



SiS International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

INTERIM REPORT 2018



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MESSAGE FROM THE CHAIRMAN AND CEO

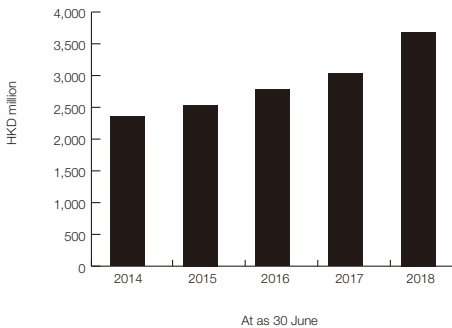
Dear Shareholders,

I am delighted to present to our shareholders the interim results of the Group for the six months ended 30 June 2018.

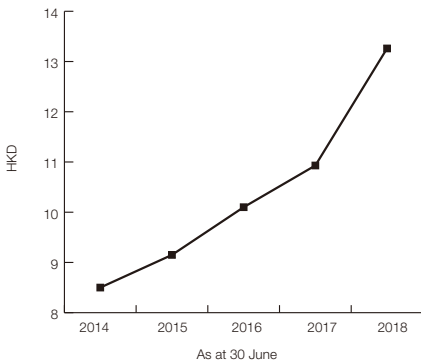
The net profit for the period attributable to owners of the Company increased 141% to HK\$142,878,000. The increase was contributed mainly from fair value gain of investment properties and securities investments.

The Group started consolidating results of SiS Distribution (Thailand) Public Co., Ltd (“SiS Thai”) as a subsidiary upon completion of acquisition by the end of year 2017. Total revenue of the Group for the period reached HK\$3,208,364,000, 7 times of the revenue as compared to the same period last year.

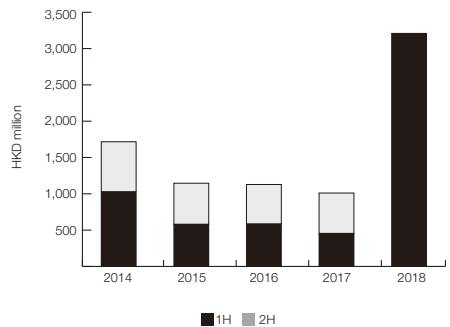
Shareholders' equity



Net assets value per share



Revenue



MESSAGE FROM THE CHAIRMAN AND CEO (cont'd)

BUSINESS REVIEW

Real Estate Business

We continue to build our real estate portfolio from strength to strength. In March 2018, the Group acquired another hotel property in Sapporo, Japan for a consideration of HK\$89,688,000. This brings the total number of hotels and hospitality properties in Japan to eighteen (18). The Group also acquired a property in Hong Kong for long term investment purpose at a consideration of HK\$182,000,000.

Rental income from our real estate business increased 7% to HK\$130,422,000. However, the deferred tax expense and accruals of full year property tax for properties in Japan has reduced segment profit (excluding fair value gain from investment properties) from HK\$64,664,000 to HK\$47,620,000 as compared to the same period last year.

The carrying value of investment properties in Japan, Hong Kong and Singapore appreciated 10% to HK\$4,503,501,000 as at 30 June 2018 from HK\$4,081,883,000. This sizeable real estate portfolio with the potential of long term capital appreciation continues to generate steady income to The Group.

Distribution Business

In December 2017, SiS Distribution (Thailand) Public Company Limited ("SiS Thai") in Thailand became a non-wholly owned subsidiary of the SiS Group upon the completion of our voluntary general offer to its shareholders. For interim 2018, SiS Thai contributed HK\$2,643,376,000 revenue to the Group and reported a segment profit of HK\$55,652,000.

Revenue from Distribution Business in Hong Kong increased 31% to HK\$434,566,000, resulted from growing revenue from IT products distribution and improving demand in mobile & mobility products.

The Group will continue to enlarge our product offerings and expand new segments to our distribution business.

Investments in IT, Securities and other Business

During the first half 2018, the Group invested a total HK\$55,847,000 in securities. The fair value gain from securities investments together with dividend income contributed a profit of HK\$61,274,000 to the Group as compared to a net loss of HK\$4,710,000 in the same period last year. We will continue to evaluate and make selective investment in promising securities and companies with upside potentials.

MESSAGE FROM THE CHAIRMAN AND CEO (cont'd)

PROSPECT

The seemingly escalating trade tensions between USA and China is casting uncertainty and challenges. The Directors are moving ahead cautiously. We will remain Focused on maximizing shareholders value with Determination to succeed, commitment to efficient execution & business Excellence.

APPRECIATION

We would like to thank our committed staff for their contributions, our customers, business partners, shareholders and directors for their support in SiS. Our success would not have been possible without their dedication, contributions, efforts, time and confidence.

