



# SiS International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00529)

## INTERIM REPORT 2019



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**MESSAGE FROM THE CHAIRMAN AND CEO**

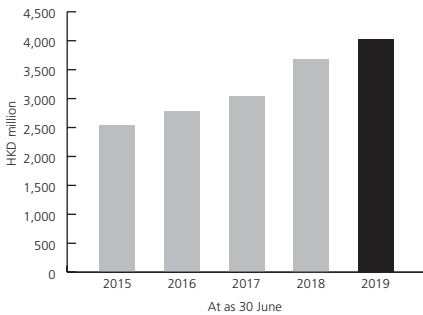
Dear Shareholders,

I am delighted to present the interim results of the Group for the six months ended 30 June 2019.

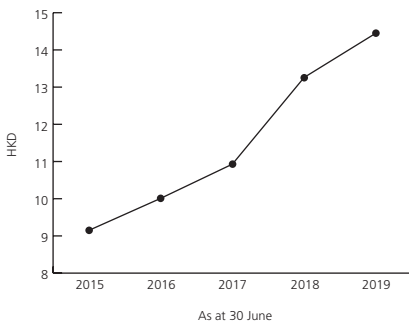
Net profit attributable to shareholders of the Company for the period decreased 2% to HK\$139,594,000 while sales revenue decreased from HK\$3,208,364,000 to HK\$3,056,270,000 when compared with same period last year.

Net assets value per share at 30 June 2019 was HK\$14.4 (31 December 2018: HK\$13.8 per share).

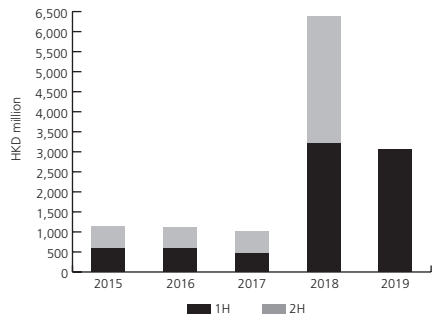
**Shareholders' equity**



**Net assets value per share**



**Revenue**



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

### BUSINESS REVIEW

#### Real Estate Business

Total revenue from real estate investment portfolio for the period increased 8% to HK\$141,200,000 and generated a segment profit (excluding gains from changes in fair value of investment properties and listing expenses) of HK\$58,212,000 compared with HK\$47,620,000 for same period last year.

The Group continued to expand in Japan by acquiring another hotel property in Kyoto. Upon completion of a hotel acquisition in Kyoto, Japan in March 2019, the total number of hotels and hospitality properties in Japan will increase to nineteen (19). Total carrying value amounted to HK\$3,414,918,000 and generated revenue of HK\$119,048,000 for the six-month ended 30 June 2019.

Carrying value of real estates in other regions amounted to HK\$2,201,935,000 and contributed revenue of HK\$22,152,000 to the Group. The 12% growth in revenue was contributed largely by the renewal of lease contracts in the last quarter of 2018.

The Group is anticipating that the number of tourists travelling to Japan will increase in the run-up to the 2020 Olympics. The sizeable spread of hotels and hospitality properties throughout the various regions of Japan will enable and further spur growth in this area.

The sizeable real estate portfolio, with the potential of long term capital appreciation continues to generate steady income to the Group.

#### Distribution Business

Total segment profit increased 28% to HK\$66,577,000, mainly contributed from distribution business in Thailand. Total revenue from distribution business decreased 5% whilst revenue from distribution in Hong Kong grew 6%. Improving segment performance was contributed by higher gross profit margin in all locations.

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

The associate company, Information Technology Consultants Limited grew steadily during the first half of the year and contributed positively to the Group.

In the face of volatile and tough stock markets environment, securities investment recorded a segment loss of HK\$52,019,000 as compared with a segment gain in last interim period. Fair value of the investment portfolio was HK\$264,183,000 as at 30 June 2019 (31 December 2018: HK\$316,473,000). Nevertheless, we will continue to hold on those promising securities investment and ride out the tough trading conditions until prices of these securities rebound.

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

### PROSPECT

The outlook for the year remains challenging in view of the intensifying belligerent US China trade war, Brexit woes, geopolitical tensions and the ongoing and worsening political climate in Hong Kong. Demand for IT and mobility products continue to soften as consumers move towards lower priced products. However, the advent of 5G technology is deemed to open up many new opportunities and growth avenues.

Against the challenging and uncertain global outlook, the Directors are cautiously moving ahead with confidence. Amid an increase in the uncertainties and downside risks in global economy lies opportunities. The Group, with a solid foundation and experience is well positioned to capture opportunities when they arise.

### APPRECIATION

We would like to thank our staff for their contributions, our customers, business partners, shareholders and directors for their support in SiS. We continue to build on our success with our entrepreneurial spirit throughout the organization.

