



SiS International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

2014



INTERIM
REPORT



CONTENTS

2	Message from the Chairman & CEO
4	Condensed Consolidated Statement of Profit or Loss
5	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
6	Condensed Consolidated Statement of Financial Position
8	Condensed Consolidated Statement of Changes in Equity
9	Condensed Consolidated Statement of Cash Flows
10	Notes to the Condensed Consolidated Financial Statements
20	Interim Dividend
20	Financial Review and Analysis
21	Other Information
26	Corporate Information



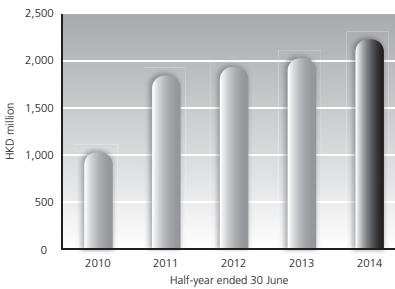
MESSAGE FROM THE CHAIRMAN & CEO

Dear Shareholders,

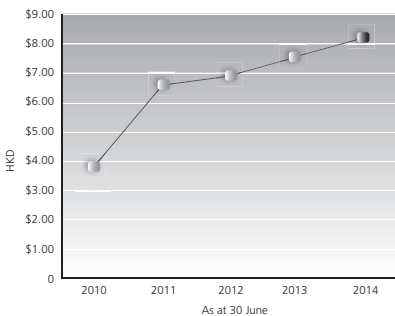
The momentum of transformation and building core businesses has begun to take shape as the Group progresses. I am pleased to present to you the Group's results for the six months ended 30 June 2014.

Sales revenue for the Group for the six months ended 30 June 2014 increased 36% to HK\$1,027 million from HK\$754 million. Gross profit increased to HK\$81 million from HK\$70 million. Profit for the period attributed to owners of the company increased 11% to HK\$34,541,000 as compared to HK\$31,079,000 for the same period last year. Net assets value amounted to HK\$2,277 million (HK\$8.2 per share) as at 30 June 2014 as compared to HK\$2,245 million as at 31 December 2013.

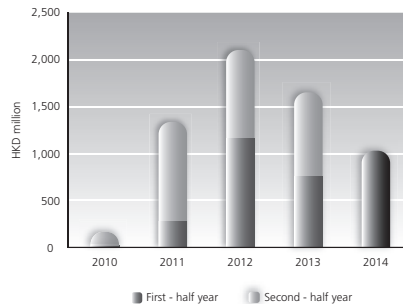
Shareholders' equity



Net assets value per share



Revenue





BUSINESS REVIEW

(a) Distribution Business

Revenue from mobile & IT products distribution and distribution management services increased 36% to HK\$940 million from HK\$692 million. The shift of consumers and corporates towards mobility & mobile devices opened up bigger market opportunities but at the same time created intense competition. Segment profits decreased to HK\$10 million due to margin pressure.

(b) Investment in IT Business

Amid the uncertain political situation in Thailand, our associated company, SiS Distribution (Thailand) Public Company Limited continued to perform and contributed a profit of HK\$11 million to the Group.

Information Technology Consultants Limited, the largest provider of payment gateway in the provision of financial and mobile banking solutions to banks and telcos in Bangladesh, is continuing to expand its business.

(c) Real Estate Investments Business

The Group's investment in income-generating properties with long term potential for capital appreciation, has begun to contribute positively to the net results of the Group. With the additional acquisition of five Toyoko Inn properties located in Naha, Kanazawa, Hiratsuka, Niigata and Tokushima in October 2013, revenue and segment profit generated from the Group's real estate investment portfolio for the six months ended 30 June 2014 has increased to HK\$87 million and HK\$37 million as compared to HK\$63 million and HK\$23 million respectively. Total carrying value of the Group's investment properties amounted to HK\$1,875 million as at 30 June 2014.

On 30 July 2014, the Group completed the acquisition of a trust beneficial interest in a hotel property located in Otaru Japan operating under the name of "Dormy Inn Premium Otaru" for a consideration of approximately HK\$206 million.