On behalf of the Board of

SiS International Holdings Limited

LIM Kia Hong

Chairman and Chief Executive Officer

Hong Kong, 30 August 2018

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 2018 together with comparative figures for the corresponding period in 2017. 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 2018

		Six months ended	
		30 June	30 June
		2018	2017
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3A	3,208,364	454,389
Cost of sales		(2,978,798)	(361,293)
Gross profit		229,566	93,096
Other income		21,640	3,476
Other gains and losses	4	54,077	4,786
Selling and distribution costs		(84,034)	(13,423)
Administrative expenses		(78,098)	(43,229)
Gain from changes in fair value of investment properties		68,530	24,314
Share of results of associates		7,836	16,757
Finance costs		(26,567)	(16,692)
Profit before tax		192,950	69,085
Income tax expense	5	(28,754)	(6,273)
Profit for the period	6	164,196	62,812
Profit for the period attributable to:			
Owners of the Company		142,878	59,222
Non-controlling interests		21,318	3,590
		164,196	62,812
EARNINGS PER SHARE	7		
– Basic (HK cents)		51.4	21.3
– Diluted (HK cents)		51.4	21.3

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended	
	30 June	30 June
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	<u>164,196</u>	<u>62,812</u>
Other comprehensive income (expense):		
Items that will not be classified to profit or loss		
Fair value gain on equity instruments at fair value through other comprehensive income	<u>762</u>	<u>–</u>
Items that may be subsequently reclassified to profit or loss		
Fair value loss on available-for-sale investments	–	(4,763)
Exchange realignment arising on translation of foreign operations		
– Subsidiaries	7,119	28,158
– Associates	(973)	5,349
	<u>6,146</u>	<u>28,744</u>
Other comprehensive income for the period	<u>6,908</u>	<u>28,744</u>
Total comprehensive income for the period	<u>171,104</u>	<u>91,556</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	145,617	86,499
Non-controlling interests	25,487	5,057
	<u>171,104</u>	<u>91,556</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	NOTES	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Non-current assets			
Investment properties	9	4,503,501	4,081,883
Property, plant and equipment	9	353,700	353,770
Goodwill		126,406	126,406
Interests in associates		99,829	92,966
Available-for-sale investments		–	223,733
Financial assets at fair value through profit or loss		262,605	–
Equity instruments at fair value through other comprehensive income		86,326	–
Deferred tax assets		72,610	68,778
Deposits paid		3,124	3,180
Other assets		1,300	1,300
		5,509,401	4,952,016
Current assets			
Inventories		621,996	547,985
Trade and other receivables, deposits and prepayments	10	1,041,349	855,243
Amounts due from associates		1,918	16,718
Tax recoverable		106	14
Investments held-for-trading		–	16,661
Financial assets at fair value through profit or loss		14,483	–
Derivative financial instruments		264	–
Pledged deposits		469,851	466,337
Bank balances and cash		604,472	652,152
		2,754,439	2,555,110
Current liabilities			
Trade payables, other payables and accruals	11	798,750	711,881
Contract liabilities		8,806	–
Amounts due to associates		2,424	–
Derivative financial instruments		–	536
Dividend payable		11,119	–
Obligations under finance leases	12	4,333	4,173
Tax payable		15,262	19,037
Bank borrowings	13	2,099,435	1,667,093
Rental deposits		9,987	17,615
		2,950,116	2,420,335
Net current (liabilities) assets		(195,677)	134,775
Total assets less current liabilities		5,313,724	5,086,791

