	<u>(4,483)</u>
Total comprehensive income for the period	<u>32,501</u>	<u>578,695</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	NOTES	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (restated)
Non-current assets			
Investment properties	10	841,480	835,067
Property, plant and equipment	10	21,568	21,373
Interests in associates		205,228	216,708
Interests in a jointly controlled entity		17,384	17,887
Available-for-sale investments		103,004	107,767
		1,188,664	1,198,802
Current assets			
Inventories		104,561	153,257
Trade and other receivables, deposits and prepayments	11	122,615	135,376
Tax recoverable		36	5
Investments held-for-trading		9,954	51,937
Bank balances and cash		921,796	585,398
		1,158,962	925,973
Current liabilities			
Trade payables, other payables and accruals	12	153,199	151,179
Bills payable	13	4,378	–
Dividend payable		38,785	–
Derivative financial instruments	14	–	5,429
Tax payable		32,488	31,542
Bank loans	15	190,000	–
		418,850	188,150
Net current assets		740,112	737,823
Total assets less current liabilities		1,928,776	1,936,625
Non-current liabilities			
Deferred tax liabilities		4,112	5,677
Net assets		1,924,664	1,930,948
Capital and reserves			
Share capital	16	27,703	27,703
Share premium		71,367	71,367
Reserves		60,051	70,604
Retained profits		1,765,543	1,761,274
Total equity		1,924,664	1,930,948



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	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	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2011 (as originally stated)	27,235	61,129	38,053	53,395	-	2,860	3,173	1,070,688	1,256,533
Effect of changes in accounting policies (Note 2)	-	-	-	-	-	-	-	28,489	28,489
At 1 January 2011 as restated	27,235	61,129	38,053	53,395	-	2,860	3,173	1,099,177	1,285,022
Profit for the period	-	-	-	-	-	-	-	583,178	583,178
Other comprehensive income (expense) for the period	-	-	25,512	(30,928)	933	-	-	-	(4,483)
Total comprehensive income (expense) for the period	-	-	25,512	(30,928)	933	-	-	583,178	578,695
Exercise of share options	452	9,871	-	-	-	-	(2,554)	-	7,769
Dividend declared (Note 9)	-	-	-	-	-	-	-	(33,224)	(33,224)
At 30 June 2011 (unaudited)	<u>27,687</u>	<u>71,000</u>	<u>63,565</u>	<u>22,467</u>	<u>933</u>	<u>2,860</u>	<u>619</u>	<u>1,649,131</u>	<u>1,838,262</u>
At 1 January 2012 (as originally stated)	27,703	71,367	47,273	19,016	933	2,860	522	1,710,044	1,879,718
Effect of changes in accounting policies (Note 2)	-	-	-	-	-	-	-	51,230	51,230
At 1 January 2012 as restated	27,703	71,367	47,273	19,016	933	2,860	522	1,761,274	1,930,948
Profit for the period	-	-	-	-	-	-	-	43,054	43,054
Other comprehensive (expense) income for the period	-	-	(10,609)	56	-	-	-	-	(10,553)
Total comprehensive (expense) income for the period	-	-	(10,609)	56	-	-	-	43,054	32,501
Dividend declared (Note 9)	-	-	-	-	-	-	-	(38,785)	(38,785)
At 30 June 2012 (unaudited)	<u>27,703</u>	<u>71,367</u>	<u>36,664</u>	<u>19,072</u>	<u>933</u>	<u>2,860</u>	<u>522</u>	<u>1,765,543</u>	<u>1,924,664</u>

Note: 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 in the year 1992.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended	
	30 June 2012	30 June 2011
NOTE	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Net cash from operating activities	135,037	126,278
Investing activities		
Dividend received from associates	6,234	12,662
Dividend received from available-for-sale investments	867	4,523
Additions to available-for-sale investments	(8,936)	(19,750)
Net cash inflow from disposal of subsidiaries	6	800,345
Proceeds from disposal of available-for-sale investments	13,697	–
Proceeds from disposal of investment properties	–	6,253
Other investing cash flows	(724)	830
Net cash from investing activities	11,138	804,863
Financing activities		
Issue of shares	–	7,769
New bank loans raised	190,000	–
Repayment of bank loans	–	(226,176)
Net cash from (used in) financing activities	190,000	(218,407)
Net increase in cash and cash equivalents	336,175	712,734
Cash and cash equivalents at 1 January	585,398	59,901
Effect of foreign exchange rate changes	223	(2,290)
Cash and cash equivalents at 30 June	921,796	770,345



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants 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.