PROSPECT

The Group remains cautiously optimistic about the business outlook in the remaining quarters of 2014. We are staying focused as we continued with the journey of transformation for a long term success. Backed by our strong balance sheet, the Group will continue to 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 2014



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 2014 together with comparative figures for the corresponding period in 2013. 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 2014

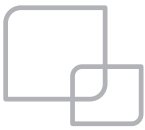
	Notes	Six months ended	
		30 June 2014 HK\$'000 (unaudited)	30 June 2013 HK\$'000 (unaudited)
Revenue	3	1,026,823	754,376
Cost of sales		<u>(946,207)</u>	<u>(683,890)</u>
Gross profit		80,616	70,486
Other income		9,382	10,900
Other gains and losses	4	9,870	(27,318)
Distribution costs		(20,940)	(14,870)
Administrative expenses		(41,769)	(31,892)
Share of results of associates		11,151	24,326
Share of results of joint ventures		(118)	413
Finance costs		<u>(8,644)</u>	<u>(2,435)</u>
Profit before tax		39,548	29,610
Income tax (expense) credit	5	<u>(3,298)</u>	<u>1,951</u>
Profit for the period	6	<u>36,250</u>	<u>31,561</u>
Profit for the period attributable to:			
Owners of the Company		34,541	31,079
Non-controlling interests		<u>1,709</u>	<u>482</u>
		<u>36,250</u>	<u>31,561</u>
EARNINGS PER SHARE	7		
– Basic (HK cents)		<u>12.5</u>	<u>11.2</u>
– Diluted (HK cents)		<u>12.4</u>	<u>11.2</u>



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended	
	30 June 2014 HK\$'000 (unaudited)	30 June 2013 HK\$'000 (unaudited)
Profit for the period	<u>36,250</u>	<u>31,561</u>
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss		
Gain (loss) on fair value change of available-for-sale investments	11,637	(5,574)
Exchange realignment arising on translation of foreign operations	<u>8,009</u>	<u>1,670</u>
Other comprehensive income (expense) for the period	<u>19,646</u>	<u>(3,904)</u>
Total comprehensive income for the period	<u>55,896</u>	<u>27,657</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	54,189	26,025
Non-controlling interests	<u>1,707</u>	<u>1,632</u>
	<u>55,896</u>	<u>27,657</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

		30 June 2014	31 December 2013
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current assets			
Investment properties	9	1,874,658	1,845,752
Property, plant and equipment	9	64,785	68,077
Goodwill		11,509	11,509
Intangible assets		45,391	47,836
Interests in associates		159,339	152,838
Interests in joint ventures		35	–
Available-for-sale investments		141,143	99,214
		<u>2,296,860</u>	<u>2,225,226</u>
Current assets			
Inventories		104,660	131,427
Trade and other receivables, deposits and prepayments	10	157,529	173,343
Amount due from a joint venture		18,276	–
Derivative financial instruments	12	–	7,690
Tax recoverable		1,001	71
Investments held-for-trading		12,684	11,097
Pledged deposits		447,784	444,035
Bank balances and cash		364,532	341,746
		<u>1,106,466</u>	<u>1,109,409</u>
Current liabilities			
Trade payables, other payables and accruals	11	125,751	140,126
Derivative financial instruments	12	1,068	–
Dividend payable		22,167	–
Tax payable		20,585	23,723
Bank loans	13	471,832	447,269
Bank overdrafts		35,705	32,590
		<u>677,108</u>	<u>643,708</u>
Net current assets		<u>429,358</u>	<u>465,701</u>
Total assets less current liabilities		<u>2,726,218</u>	<u>2,690,927</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