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

AT 30 JUNE 2018

	NOTES	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Non-current liabilities			
Bank borrowings	13	1,000,859	965,581
Bonds		274,433	268,034
Obligations under finance leases	12	27,568	29,082
Deferred tax liabilities		186,080	168,288
Rental deposits		127,958	114,748
Retirement benefits obligations		11,390	10,227
		<u>1,628,288</u>	<u>1,555,960</u>
Net assets		<u>3,685,436</u>	<u>3,530,831</u>
Capital and reserves			
Share capital	14	27,797	27,797
Share premium and reserves		3,351,003	3,208,365
Equity attributable to owners of the Company		<u>3,378,800</u>	3,236,162
Non-controlling interests		<u>306,636</u>	294,669
Total equity		<u>3,685,436</u>	<u>3,530,831</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation 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	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2017 (audited)	27,757	72,533	56,073	(40,761)	933	2,860	3,405	(17,558)	2,722,737	2,827,979	122,807	2,950,786
Profit for the period	-	-	-	-	-	-	-	-	59,222	59,222	3,590	62,812
Other comprehensive income (expense) for the period	-	-	(4,763)	32,040	-	-	-	-	-	27,277	1,467	28,744
Total comprehensive income (expense) for the period	-	-	(4,763)	32,040	-	-	-	-	59,222	86,499	5,057	91,556
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	2,014	2,014
Dividend declared (Note 8)	-	-	-	-	-	-	-	-	(8,339)	(8,339)	-	(8,339)
Issue of shares upon exercise of share options	40	867	-	-	-	-	(219)	-	-	688	-	688
Recognition of equity settled share-based payment	-	-	-	-	-	-	255	-	-	255	529	784
At 30 June 2017 (unaudited)	<u>27,797</u>	<u>73,400</u>	<u>51,310</u>	<u>(8,721)</u>	<u>933</u>	<u>2,860</u>	<u>3,441</u>	<u>(17,558)</u>	<u>2,773,620</u>	<u>2,907,082</u>	<u>130,407</u>	<u>3,037,489</u>
At 31 December 2017 (audited)	27,797	73,400	80,394	(17,592)	933	2,860	3,695	(17,558)	3,082,233	3,236,162	294,669	3,530,831
Adjustments (Note 2.2.2)	-	-	(79,572)	-	-	-	-	-	87,712	8,140	-	8,140
At 1 January 2018 (restated)	27,797	73,400	822	(17,592)	933	2,860	3,695	(17,558)	3,169,945	3,244,302	294,669	3,538,971
Profit for the period	-	-	-	-	-	-	-	-	142,878	142,878	21,318	164,196
Other comprehensive income for the period	-	-	1,182	1,557	-	-	-	-	-	2,739	4,169	6,908
Total comprehensive income for the period	-	-	1,182	1,557	-	-	-	-	142,878	145,617	25,487	171,104
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	4,687	4,687
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(18,207)	(18,207)
Dividend declared (Note 8)	-	-	-	-	-	-	-	-	(11,119)	(11,119)	-	(11,119)
At 30 June 2018 (unaudited)	<u>27,797</u>	<u>73,400</u>	<u>2,004</u>	<u>(16,035)</u>	<u>933</u>	<u>2,860</u>	<u>3,695</u>	<u>(17,558)</u>	<u>3,301,704</u>	<u>3,378,800</u>	<u>306,636</u>	<u>3,685,436</u>

Note 1: 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.

Note 2: 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 2018

	Six months ended	
	30 June 2018	30 June 2017
<i>NOTE</i>	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	(21,482)	41,687
Investing activities		
Dividend received from associates	–	11,179
Proceeds on disposal of investment properties	–	25,060
Placement of pledged deposits	(3,514)	(1,250)
Purchase of equity instruments at fair value		
through other comprehensive income	(15,175)	–
Purchase of financial assets at fair value		
through profit or loss	(40,249)	–
Purchase of property, plant and equipment	(4,918)	(181)
Purchase of investment properties	(118,321)	(18,184)
Acquisition of investment properties and		
other assets and liabilities through		
acquisition of subsidiaries	(182,300)	–
Other investing cash flows	4,517	1,698
	(359,960)	18,322
Net cash (used in) from investing activities		
Financing activities		
Dividends paid to non-controlling interest	(18,207)	–
Interest paid	(25,684)	(16,692)
New bank borrowings raised	1,503,620	28,693
Repayment of bank borrowings	(1,131,541)	(113,704)
Proceeds on issue of shares	–	688
Contribution from non-controlling interest	4,687	2,014
Repayment of bonds	–	(18,158)
Repayment of finance lease obligations	(2,123)	(2,027)
Net cash from (used in) financing activities	330,752	(119,186)
Net decrease in cash and cash equivalents	(50,690)	(59,177)
Cash and cash equivalents at 1 January	652,152	644,891
Effect of foreign exchange rate changes	3,010	2,023
Cash and cash equivalents at 30 June, represented by bank balances and cash	604,472	587,737

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”).

In preparing the condensed consolidated financial statements, the directors of the Company 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\$195,677,000 as at 30 June 2018. The directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In the opinion of the directors of the Company, the Group has a number of sources of funds available to enable its obligation and commitments to be settled on a timely manner. In addition, the Group will be able to withdraw the unutilised bank facilities or obtain additional financing from financial institutions by taking into account the carrying 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.

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.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies used in these condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group's major revenue streams are distribution of mobile and IT products in Hong Kong and Thailand, leasing of investment properties in Japan, Hong Kong and Singapore and hotel operations in Japan. Rental income from investment properties are continued to be accounted for under HKAS 17 *Leases*.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (cont'd)

For distribution of mobile and IT products, the Group and its customers are acting a principal as the Group and the customers control the specified good before that good is further transferred. The performance obligation is satisfied and the control of good is transferred to the Group's customers upon delivery of the good. Transportation and other related activities that occur before the customers obtain control of the related goods are considered as fulfillment activities.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue and the related interpretations*.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (cont'd)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

2.1.2 Summary of effects arising from initial application of HKFRS 15

As at 1 January 2018, advances from customers of HK\$5,336,000 previously included in trade and other payables were reclassified to contract liabilities in the condensed consolidated statement of financial position at 1 January 2018.