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, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

- amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*; and
- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*;

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

Under the amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group’s investment property portfolio and concluded that the Group’s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment. Previously, the Group had recognised deferred taxes on changes in fair value of investment properties on the basis that the carrying amounts of the properties were recovered through use.



2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* (cont'd)

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK\$28,489,000 and HK\$51,230,000 as at 1 January 2011 and 31 December 2011 respectively, with the corresponding adjustment being recognised in retained earnings. In addition, the application of the amendments has resulted in the Group's income tax expense for the six months ended 30 June 2011 and 30 June 2012 being reduced by HK\$732,000 and HK\$1,077,000 respectively and hence resulted in the profit for the six months ended 30 June 2011 and 30 June 2012 being increased by the same amount. As a result of the adjustments, the basic and diluted earnings per share from continuing and discontinued operations for the six months ended 30 June 2011 have been increased by 0.3 HK cents from 11.3 HK cents and 11.2 HK cents to 11.6 HK cents and 11.5 HK cents respectively whereas the basic and diluted earnings per share for the six months ended 30 June 2012 have been increased by 0.4 HK cents.

The effects of the above change on the individual line items of the consolidated statement of financial positions as at the beginning and the end of the immediately preceding financial year, i.e. 1 January 2011 and 31 December 2011 respectively, are as follows:

	As at 1 January 2011			As at 31 December 2011		
	Original stated	Adjustments	Restated	Original stated	Adjustments	Restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax liabilities	37,331	(28,489)	8,842	56,907	(51,230)	5,677
Retained profits	<u>1,070,688</u>	<u>28,489</u>	<u>1,099,177</u>	<u>1,710,044</u>	<u>51,230</u>	<u>1,761,274</u>

The directors of the Company anticipate that the application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The directors are in the process of assessing the potential financial impact on the Group's financial statements on application of the new HKFRSs which will be effective for the financial period beginning on 1 January 2013.



3. 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 <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2012			
<i>Segment revenue</i>			
External sales	<u>1,151,320</u>	<u>8,018</u>	<u>1,159,338</u>
<i>Segment profit</i>			
	<u>28,716</u>	<u>12,400</u>	41,116
Gain on disposal of available-for-sale investments			10,607
Fair value gain on investments held-for-trading			2,997
Dividend income from investments held-for-trading			2,087
Dividend income from available-for-sale investments			867
Loss on deemed disposal of an associate			(687)
Share of results of associates			(6,737)
Share of results of a jointly controlled entity			(503)
Other unallocated income and gains			14,679
Unallocated corporate expenses			(18,896)
Finance costs			<u>(104)</u>
Profit before tax			<u>45,426</u>



3. SEGMENT INFORMATION (cont'd)

	Distribution of mobile and IT products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2011			
<i>Segment revenue</i>			
External sales	<u>256,574</u>	<u>7,470</u>	<u>264,044</u>
<i>Segment profit</i>			
	<u>1,858</u>	<u>10,808</u>	12,666
Fair value gain on investments held-for-trading			6,538
Dividend income from investments held-for-trading			2,364
Dividend income from available-for-sale investments			4,523
Loss on deemed disposal of an associate			(104)
Share of results of associates			23,775
Share of results of a jointly controlled entity			544
Other unallocated income and gains			11,400
Unallocated corporate expenses			(28,267)
Finance costs			<u>(448)</u>
Profit before tax			<u>32,991</u>

Segment 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 a jointly controlled entity, gain or loss on disposal of an associate and available-for-sale investments, investment income, other unallocated income and gains, and finance costs.



4. OTHER GAINS AND LOSSES

	Six months ended	
	30 June	30 June
	2012	2011
	HK\$'000	HK\$'000
Other gains and losses comprises:		
Change in fair value of derivative financial instruments	4,374	1,817
Dividend income from available-for-sale investments	867	4,523
Dividend income from investments held-for-trading	2,087	2,364
Exchange gain, net	9,217	9,696
Fair value gain on investments held-for-trading	2,997	6,538
Fair value gain on investment properties	5,507	4,433
Gain on disposal of available-for-sale investments	10,607	-
Loss on deemed disposal of an associate	(687)	(104)
Loss on disposal of investment properties	-	(71)
	<u>34,969</u>	<u>29,196</u>

5. INCOME TAX EXPENSE

	Six months ended	
	30 June	30 June
	2012	2011
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
Hong Kong	1,892	-
Overseas	1,974	153
Deferred tax		
Hong Kong	(1,494)	1,092
Income tax expense for the period	<u>2,372</u>	<u>1,245</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2011 as the companies comprising the Group did not have assessable profit subject to Hong Kong Profits Tax for the prior period.