AT 30 JUNE 2014

		30 June 2014	31 December 2013
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current liabilities			
Bank loans	13	206,214	209,802
Bonds		75,350	72,815
Deferred tax liabilities		15,958	14,740
Rental deposits		<u>73,500</u>	<u>72,198</u>
		<u>371,022</u>	<u>369,555</u>
Net assets		<u>2,355,196</u>	<u>2,321,372</u>
Capital and reserves			
Share capital	14	27,709	27,703
Share premium		71,488	71,367
Reserves		51,767	32,151
Retained profits		<u>2,126,411</u>	<u>2,114,037</u>
Equity attributable to owners of the Company		<u>2,277,375</u>	<u>2,245,258</u>
Non-controlling interests		<u>77,821</u>	<u>76,114</u>
Total equity		<u>2,355,196</u>	<u>2,321,372</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Share capital	Share premium	Investments reserve	Translation reserve	Property revaluation reserve	Contributed surplus	Share options reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Note)					
At 1 January 2013 (audited)	27,703	71,367	20,049	23,267	933	2,860	522	1,881,832	2,028,533	-	2,028,533
Profit for the period	-	-	-	-	-	-	-	31,079	31,079	482	31,561
Other comprehensive (expense) income for the period	-	-	(5,574)	520	-	-	-	-	(5,054)	1,150	(3,904)
Total comprehensive (expense) income for the period	-	-	(5,574)	520	-	-	-	31,079	26,025	1,632	27,657
Dividend declared (Note 8)	-	-	-	-	-	-	-	(22,163)	(22,163)	-	(22,163)
Non-controlling interests arising on acquisition of a subsidiary (Note 19)	-	-	-	-	-	-	-	-	-	82,423	82,423
At 30 June 2013 (unaudited)	27,703	71,367	14,475	23,787	933	2,860	522	1,890,748	2,032,395	84,055	2,116,450
At 1 January 2014 (audited)	27,703	71,367	24,144	3,692	933	2,860	522	2,114,037	2,245,258	76,114	2,321,372
Profit for the period	-	-	-	-	-	-	-	34,541	34,541	1,709	36,250
Other comprehensive income (expense) for the period	-	-	11,637	8,011	-	-	-	-	19,648	(2)	19,646
Total comprehensive income for the period	-	-	11,637	8,011	-	-	-	34,541	54,189	1,707	55,896
Dividend declared (Note 8)	-	-	-	-	-	-	-	(22,167)	(22,167)	-	(22,167)
Issue of shares under employee share option plan	6	121	-	-	-	-	(32)	-	95	-	95
At 30 June 2014 (unaudited)	27,709	71,488	35,781	11,703	933	2,860	490	2,126,411	2,277,375	77,821	2,355,196

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 2014

	Six months ended	
	30 June	30 June
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from (used in) operating activities	38,400	(14,403)
Investing activities		
Dividend received from associates	7,916	-
Acquisition of a subsidiary	-	(18,030)
Investment in a joint venture	(153)	-
Investment in an associate	-	(46,078)
(Placement) withdrawal of pledged deposits	(3,749)	54,850
Purchase of available-for-sale investments	(28,389)	-
Purchase of investments held-for-trading	(363)	-
Other investing cash flows	7,567	(9,816)
Net cash used in investing activities	(17,171)	(19,074)
Financing activities		
New bank loans raised	162,427	16,699
Repayment of bank loans	(162,002)	(36,132)
Increase in bank overdrafts	3,147	-
Proceeds on issue of shares	95	-
Net cash from (used in) financing activities	3,667	(19,433)
Net increase (decrease) in cash and cash equivalents	24,896	(52,910)
Cash and cash equivalents at 1 January	341,746	410,009
Effect of foreign exchange rate changes	(2,110)	(5,818)
Cash and cash equivalents at 30 June, represented by bank balances and cash	364,532	351,281



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

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

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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new or Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*;
- Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*;
- and
- HK(IFRIC)-Int 21 *Levies*.

The application of the above new Interpretation and 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.



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 2014			
<i>Segment revenue</i>			
External sales	939,954	86,869	1,026,823
<i>Segment profit</i>			
	9,874	37,343	47,217
Change in fair value of investments held-for-trading			1,224
Dividend income from investments held-for-trading			3,130
Dividend income from available-for-sale investments			341
Share of results of associates			11,151
Share of results of joint ventures			(118)
Finance costs			(8,644)
Other unallocated income and gains			2,411
Unallocated corporate expenses			(17,164)
Profit before tax			39,548



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 2013			
<i>Segment revenue</i>			
External sales	691,676	62,700	754,376
<i>Segment profit</i>	23,661	23,053	46,714
Change in fair value of investments held-for-trading			(527)
Dividend income from investments held-for-trading			312
Dividend income from available-for-sale investments			204
Loss on deemed disposal of an associate			(9,622)
Share of results of associates			24,326
Share of results of a joint venture			413
Finance costs			(2,435)
Other unallocated income and gains			15,502
Unallocated corporate expenses			(45,277)
Profit before tax			29,610

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 joint ventures, loss on deemed disposal of an associate, change in fair value of investments held-for-trading, investment income, other unallocated income and gains, and finance costs.



4. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2014 HK\$'000	30 June 2013 HK\$'000
Other gains and losses comprises:		
Change in fair value of derivative financial instruments	(8,758)	5,296
Exchange gain (loss), net	17,404	(24,563)
Change in fair value of investments held-for-trading	1,224	(527)
Change in fair value of investment properties	–	2,098
Loss on deemed disposal of associate	–	(9,622)
	<u>9,870</u>	<u>(27,318)</u>

5. INCOME TAX EXPENSE (CREDIT)

	Six months ended	
	30 June 2014 HK\$'000	30 June 2013 HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	1,310	1,509
Underprovision in respect of prior periods	<u>352</u>	<u>–</u>
	<u>1,662</u>	<u>1,509</u>
Overseas Tax		
Current period	755	1,354
Overprovision in respect of prior periods	<u>–</u>	<u>(9,800)</u>
	<u>755</u>	<u>(8,446)</u>
Deferred tax	<u>881</u>	<u>4,986</u>
Income tax expense (credit) for the period	<u>3,298</u>	<u>(1,951)</u>

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

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

Following the disposal of subsidiaries on 3 January 2011, a final assessment was issued by an overseas tax authority and concluded that no income tax is levied for certain sales of goods transactions. Accordingly, the accrual of income tax and other related expenses amounted HK\$9,800,000 and HK\$7,698,000 as disclosed in Note 6, respectively, are reversed in the prior period.



6. PROFIT FOR THE PERIOD

	Six months ended	
	30 June	30 June
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging and (crediting):		
Cost of inventories recognised in cost of sales	896,760	642,004
Depreciation of property, plant and equipment	4,429	2,550
Amortisation of intangible assets	2,622	1,949
Share of tax expense (credit) of associates	3,571	(7,177)
Reversal of allowance for inventories, net	(4,640)	(1,474)
Allowance for doubtful debts	43	599
Allowance for amount due from a joint venture (Note 16)	8,073	-
Interest income on bank deposits	(2,411)	(2,481)
Reversal of overprovision for tax related expenses (Note 5)	-	(7,698)
	_____	_____

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit of HK\$34,541,000 (30 June 2013: HK\$31,079,000) and the weighted average number of ordinary shares calculated below.

	Six months ended	
	30 June	30 June
	2014	2013
	<i>'000 shares</i>	<i>'000 shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	277,035	277,033
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	411	402
	_____	_____
Weighted average number of ordinary shares for the purpose of diluted earnings per share	277,446	277,435

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



8. DIVIDENDS

	Six months ended	
	30 June 2014 HK\$'000	30 June 2013 HK\$'000
Final dividend, payable in respect of the year ended 31 December 2013 of 5.0 HK cents per share (2013: 5.0 HK cents per share in respect of the year ended 31 December 2012)	13,854	13,852
Special dividend, payable in respect of the year ended 31 December 2013 of 3.0 HK cents per share (2013: 3.0 HK cents per share in respect of the year ended 31 December 2012)	8,313	8,311
	<u>22,167</u>	<u>22,163</u>

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2014 (2013: Nil).

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

The Group's investment properties as at 30 June 2014 were fair valued by the directors with reference to recent transaction prices in the market for similar properties in similar location. There is no change in fair value of investment properties (six months ended 30 June 2013: HK\$2,098,000) for the six months ended 30 June 2014.