At 30 June 2018, the contract liabilities of HK\$8,806,000 (as reported), would have been presented as advances from customers included in trade and other payables in the Group's condensed consolidated statement of financial position if HKFRS 15 has not been applied.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 *Financial Instruments* ("HKFRS 9") and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)
2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (cont'd)

Classification and measurement of financial assets (cont'd)

Equity instruments designated as at fair value through other comprehensive income ("FVTOCI") (cont'd)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (cont'd)

Impairment under ECL model

The Group assesses ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amounts due from associates, pledged deposits and bank balances). The assessment is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and the remaining trade and lease receivables collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (cont'd)

Impairment under ECL model (cont'd)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (cont'd)

Impairment under ECL model (cont'd)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised at 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)
2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (cont'd)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available- for-sale investments HK\$'000	Investments held-for- trading HK\$'000	Financial assets at FVTPL HK\$'000	Equity instruments at FVTOCI HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000
Closing balance at							
31 December 2017 – HKAS 39		223,733	16,661	-	-	80,394	3,082,233
Effect arising from initial application of HKFRS 9:							
Reclassification							
From available-for-sale investments	(a)	(223,733)	-	163,032	60,701	(87,712)	87,712
From investment held-for-trading	(b)	-	(16,661)	16,661	-	-	-
Remeasurement							
From cost less impairment to fair value	(a)	-	-	-	8,140	8,140	-
Opening balance at 1 January 2018		<u>-</u>	<u>-</u>	<u>179,693</u>	<u>68,841</u>	<u>822</u>	<u>3,169,945</u>

Notes:

(a) Available-for-sale investments

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all unquoted investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK\$60,701,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gain of HK\$8,140,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and investment revaluation reserve as at 1 January 2018. In addition, impairment losses previously recognised of HK\$7,318,000 were transferred from retained profits to investment revaluation reserve as at 1 January 2018.

From AFS investments to FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of HK\$163,032,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gains of HK\$80,394,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained profits.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (cont'd)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (cont'd)

Notes: (cont'd)

(b) Financial assets at FVTPL

The Group reassessed its investment in certain equity investments classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the fact and circumstances as at date of initial application, HK\$16,661,000 were held for trading and continued to be measured at FVTPL.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade and lease receivables. To measure the ECL, trade and lease receivables have been assessed individually for debtors with significant balances and the remaining trade and lease receivables collectively using a provision matrix with appropriate groupings.

Assessment of loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged deposits, bank balances and amounts due from associates are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

The directors of the Company considered that the measurement of ECL has no material impact to the Group's retained profits as at 1 January 2018.

2.3 Impacts and changes in accounting policies of application on HKAS40 *Transfer of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact to the classification at 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

2.4 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) <i>HK\$'000</i>	HKFRS 15 <i>HK\$'000</i>	HKFRS 9 <i>HK\$'000</i>	1 January 2018 (Restated) <i>HK\$'000</i>
Non-current assets				
Available-for-sale investments	223,733	-	(223,733)	-
Financial assets at fair value through profit or loss	-	-	163,032	163,032
Equity instruments at fair value through other comprehensive income	-	-	60,701	60,701
Current assets				
Investments held-for-trading	16,661	-	(16,661)	-
Financial assets at fair value through profit or loss	-	-	16,661	16,661
Current liabilities				
Trade payables, other payables And accruals	711,881	(5,336)	-	706,545
Contract liabilities	-	5,336	-	5,336

Except as described above, the application of other new and amendments to HKFRSs has had no material effect on the amounts and disclosures set out in the condensed consolidated financial statements for the current interim period. The Group has not early applied new and amendments to HKFRSs and interpretation that have been issued but are not yet effective.