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



6. DISCONTINUED OPERATIONS

The Group completed its disposal of its entire interests in SiS International Limited, SiS Technologies Pte. Ltd. and SiS Distribution (M) Sdn Bhd (the "Disposal Group") on 3 January 2011 on which the Group ceased control over the Disposal Group. The total consideration was approximately US\$124 million (equivalent to HK\$964,025,000) of which US\$70 million (equivalent to HK\$546,000,000) was received on the date of completion. A balance payment of approximately US\$54 million (equivalent to HK\$418,025,000) representing the net asset value of the Disposal Group ("Net Asset Value Payment") as defined in the agreement was received on 27 June 2011 upon completion of the determination of the net asset value. The Net Asset Value Payment is subject to adjustment on the value of certain assets and liabilities within a two years period. The net cash inflow arising on disposal is as follow:

	<i>HK\$'000</i>
Consideration received	964,025
Bank balances and cash disposed of	<u>(163,680)</u>
	<u>800,345</u>

7. PROFIT FOR THE PERIOD

	Six months ended	
	30 June	30 June
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Cost of inventories recognised in cost of sales	1,101,308	251,765
Depreciation of property, plant and equipment	549	175
Share of tax of associates	4,190	13,632
Allowance for inventories, net	9,862	8,344
Allowance for doubtful debts	<u>6,426</u>	<u>–</u>
and crediting:		
Interest on bank deposits	<u>1,088</u>	<u>840</u>



8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit of HK\$43,054,000 (30 June 2011 (restated): HK\$583,178,000 including continuing and discontinued operations) and the weighted average number of ordinary shares calculated below.

	Six months ended	
	30 June 2012 '000	30 June 2011 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	277,033	274,749
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	404	1,502
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>277,437</u>	<u>276,251</u>

The effect of dilutive potential ordinary shares of an associate was considered to be insignificant.

The calculation of basic and diluted earnings per share for the continuing operations and discontinued operations for the six months ended 30 June 2011 is based on the restated profit for the period from continuing operations of HK\$31,746,000 and discontinued operations of HK\$551,432,000.

The denominators detailed above are for both basic and diluted earnings per share.

9. DIVIDENDS

	Six months ended	
	30 June 2012 HK\$'000	30 June 2011 HK\$'000
Final dividend, payable in respect of the year ended 31 December 2011 of 5.0 HK cents per share (2011: 8.0 HK cents per share in respect of the year ended 31 December 2010)	13,852	22,149
Special dividend, payable in respect of the year ended 31 December 2011 of 9.0 HK cents per share (2011: 4.0 HK cents per share in respect of the year ended 31 December 2010)	<u>24,933</u>	<u>11,075</u>
	<u>38,785</u>	<u>33,224</u>

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2012 and 2011.



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

The Group's investment properties as at 30 June 2012 were fair valued by the directors with reference to recent transaction prices in the market for similar properties in same location. The resulting increase in fair value of investment properties of HK\$5,507,000 (six months ended 30 June 2011: HK\$4,433,000) has been recognised in the condensed consolidated income statement for the six months ended 30 June 2012.

During the period, the Group spent approximately HK\$724,000 (six months ended 30 June 2011: HK\$10,000) on the acquisition of property, plant and equipment.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables and GST receivable of HK\$95,796,000 (31 December 2011: HK\$96,601,000) and HK\$17,101,000 (31 December 2011: HK\$30,005,000) respectively. The following is an analysis of trade receivables by age net of allowance for doubtful debts, presented based on the invoice date.

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within 30 days	64,716	68,677
31 to 90 days	27,950	15,448
91 to 120 days	1,865	8,676
Over 120 days	1,265	3,800
	<u>95,796</u>	<u>96,601</u>

The Group maintains a defined credit policy. For sale of goods, the Group allows an average credit period of 30 days to its trade customers. No credit is granted to tenants of properties and payment is due on presentation of demand note.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$113,362,000 (31 December 2011: HK\$103,991,000). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within 30 days	26,577	97,089
31 to 90 days	85,524	6,529
91 to 120 days	17	373
Over 120 days	1,244	–
	<u>113,362</u>	<u>103,991</u>

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



13. BILLS PAYABLE

Bills payable are due within 60 days.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign currency forward contracts with total principal amount of US\$15,000,000 to buy varying amounts of Singapore dollars ("S\$") at specified rates ranging from S\$1.2207 to S\$1.2625 to US\$1 were matured and settled during the current period.