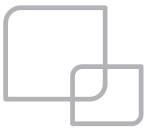
During the period, the Group spent approximately HK\$1,155,000 (six months ended 30 June 2013: HK\$1,706,000) on the acquisition of property, plant and equipment.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$58,535,000 (31 December 2013: HK\$91,203,000). The following is an analysis of trade receivables by age, net of allowance for doubtful debts, presented based on the invoice date, which approximated the revenue recognition date.

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Within 30 days	30,349	47,050
31 to 90 days	12,427	28,340
91 to 120 days	1,361	1,152
Over 120 days	14,398	14,661
	<u>58,535</u>	<u>91,203</u>

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



11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$51,053,000 (31 December 2013: HK\$67,080,000). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2014 <i>HK\$'000</i>	31 December 2013 <i>HK\$'000</i>
Within 30 days	40,695	63,015
31 to 90 days	9,961	3,921
91 to 120 days	84	144
Over 120 days	313	–
	51,053	67,080

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2014 <i>HK\$'000</i>	31 December 2013 <i>HK\$'000</i>
Financial (liabilities) assets		
Foreign currency forward contracts	(1,068)	7,690

The Group entered into foreign currency forward contracts with total principal amount of US\$16,000,000 to buy Japanese Yen (“Yen”) at specific rates ranging from 101.62 to 103.95 to US\$1. These contracts will be maturing ranging from 6 February 2015 to 15 May 2015.

13. BANK LOANS

During the current interim period, the Group repaid bank loans of HK\$162,002,000 (six months ended 30 June 2013: HK\$36,132,000) and obtained new short-term bank loans amounting to HK\$162,427,000 (six months ended 30 June 2013: HK\$16,699,000).

14. SHARE CAPITAL

	No. of ordinary shares of HK\$0.10 each	Nominal value <i>HK\$'000</i>
Authorised	350,000,000	35,000
Issued and fully paid		
At 1 January 2013 and 31 December 2013	277,033,332	27,703
Exercise of share options	55,555	6
At 30 June 2014	277,088,887	27,709



15. PLEDGE OF ASSETS

At the end of the reporting period,

- (a) The Group's investment properties with carrying values of HK\$1,314,804,000 (31 December 2013: HK\$1,293,279,000) were under legal charge to secure general banking facilities available to the Group.
- (b) Bank deposits of HK\$447,784,000 (31 December 2013: HK\$444,035,000) were pledged to secure the Group's bank loans.

16. RELATED PARTY TRANSACTIONS

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

	Associates (Note 1)		Joint venture (Note 2)		Related companies (Note 3)	
	Six months ended		Six months ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods	-	-	35,667	-	-	-
Purchase of goods	1,084	-	4,974	-	-	-
Income from management service	1,408	1,609	-	-	-	-
Operating lease rental expense	-	-	-	-	396	354

Note 1: Amount due from an associate at the end of the reporting period included in other receivables is HK\$687,000 (31 December 2013: HK\$375,000). The amount is unsecured, interest-free and repayable on demand.

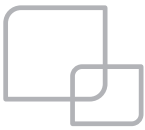
Note 2: Amount due from a joint venture is unsecured, interest-free and allows credit period of 30 days. At the end of the reporting period, the directors assessed the recoverable amount of the amount due from the joint venture. The directors identified an allowance for HK\$8,073,000 (31 December 2013: Nil) and such amount was recognised in the profit or loss during the reporting period.

Note 3: Two directors of the Company have controlling interest in the related company.

Apart from the above, remuneration paid or payable to the directors of the Company who are considered to be the key management personnel for the six months ended 30 June 2014 was HK\$10,680,000 (six months ended 30 June 2013: HK\$10,708,000).

17. COMMITMENTS

As at the end of the period, the Group was committed to a renovation work of HK\$2,089,000 (31 December 2013: Nil).



18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities 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).