3A. REVENUE

	Six months ended 30 June 2018		
	Distribution of mobile and IT products <i>HK\$'000</i>	Hotels operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods			
Distribution of mobile and IT products			
Mobile products	807,916	–	807,916
IT related products	<u>2,270,026</u>	–	<u>2,270,026</u>
	<u>3,077,942</u>	–	<u>3,077,942</u>
Hotels operations			
Room revenue	–	12,300	12,300
Food and beverage	–	<u>2,604</u>	<u>2,604</u>
	–	<u>14,904</u>	<u>14,904</u>
Sub-total	<u>3,077,942</u>	<u>14,904</u>	<u>3,092,846</u>
Leasing of investment properties			<u>115,518</u>
Total			<u><u>3,208,364</u></u>
Geographical Markets			
Hong Kong	434,566	–	434,566
Thailand	2,643,376	–	2,643,376
Japan	–	14,904	14,904
	–	<u>14,904</u>	<u>14,904</u>
Total before leasing of investment properties	<u>3,077,942</u>	<u>14,904</u>	<u>3,092,846</u>
Timing of revenue recognition			
At a point in time	3,077,942	2,604	3,080,546
Over time	–	<u>12,300</u>	<u>12,300</u>
Total before leasing of investment properties	<u>3,077,942</u>	<u>14,904</u>	<u>3,092,846</u>

3B. 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 related HK\$'000	Securities investment HK\$'000	Total HK\$'000
	Hong Kong HK\$'000	Thailand HK\$'000			
Six months ended 30 June 2018 (unaudited)					
<i>Segment revenue</i>					
External sales	<u>434,566</u>	<u>2,643,376</u>	<u>130,422</u>	<u>–</u>	<u>3,208,364</u>
<i>Segment (loss) profit</i>	<u>(3,749)</u>	<u>55,652</u>	<u>116,150</u>	<u>61,274</u>	<u>229,327</u>
Share of results of associates					7,836
Finance costs					(26,567)
Other unallocated income					5,363
Unallocated corporate expenses					<u>(23,009)</u>
Profit before tax					<u>192,950</u>
	Distribution of mobile and IT products		Property related HK\$'000	Securities investment HK\$'000	Total HK\$'000
	Hong Kong HK\$'000	Thailand HK\$'000			
Six months ended 30 June 2017 (unaudited)					
<i>Segment revenue</i>					
External sales	<u>332,286</u>	<u>–</u>	<u>122,103</u>	<u>–</u>	<u>454,389</u>
<i>Segment (loss) profit</i>	<u>(5,532)</u>	<u>–</u>	<u>88,978</u>	<u>(4,710)</u>	<u>78,736</u>
Share of results of associates					16,757
Finance costs					(16,692)
Other unallocated income					10,881
Unallocated corporate expenses					<u>(20,597)</u>
Profit before tax					<u>69,085</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, finance costs and other unallocated income.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 June	30 June
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other gains and losses comprises:		
Change in fair value of derivative financial instruments	822	–
Exchange (loss) gain, net	(3,344)	10,001
Change in fair value of financial assets at fair value through profit or loss	58,677	–
Change in fair value of investments held-for-trading	–	2,222
Impairment losses recognised on available-for-sale investments	–	(7,318)
Gain (loss) on disposal of property, plant and equipment	7	(23)
Allowance for doubtful debts	(2,085)	–
Others	–	(96)
	54,077	4,786

5. INCOME TAX EXPENSE

	Six months ended	
	30 June	30 June
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax		
Current period	105	363
Overseas Tax		
Current period	14,648	283
Under(over)provision in respect of prior periods	413	(905)
Withholding tax on dividend paid	3,454	2,718
	18,515	2,096
Deferred taxation	10,134	3,814
Income tax expense for the period	28,754	6,273

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

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

5. INCOME TAX EXPENSE (cont'd)

Corporate Tax in Japan is calculated at 23.4% 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 subsidiaries.

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

6. PROFIT FOR THE PERIOD

	Six months ended	
	30 June	30 June
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging and (crediting):		
Reversal of allowance for inventories, net	(2,876)	(2,368)
Cost of inventories recognised in cost of sales	2,907,061	310,326
Depreciation of property, plant and equipment	8,818	3,976
Share of tax expense of associates	3,347	4,261
Interest income on bank deposits	(4,516)	(1,446)

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK\$142,878,000 (six months ended 30 June 2017: HK\$59,222,000) and the weighted average number of ordinary shares calculated below.

	Six months ended	
	30 June	30 June
	2018	2017
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	277,966,666	277,778,821
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	267,177	102,924
Weighted average number of ordinary shares for the purpose of diluted earnings per share	278,233,843	277,881,745

The computation of diluted earnings per share for the six months ended 30 June 2018 did not assume the exercise of certain share options of SiS Mobile as the exercise prices of those options were higher than the average market prices of SiS Mobile for the period.

The computation of diluted earnings per share for the six months ended 30 June 2017 did not assume the exercise of certain share options of the Company and share options of SiS Mobile as the exercise prices of those options were higher than the average market prices of the Company and SiS Mobile for the period.

8. DIVIDENDS

	Six months ended	
	30 June	30 June
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend, payable in respect of the year ended 31 December 2017 of 4.0 HK cents per share (2017: 3.0 HK cents per share in respect of the year ended 31 December 2016)	11,119	8,339

The directors of the Company do not recommend the payment of interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

The Group's investment properties in Hong Kong and Singapore as at 30 June 2018 were fair valued by the directors of the Company with reference to recent transaction prices in the market for similar properties in similar locations. The resulting increase in fair value of investment properties of HK\$16,422,000 has been recognised directly in profit or loss for the period.