**LIM Kia Hong**

*Chairman and Chief Executive Officer*

Hong Kong, 28 August 2019

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 2019 together with comparative figures for the corresponding period in 2018. The interim report has been reviewed by the Company's auditor and audit committee.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended	
		30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Revenue	3A	3,056,270	3,208,364
Cost of sales		<u>(2,804,177)</u>	<u>(2,978,798)</u>
Gross profit		252,093	229,566
Other income		29,320	21,640
Other gains and losses	4	(53,120)	54,077
Distribution costs		(89,521)	(84,034)
Administrative expenses		(80,120)	(78,098)
Listing expenses		(14,934)	—
Gain from changes in fair value of investment properties		191,480	68,530
Share of results of associates		(907)	7,836
Finance costs		<u>(33,284)</u>	<u>(26,567)</u>
Profit before tax		201,007	192,950
Income tax expense	5	<u>(41,131)</u>	<u>(28,754)</u>
Profit for the period	6	<u>159,876</u>	<u>164,196</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		139,594	142,878
Non-controlling interests		<u>20,282</u>	<u>21,318</u>
		<u>159,876</u>	<u>164,196</u>
<b>EARNINGS PER SHARE</b>	7		
— Basic (HK cents)		<u>50.2</u>	<u>51.4</u>
— Diluted (HK cents)		<u>50.2</u>	<u>51.4</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Profit for the period	<u>159,876</u>	<u>164,196</u>
<b>Other comprehensive income (expense):</b>		
<b>Items that will not be classified to profit or loss</b>		
Fair value gain on equity instruments at fair value through other comprehensive income	<u>322</u>	<u>762</u>
<b>Items that may be subsequently reclassified to profit or loss</b>		
Exchange realignment arising on translation of foreign operations		
— Subsidiaries	41,424	7,119
— Associates	<u>88</u>	<u>(973)</u>
	<u>41,512</u>	<u>6,146</u>
Other comprehensive income for the period	<u>41,834</u>	<u>6,908</u>
Total comprehensive income for the period	<u><u>201,710</u></u>	<u><u>171,104</u></u>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	171,696	145,617
Non-controlling interests	<u>30,014</u>	<u>25,487</u>
	<u><u>201,710</u></u>	<u><u>171,104</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2019

	NOTES	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	9	5,086,207	4,598,274
Property, plant and equipment	9	530,646	527,685
Right-of-use assets		26,709	—
Goodwill		126,406	126,406
Interests in associates		105,203	106,156
Equity instruments at fair value through profit or loss		156,796	212,291
Equity instruments at fair value through other comprehensive income		91,549	90,754
Deferred tax assets		63,389	67,105
Deposits paid		4,813	3,582
Other assets		2,500	2,500
		<b>6,194,218</b>	<b>5,734,753</b>
<b>Current assets</b>			
Inventories		753,489	640,165
Trade and other receivables, deposits and prepayments	10	1,112,471	943,645
Tax recoverable		2	2,185
Equity instruments at fair value through profit or loss		15,838	13,428
Investment in preference shares		—	2,870
Pledged deposits		456,923	445,331
Bank balances and cash		645,093	586,755
		<b>2,983,816</b>	<b>2,634,379</b>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	11	886,818	727,880
Contract liabilities		12,528	12,310
Dividend payable		19,458	—
Lease liabilities		13,306	—
Amounts due to related companies		8,748	6,616
Derivative financial instruments		3,237	582
Obligation under finance leases		—	4,398
Tax payable		21,452	17,960
Bank borrowings	12	2,296,421	2,257,272
Rental deposits		11,090	6,426
		<b>3,273,058</b>	<b>3,033,444</b>
Net current liabilities		<b>(289,242)</b>	<b>(399,065)</b>
Total assets less current liabilities		<b>5,904,976</b>	<b>5,335,688</b>



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

AT 30 JUNE 2019

	NOTES	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Bank borrowings	12	1,156,432	835,576
Bonds		280,670	274,644
Obligation under finance leases		—	25,356
Deferred tax liabilities		220,475	200,687
Rental deposits		113,584	131,934
Retirement benefits obligation		18,400	12,327
Advance lease payments		37,733	—
Lease liabilities		61,604	—
		<u>1,888,898</u>	<u>1,480,524</u>
<b>Net assets</b>		<u>4,016,078</u>	<u>3,855,164</u>
<b>Capital and reserves</b>			
Share capital	13	27,797	27,797
Share premium		73,400	73,400
Other reserves (deficits)		12,956	(19,146)
Retained profits		3,561,961	3,441,825
		<u>3,676,114</u>	<u>3,523,876</u>
Equity attributable to owners of the Company		<u>339,964</u>	<u>331,288</u>
Non-controlling interests		<u>339,964</u>	<u>331,288</u>
<b>Total equity</b>		<u>4,016,078</u>	<u>3,855,164</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to the owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investments reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Contributed surplus HK\$'000 (note a)	Share options reserve HK\$'000	Other reserve HK\$'000 (note b)	Retained profits HK\$'000	Total HK\$'000		
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	—	—	(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)	27,797	73,400	2,004	(16,035)	933	2,860	3,695	(17,558)	3,301,704	3,378,800	306,636	3,685,436
At 31 December 2018 (audited)	27,797	73,400	1,260	(10,336)	933	2,860	3,695	(17,558)	3,441,825	3,523,876	331,288	3,855,164
Profit for the period	—	—	—	—	—	—	—	—	139,594	139,594	20,282	159,876
Other comprehensive income for the period	—	—	587	31,515	—	—	—	—	—	32,102	9,732	41,834
Total comprehensive income for the period	—	—	587	31,515	—	—	—	—	139,594	171,696	30,014	201,710
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(21,338)	(21,338)
Dividend declared (Note 8)	—	—	—	—	—	—	—	—	(19,458)	(19,458)	—	(19,458)
At 30 June 2019 (unaudited)	27,797	73,400	1,847	21,179	933	2,860	3,695	(17,558)	3,561,961	3,676,114	339,964	4,016,078