*Fair value measured recognised in the consolidated statement of financial position
At 30 June 2014*

	Fair value hierarchy		Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	
Listed securities classified as investments held-for-trading	12,684	–	12,684
Listed securities classified as available-for-sale investments	80,250	–	80,250
Derivative financial instruments – Foreign currency forward contracts	–	(1,068)	(1,068)
Total	<u>92,934</u>	<u>(1,068)</u>	<u>91,866</u>



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

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

Fair value measured recognised in the consolidated statement of financial position (cont'd)
At 31 December 2013

	Fair value hierarchy		Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	
Listed securities classified as investments held-for-trading	11,097	–	11,097
Listed securities classified as available-for-sale investments	66,728	–	66,728
Derivative financial instruments – Foreign currency forward contracts	–	7,690	7,690
Total	77,825	7,690	85,515

The fair value of listed securities is determined with reference to quoted market bid price from relevant stock exchanges.

The fair value of foreign currency forward contracts are measured at the present value of future cash flows estimated using quoted forward exchange rates, which is observable at the end of the reporting period.

There were no transfers between Levels 1 and 2 during the six months ended 30 June 2014.

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

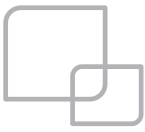
The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the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

19. ACQUISITION OF A SUBSIDIARY

On 7 March 2013, the Group acquired an additional 14.1% ownership interest in Information Technology Consultants Ltd ("ITCL"), incorporated in the People's Republic of Bangladesh, a then associate of the Group, for a consideration of Bangladesh Taka 222,169,000 (equivalent to HK\$22,104,000). Upon the completion of acquisition, the Group owned 43.6% ownership interest in ITCL and, in accordance with HKFRS 10, the Group assessed that it has control over ITCL, so the transaction has been accounted for as business combination using the acquisition method. ITCL is principally engaged in the business of provision of switching solution and electronic devices to banks in People's Republic of Bangladesh and was acquired with the objective to invest in promising information technology business and expansion of business in emerging countries.

20. EVENT AFTER THE END OF REPORTING PERIOD

On 14 July 2014, a subsidiary of the Group has entered into a sale and purchase agreement with a third party to acquire a trust beneficial interest in the land and building in Hokkaido, Japan for a consideration of JPY2.7 billion (approximately HK\$206 million). The acquisition was completed on 30 July 2014.



INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2014, the Group had total assets of HK\$3,403,326,000 which were financed by total equity of HK\$2,355,196,000 and total liabilities of HK\$1,048,130,000. The Group had current ratio of approximately 1.6 compared to that of approximately 1.7 at 31 December 2013.

As at 30 June 2014 the Group had HK\$812,316,000 (31 December 2013: HK\$785,781,000) bank deposits balances and cash of which HK\$447,784,000 (31 December 2013: HK\$444,035,000) was pledged to banks to secure bank borrowings. The Group's working capital requirements were mainly financed by internal resources, bank loans and overdraft. As at 30 June 2014, the Group had short term loans and bank overdrafts of total HK\$507,537,000 (31 December 2013: HK\$479,859,000) and long term loans and bonds of HK\$281,564,000 (31 December 2013: HK\$282,617,000). The borrowings were mainly denominated in Japanese Yen, Hong Kong Dollars and Bangladesh Taka and were charged by banks at floating interest rate.

The Group continued to maintain a solid liquidity position. At the end of June 2014, the Group had a net cash surplus (bank balances and cash including pledged deposits less bank borrowings and bonds) of HK\$23,215,000 compared to HK\$23,305,000 as at 31 December 2013.

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 30 June 2014 was 34% (31 December 2013: 33%).

Charges on Group Assets

At the balance sheet date, the Group had pledged deposits of HK\$447,784,000 (31 December 2013: HK\$444,035,000) and investment properties with carrying value of HK\$1,314,804,000 (31 December 2013: HK\$1,293,279,000) were pledged to banks to secure general banking facilities granted to the Group and for purchase of investment properties.

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

The number of staff of the Group as at 30 June 2014 was 290 (30 June 2013: 275) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$15,375,000 (30 June 2013: HK\$15,063,000). 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 2014, share options of 55,555 have been exercised and the average closing share price immediate before the date of exercise of the share options was HK\$3.11. 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 2014, the Group had notional amount HK\$124,800,000 outstanding forward contracts (31 December 2013: HK\$78,000,000).

Contingent Liabilities

At 30 June 2014 the Company's corporate guarantees extended to banks as security for banking facilities to the Group amounted to HK\$118,500,000 (31 December 2013: HK\$189,480,000).