The Group's investment properties in Japan as at 30 June 2018 were fair valued by CBRE who are independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and where appropriate 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 gain in fair value of investment properties of HK\$52,108,000 has been recognised directly in profit or loss for the period.

The Group's investment properties as at 30 June 2017 were fair valued by the directors with reference to recent transaction prices in the market for similar properties in similar locations and where appropriate by capitalisation of the income net off outgoings and lease payments and provisions for reversionary income potential. The resulting increase in fair value of investment properties of HK\$24,314,000 has been recognised directly in profit or loss for the period.

During the period, the Group spent approximately HK\$4,918,000 (six months ended 30 June 2017: HK\$181,000) and HK\$300,321,000 (six months ended 30 June 2017: HK\$18,184,000) on the addition of property, plant and equipment and investment properties respectively.

During the period, the Group did not dispose of any investment property (six months ended 30 June 2017: HK\$25,060,000).

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$821,286,000 (31 December 2017: HK\$725,689,000). 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 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within 30 days	510,434	430,390
31 to 90 days	275,284	260,913
91 to 120 days	19,274	11,229
Over 120 days	16,294	23,157
	<u>821,286</u>	<u>725,689</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 renting of properties. Rent is payable on presentation of a demand note. 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\$527,355,000 (31 December 2017: HK\$453,251,000). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within 30 days	412,815	323,297
31 to 90 days	102,399	118,267
91 to 120 days	3,102	1,205
Over 120 days	9,039	10,482
	<u>527,355</u>	<u>453,251</u>

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

12. OBLIGATIONS UNDER FINANCE LEASES

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
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Analysed for reporting purposes as:

Current liabilities	4,333	4,173
Non-current liabilities	27,568	29,082
	31,901	33,255

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.80% to 3.56% (31 December 2017: 2.80% to 3.56%).

13. BANK BORROWINGS

During the current interim period, the Group repaid bank borrowings of HK\$1,131,541,000 (six months ended 30 June 2017: HK\$113,704,000) and obtained new short-term bank borrowings amounting to HK\$1,570,761,000 (six months ended 30 June 2017: HK\$28,693,000).

14. 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 2017 (audited)	277,566,666	27,757
Exercise of share options	<u>400,000</u>	<u>40</u>
At 31 December 2017 (audited) and at 30 June 2018 (unaudited)	<u>277,966,666</u>	<u>27,797</u>

15. SHARE-BASED PAYMENTS

(a) SHARE OPTIONS SCHEME OF SIS INTERNATIONAL HOLDINGS LIMITED

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 of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

Grantee	Outstanding at 1 January 2018 (audited) & 30 June 2018 (unaudited)
Directors	990,000
Employees and others	1,260,000
	<u>2,250,000</u>

No options were granted, exercised, lapsed or forfeited during the six months period ended 30 June 2018.

15. SHARE-BASED PAYMENTS (cont'd)**(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.

Grantee of SiS Mobile	Outstanding at 1 January 2018 (audited) & 30 June 2018 (unaudited)
Directors	6,390,000
Employees	1,500,000
	<u>7,890,000</u>

No options were granted, exercised, lapsed or forfeited during the six months period ended 30 June 2018.

16. PLEDGE OF ASSETS

At the end of the reporting period,

- (a) The Group's investment properties with carrying values of HK\$4,293,202,000 (31 December 2017: HK\$3,912,647,000) and property, plant and equipment of carrying values of HK\$182,791,000 (31 December 2017: HK\$180,970,000) were charged to secure general banking facilities available to the Group.
- (b) Bank deposits of HK\$469,851,000 (31 December 2017: HK\$466,337,000) were pledged to secure the Group's bank borrowings.
- (c) Certain shares of subsidiaries have been pledged to the banks as at 30 June 2018 and 31 December 2017 to secure several banking facilities available to the Group.

17. RELATED PARTY TRANSACTIONS

(a) During the period, the Group had the following transactions with associates.

Nature of transactions	Six months ended	
	30 June 2018 HK\$'000 (unaudited)	30 June 2017 HK\$'000 (unaudited)
Sales of goods	2,170	–
Purchase of goods	446,050	–
Other services fee income	2,485	–
Management service fee income	–	1,353

(b) 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 2018 was HK\$10,184,000 (six months ended 30 June 2017: HK\$8,438,000).