15. BANK LOANS

During the current interim period, the Group obtained new short-term bank loans amounting to HK\$190,000,000 (31 December 2011: HK\$nil) and carry interest at variable market rate of Hong Kong Interbank Interest Rates +0.8% to 1.25% per annum.

16. SHARE CAPITAL

	No. of ordinary shares of HK\$0.10 each	Nominal value HK\$'000
Authorised	<u>350,000,000</u>	<u>35,000</u>
Issued and fully paid		
At 1 January 2011	272,349,995	27,235
Issue of shares on exercise of share options at HK\$1.72 per shares	<u>4,516,670</u>	<u>452</u>
At 30 June 2011	276,866,665	27,687
Issue of shares on exercise of share options at HK\$1.72 per share	<u>166,667</u>	<u>16</u>
At 31 December 2011 and 30 June 2012	<u>277,033,332</u>	<u>27,703</u>

17. PLEDGE OF ASSETS

At 30 June 2012, the Group's investment properties with carrying values of HK\$564,347,000 (31 December 2011: HK\$560,000,000) were pledged to secure general banking facilities granted to the Group.



18. RELATED PARTY TRANSACTIONS

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

	Associates (Note 1)		Related companies (Note 2)	
	Six months ended		Six months ended	
	30 June 2012 HK\$'000	30 June 2011 HK\$'000	30 June 2012 HK\$'000	30 June 2011 HK\$'000
Income from management service	1,798	1,871	-	-
Operating lease rental expense	-	-	367	275

Note 1: Amount due from an associate at the end of the reporting period included in other receivables is HK\$931,000 (31 December 2011: HK\$314,000). The amount is unsecured, interest-free and repayable on demand.

Note 2: Two directors of the Company have controlling interest in one of the related companies. All executive directors of the Company (and their associates) together have joint control over the other related company.

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases with related companies which fall due within two year amounting to HK\$914,000 (31 December 2011: HK\$257,000).

Apart from the above, remuneration paid or payable to the directors of the Company for the six months ended 30 June 2012 is HK\$11,728,000 (six months ended 30 June 2011: HK\$8,073,000).

19. CAPITAL COMMITMENTS

Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements amounted to HK\$427,000 (31 December 2011: HK\$nil).



INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2012, the Group had total assets of HK\$2,347,626,000 which were financed by shareholders' funds of HK\$1,924,664,000 and total liabilities of HK\$422,962,000. The Group had a current ratio of approximately 2.8 compared to that of approximately 4.9 at 31 December 2011.

As at 30 June 2012 the Group had HK\$921,796,000 bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and short term borrowings. As at 30 June 2012, the Group had HK\$194,378,000 short term borrowings which were denominated in Hong Kong and Singapore dollars.

The Group continued to maintain a strong liquidity position. At the end of June 2012, the Group had a net cash surplus of HK\$727,418,000 compared to HK\$585,398,000 as at 31 December 2011.

Gearing ratio, as defined by total bank loans and bills payable to shareholders' funds as at 30 June 2012, was 10% compared to no gearing as at 31 December 2011.

Charges on Group Assets

At the balance sheet date, the Group had pledged investment properties with carrying value of HK\$564,347,000 (31 December 2011: HK\$560,000,000) to banks to secure general banking facilities granted 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 2012 was 68 (30 June 2011: 21) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$10,617,000 (30 June 2011: HK\$4,287,000). 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 2012, no share options have been granted, exercised or lapsed. 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.



FINANCIAL REVIEW AND ANALYSIS (cont'd)

Currency Risk Management

The Group maintains a conservative approach on foreign exchange exposure management by entering into foreign currency forward contracts. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date. At 30 June 2012, the Group had no outstanding forward contracts (31 December 2011: notional amount HK\$117,000,000).

Contingent Liabilities

The Company's corporate guarantees extended to a bank as security for banking facilities to the Group amounted to HK\$118,500,000 (31 December 2011: HK\$118,500,000).

OTHER INFORMATION

Directors' Interests in Shares

At 30 June 2012, the interests of the Directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

Name of Director	Personal interests	Family interests	Joint Interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kiah Meng (Note 4)	5,403,200	650,000	534,000	178,640,000	185,227,200	66.86%
Lim Kia Hong (Note 4)	5,771,108	608,000	-	178,640,000	185,019,108	66.79%
Lim Hwee Hai (Note 3)	3,331,200	3,579,158	-	-	6,910,358	2.49%
Lim Hwee Noi (Note 3, 4)	3,579,158	3,331,200	-	-	6,910,358	2.49%
Lee Hiok Chuan	83,333	-	-	-	83,333	0.03%
Ong Wui Leng	83,333	-	-	-	83,333	0.03%

Notes:

- (1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.