OTHER INFORMATION

Directors' Interests in Shares

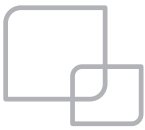
At 30 June 2014, the interests of the Directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and 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 Kia Hong (Note 4)	5,771,108	608,000	-	178,640,000	185,019,108	66.77%
Lim Kiah Meng (Note 4)	5,403,200	650,000	534,000	178,640,000	185,227,200	66.85%
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	138,888	-	-	-	138,888	0.05%

Notes:

- (1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.5% and 39.5%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (3) 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. Two of the beneficiaries had reached 18 year old. The trustees are arranging the transfer of their relevant beneficiaries interests from the estate to them.



OTHER INFORMATION (cont'd)

Directors' Interests in Shares (cont'd)

(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**

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)	Total number of issued ordinary share held in SiS Thailand	Approximate % of issued share capital of SiS Thailand
Lim Kia Hong	241,875	165,616,595	165,858,470	47.36%
Lim Hwee Hai	244,687	-	244,687	0.07%

Note:

The Company indirectly holds 165,616,595 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 66.77% in the Company, therefore Mr. Lim has deemed corporate interest in SiS Thailand under the SFO.

(iv) **Long positions in the shares and underlying shares of a subsidiary of the Company**

Ordinary share of 10 Taka each of Information Technology Consultants Ltd. ("ITCL"), which is incorporated in Bangladesh.

Name of Director	Corporate interest (Note)	Approximate % of issued share capital of ITCL
Lim Kiah Meng	40,059,390	53.41%

Note:

A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 7,350,000 ordinary shares in ITCL, while the Company indirectly holds 32,709,390 ordinary shares. As disclosed in (i) above, Mr. Lim and his family has total interest of 66.85% in the Company, therefore Mr. Lim has deemed corporate interest of 32,709,390 in ITCL under the SFO.

Save as disclosed above, none of the Directors nor their associates, at 30 June 2014, had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



SHARE OPTIONS

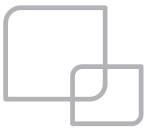
For details of the Company's share option scheme, please refer to note 37 to the consolidated financial statement and pages 22 to 23 in the 2013 annual report.

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 2014	Exercised during the period	Outstanding at 30 June 2014
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	–	83,333
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	83,334	–	83,334
Ong Wui Leng						
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	83,333	(55,555)	27,778
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	83,334	–	83,334
Total directors and their associates				333,334	(55,555)	277,779
Employees and other qualified persons						
20 August 2007	21 August 2007 – 18 February 2008	18 February 2008 – 20 May 2017	1.72	133,332	–	133,332
20 August 2007	21 August 2007 – 18 February 2009	18 February 2009 – 20 May 2017	1.72	233,334	–	233,334
20 August 2007	21 August 2007 – 18 February 2010	18 February 2010 – 20 May 2017	1.72	233,334	–	233,334
Total employees and other qualified persons				600,000	–	600,000
Total number of share options				933,334	(55,555)	877,779

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

The average closing price of the Company's shares immediately before the date on which the share options were exercised was HK\$3.11.



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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)	Other Interests (Note 3)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeo Seng Chong	700,000	1,220,000	13,050,000	–	14,970,000	5.40%
Lim Mee Hwa	1,220,000	700,000	13,050,000	–	14,970,000	5.40%
Yeoman Capital Management Pte. Ltd.	–	–	300,000	12,750,000	13,050,000	4.71%

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 Yeoman Capital Management Pte. Ltd..
- (3) 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 2014.

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 2014, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in page 11 of the Group's 2013 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 2014.

On behalf of the Board
SiS International Holdings Limited

LIM Kia Hong
Chairman and Chief Executive Office

Hong Kong, 22 August 2014



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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AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Cleary Gottlieb Steen & Hamilton (Hong Kong)
Norton Rose

PRINCIPAL BANKERS

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
DBS Bank Ltd.
Hang Seng Bank Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Oversea-Chinese Banking Corporation Ltd.
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
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69 Pitts Bay Road, Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
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Hong Kong