18. ACQUISITION OF INVESTMENT PROPERTIES AND OTHER ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 29 June 2018, the Group entered into an acquisition agreement with an independent third party for acquisition of the issued share capital of the companies, which owned a property in Hong Kong, at the consideration of approximately HK\$182,300,000. The assets acquired and liabilities assumed did not constitute a business combination as defined in HKFRS3 “*Business Combinations*” and therefore, the acquisition was accounted for as assets acquisition.

The assets acquired and liabilities assumed in the transaction were as follows:

	<i>HK\$'000</i>
Investment properties	182,000
Other receivables	67,557
Other payables and accruals	(116)
Bank borrowings	(67,141)
Net assets of the subsidiaries acquired	<u>182,300</u>

Net cash outflow arising on acquisition:

	<i>HK\$'000</i>
Cash consideration paid	<u>182,300</u>

19. CONTINGENT LIABILITIES

During the year ended 31 December 2017, an originating notice of application (the “Originating Notice”) filed with the Competition Tribunal of the Hong Kong Special Administrative Region (the “Competition Tribunal”) was served on SiS International Limited, a wholly-owned subsidiary of the Group (“SiS International”), by the legal adviser of the applicant, the Competition Commission (the “Applicant”). According to the Originating Notice, the Applicant alleged that, among other things, SiS International, along with other respondents under the Originating Notice (the “Respondents”), has contravened section 6(1) of the Competition Ordinance (Cap. 619, the laws of Hong Kong) (the “First Conduct Rule”) and the Applicant seeks orders from the Competition Tribunal, amongst other reliefs, for pecuniary penalty to be imposed on the Respondents and declaration that each Respondent has contravened the First Conduct Rule.

The Group is working with the legal adviser to take appropriate course of action in respect of the abovementioned application. The evidentiary hearing of the proceedings was heard before the Competition Tribunal in June 2018 and the Group will return to court for closing submission in September 2018. As the proceedings have not been concluded, the ultimate outcome and liability of the claim cannot be ascertained at the end of the reporting period. The Group has made provision for litigation and related expenses to the condensed consolidated financial statements and the directors of the Company are of the opinion that further financial effects, if any, are not likely to be significant to the Group.

20. 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 value 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).

20. 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)
	30.06.2018 HK\$'000	31.12.2017 HK\$'000		
1. Listed equity securities classified as investments held-for-trading	-	16,661	Level 1	Quoted bid prices in active markets.
2. Listed equity securities classified as available-for-sales investments	-	163,032	Level 1	Quoted bid prices in active markets.
3. Listed equity securities classified as financial assets at FVTPL	277,088	-	Level 1	Quoted bid prices in active markets.
4. Listed equity securities classified as equity instruments at FVTOCI	17,000	-	Level 1	Quoted bid prices in active markets.
5. Unquoted equity investments classified as equity instruments at FVTOCI	25,920	-	Level 2	Recent share price of the investee issued to independent third parties.
6. Unquoted equity investments classified as equity instruments at FVTOCI	43,406	-	Level 3	The discounted cash flow method was used to capture the present value of the expected future economic benefit to be derived from the ownership of these investees. Discount for lack of marketability of 25%, determined by reference to the share price of listed entities in similar industries.
7. Foreign currency forward contracts classified as derivative financial instruments	Assets – 264	Liabilities – 536	Level 2	Discounted cash flow: Future cash flows are estimated based on quoted forward exchange rates, which is observable at the end of period.

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

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.

(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 to their fair values.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2018, the Group had total assets of HK\$8,263,840,000 which were financed by total equity of HK\$3,685,436,000 and total liabilities of HK\$4,578,404,000. The Group had current ratio of approximately 0.94 compared to that of approximately 1.06 as at 31 December 2017.

As at 30 June 2018 the Group had HK\$1,074,323,000 (31 December 2017: HK\$1,118,489,000) bank deposits balances and cash of which HK\$469,851,000 (31 December 2017: HK\$466,337,000) 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 2018, the Group had short term borrowings of HK\$2,099,435,000 (31 December 2017: HK\$1,667,093,000) and long term borrowings and bonds of total HK\$1,275,292,000 (31 December 2017: HK\$1,233,615,000). The borrowings were mainly denominated in Japanese Yen, Thai Baht and Hong Kong Dollars and were charged by banks at floating interest rate.

At the end of June 2018, the Group had net cash deficit (total bank borrowings and bonds less bank balances and cash and pledged deposits) of HK\$2,300,404,000 (31 December 2017: HK\$1,782,219,000).

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 30 June 2018 was 92% (31 December 2017: 82%).