OTHER INFORMATION (cont'd)
Directors' Interests in Shares (cont'd)

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

Notes: (cont'd)

(3) 3,331,200 shares and 3,579,158 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.

(4) In addition to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 608,000 shares on behalf of six beneficiaries aged below 18. Out of these 608,000 shares, 400,000 shares and 208,000 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interest of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

(ii) Share options

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

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

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

Name of Director	Personal interests	Corporate interests (Note 1)	Total number of issued ordinary shares held in SiS Thailand	Approximate % of issued share capital of SiS Thailand
Lim Kia Hong	123,750	109,725,000	109,848,750	47.09%
Lim Hwee Hai	144,375	-	144,375	0.06%

(b) Share warrants granted by SiS Thailand (Note 2)

Name of Director	Capacity	Outstanding number of share warrants of SiS Thailand held at 30 June 2012
Lim Kia Hong	Personal	37,500
Lim Hwee Hai	Personal	18,750



OTHER INFORMATION (cont'd)
Directors' Interests in Shares (cont'd)

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

(b) Share warrants granted by SiS Thailand (Note 2) (cont'd)

Notes:

- (1) The Company indirectly holds 109,725,000 ordinary shares of the issued capital of SiS Thailand. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 66.79% in the Company, therefore Mr. Lim has deemed corporate interest in SiS Thailand under the SFO.*
- (2) At the annual general meeting of SiS Thailand held on 2 April 2010, its shareholders approved the issue of warrants to the directors. Each warrant is entitled to buy one ordinary share of SiS Thailand at the book value per share from the last financial statement of SiS Thailand before the date of exercise but not lower than Baht 4.92. The warrants can be exercised every six months from the first exercise date which is 1 June 2010 until the last exercise date which is 3 December 2012. The exercise date will be the first business day of June and December of each year.*

Save as disclosed above, none of the Directors nor their associates, at 30 June 2012, had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



SHARE OPTIONS

For details of the Company's share option scheme, please refer to note 34 to the consolidated financial statement and pages 19 to 21 in the 2011 annual report.

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

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options outstanding at 1 January 2012 and at 30 June 2012
Directors and their associates:				
Lee Hiok Chuan				
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333
20 August 2007	21 August 2007 – 18 February 2010 –	18 February 2010 20 May 2017	1.72	83,334
Ong Wui Leng				
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333
20 August 2007	21 August 2007 – 18 February 2010 –	18 February 2010 20 May 2017	1.72	83,334
Total directors and their associates				<u>333,334</u>
Employees and other qualified persons				
20 August 2007	21 August 2007 – 18 February 2008 –	18 February 2008 20 May 2017	1.72	133,332
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	233,334
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	233,334
Total employees and other qualified persons				<u>600,000</u>
Total number of share options				<u><u>933,334</u></u>

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



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, 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	Corporate interests (Note 1)	Other interests (Note 2)	Total number of issued ordinary shares held
Yeo Seng Chong	600,000	1,150,000	11,942,000	-	13,692,000
Lim Mee Hwa	1,150,000	600,000	11,942,000	-	13,692,000
Yeoman Capital Management Pte. Ltd.	-	-	300,000	13,442,000	13,742,000

Notes:

- (1) Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 47.5% direct interest in Yeoman Capital Management Pte. Ltd..
- (2) Yeoman Capital Management Pte. Ltd. holds the shares of the Company as an investment manager.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2012.

CORPORATE GOVERNANCE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period ended 30 June 2012, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in page 9 of the Group's 2011 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.



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 period ended 30 June 2012.

On behalf of the Board
SiS International Holdings Limited

LIM Kia Hong
Chairman and Chief Executive Office

Hong Kong, 22 August 2012



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

SECRETARY

Chiu Lai Chun, Rhoda

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STOCK CODE

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INVESTOR RELATIONS

www.sisinternational.com.hk

AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Norton Rose

PRINCIPAL BANKERS

Bank of China
DBS Bank
Hang Seng Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong and Shanghai Banking
Corporation Limited
Malayan Banking Berhad
OCBC Bank

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
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HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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28 Queen's Road East
Wanchai
Hong Kong