Charges on Group Assets

As at 30 June 2018, the Group had pledged deposits of HK\$469,851,000 (31 December 2017: HK\$466,337,000) and investment properties with carrying values of HK\$4,293,202,000 (31 December 2017: HK\$3,912,647,000) and property, plant and equipment with carrying value of HK\$182,791,000 (31 December 2017: HK\$180,970,000) 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 2018 and 31 December 2017 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 2018 was 637 (30 June 2017: 95) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$77,066,000 (30 June 2017: HK\$21,899,000). 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 2018, 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 Dollar. Certain bank balances are dominated in United States Dollar, Australian Dollar, Singapore Dollar, Japanese Yen and Renminbi, while certain bank borrowings are dominated in United States Dollar 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\$4,918,000 (six months ended 30 June 2017: HK\$181,000) and HK\$300,321,000 (six months ended 30 June 2017: HK\$18,184,000) on addition of property, plant and equipment and investment properties respectively.

Contingent Liabilities

At 30 June 2018, the Company has HK\$154,000,000 corporate guarantees extended to certain banks as security for banking facilities to the Group (31 December 2017: HK\$154,000,000).

OTHER INFORMATION

Directors' Interests in Shares

At 30 June 2018, 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 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)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kia Hong (Note 4)	6,933,108	504,000	-	178,640,000	186,077,108	66.94%
Lim Kiah Meng (Note 4)	5,403,200	450,000	534,000	178,640,000	185,027,200	66.56%
Lim Hwee Hai (Note 3)	4,493,200	4,751,158	-	-	9,244,358	3.33%
Lim Hwee Noi (Note 3,4)	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.
- (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 304,000 shares on behalf of three beneficiaries aged below 18. Out of these 304,000 shares, 200,000 shares and 104,000 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

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 a subsidiary 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 (Note 1)	Corporate interests (Note 2 and 3)	Total number of issued ordinary shares held	Percentage of the issued share capital of SiS Mobile
Lim Kia Hong (Note 5)	1,846,754	161,280	-	203,607,467	205,615,501	73.43%
Lim Kiah Meng (Note 5)	1,729,024	144,000	170,880	203,607,467	205,651,371	73.45%
Lim Hwee Hai (Note 4)	1,065,984	1,145,330	-	-	2,211,314	0.79%
Lim Hwee Noi (Note 4&5)	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 Ltd. 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.
- (5) In addition to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 97,280 shares on behalf of three beneficiaries aged below 18. 64,000 shares and 33,280 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

OTHER INFORMATION (Cont'd)**Directors' Interests in Shares (Cont'd)****(iii) Long positions in the shares and underlying shares of a subsidiary 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 in SiS Thai	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 66.94% 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 2018 and 30 June 2018
Directors and their associates:				
Lim Kia Hong				
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
Lim Kiah Meng				
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
Lim Hwee Hai				
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
Lim Hwee Noi				
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 Ltd. ("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	47,911,029	46.05%

Note:

A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 8,790,600 ordinary shares in ITCL, while the Company indirectly holds 39,120,429 ordinary shares. As disclosed in (i) above, Mr. Lim Kiah Meng and his family has total interest of 66.56% in the Company, therefore Mr. Lim has deemed corporate interest of 39,120,429 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 corporation at 30 June 2018.

Share Options

For details of the Company's share option scheme, please refer to note 40 to the consolidated financial statement and pages 32 to 34 in the 2017 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 share options
				Outstanding at 1 January 2018 and 30 June 2018

Directors and their associates:**Lim Kia Hong**

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

Lim Kiah Meng

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

OTHER INFORMATION (Cont'd)

Share Options (Cont'd)

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of share options
				Outstanding at 1 January 2018 and 30 June 2018
Lim Hwee Hai				
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
Lim Hwee Noi				
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
Lee Hiok Chuan				
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
Ong Wui Leng				
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
Ma Shiu Sun, Michael				
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
Total directors and their associates				990,000
Employees and other qualified persons:				
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
Total employees and other qualified persons				1,260,000
Total number of share options				2,250,000

No share options were granted, exercised, lapsed or forfeited during the six months period ended 30 June 2018.

OTHER INFORMATION (Cont'd)

Substantial Shareholders

As at 30 June 2018, 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	Percentage
				of issued ordinary shares held	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 as at 30 June 2018.

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 2018, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in pages 10 and 11 of the Group's 2017 annual report under the Corporate Governance section.

OTHER INFORMATION (Cont'd)**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 condensed consolidated financial statements for the six months ended 30 June 2018, including the accounting principles and practices adopted by the Company, in conjunction with the Company’s auditors.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months period ended 30 June 2018.

On behalf of the Board of

SiS International Holdings Limited

LIM Kia Hong

Chairman and Chief Executive Officer

Hong Kong, 30 August 2018

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

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AUDITORS

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SOLICITORS

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) Ltd.

Sumitomo Mitsui Banking Corporation

The Tokyo Star Bank, Limited

United Overseas Bank Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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Bermuda

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