*Note a:* 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 in the year 1992.

*Note b:* 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 2019

	Six months ended	
	30 June 2019	30 June 2018
NOTE	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>Net cash from (used in) operating activities</b>	<b>55,005</b>	<b>(21,482)</b>
<b>Investing activities</b>		
Proceeds on disposal of investment properties	33,800	—
Placement of pledged deposits	(7,000)	(3,514)
Purchase of equity instruments at fair value through other comprehensive income	(293)	(15,175)
Purchase of equity instruments at fair value through profit or loss	(438)	(40,249)
Purchase of investment properties	(245,894)	(118,321)
Purchase of property, plant and equipment	(10,291)	(4,918)
Proceeds on disposal of investment in preference shares	2,870	—
Acquisition of properties and other assets and liabilities through acquisition of subsidiaries	—	(182,300)
Other investing cash flows	1,437	4,517
	<b>(225,809)</b>	<b>(359,960)</b>
<b>Financing activities</b>		
Dividends paid to non-controlling interests	(21,338)	(18,207)
Repayment of lease liabilities	(6,826)	—
Interest paid	(33,284)	(25,684)
New bank borrowings raised	1,648,647	1,503,620
Repayment of bank borrowings	(1,364,962)	(1,131,541)
Contribution from non-controlling interests	—	4,687
Repayment of finance lease obligations	—	(2,123)
	<b>222,237</b>	<b>330,752</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>51,433</b>	<b>(50,690)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>586,755</b>	<b>652,152</b>
Effect of foreign exchange rate changes	6,905	3,010
<b>Cash and cash equivalents at 30 June, represented by bank balances and cash</b>	<b>645,093</b>	<b>604,472</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 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\$289,242,000 as at 30 June 2019.

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

### 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 and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

## 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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### **2.1 *Impacts and changes in accounting policies on application of HKFRS 16 Leases***

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

#### **2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16***

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

#### **Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### 2.1 *Impacts and changes in accounting policies on application of HKFRS 16 Leases (Cont'd)*

##### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 (Cont'd)*

###### **As a lessee**

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

###### Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight line basis over the lease term.

###### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life.

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### 2.1 *Impacts and changes in accounting policies on application of HKFRS 16 Leases (Cont'd)*

##### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 (Cont'd)*

###### **As a lessee (Cont'd)**

###### Right-of-use assets (Cont'd)

Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

###### Leasehold land and building

For a property interest which is owned by the Group and includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

###### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

###### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### 2.1 *Impacts and changes in accounting policies on application of HKFRS 16 Leases (Cont'd)*

##### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 (Cont'd)*

###### **As a lessee (Cont'd)**

###### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

###### **As a lessor**

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

###### Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Subsequently, adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### 2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16*

###### **Definition of a lease**

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.



## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### 2.1 *Impacts and changes in accounting policies on application of HKFRS 16 Leases (Cont'd)*

##### 2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Cont'd)*

###### **As a lessee**

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### 2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases (Cont'd)

##### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Cont'd)

###### As a lessee (Cont'd)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied by the relevant group entities are 3.00%, 2.50% and 2.85% in Hong Kong, Thailand and Japan respectively.

	At 1 January 2019
	NOTES
	HK\$'000
Operating lease commitments disclosed as at 31 December 2018	<u>49,725</u>
Lease liabilities discounted at relevant incremental borrowing rates	33,627
Add: Extension options reasonably certain to be exercised	16,377
Less: Recognition exemption — leases with terms ending within 12 months of the date of initial application	<u>(673)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	(b) 49,331
Add: Obligations under finance leases recognised at 31 December 2018	(a) <u>29,754</u>
Lease liabilities as at 1 January 2019	<u>79,085</u>
Analysed as	
Current	14,914
Non-current	<u>64,171</u>
	<u>79,085</u>

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### 2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases (Cont'd)

##### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Cont'd)

##### As a lessee (Cont'd)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000 (d)
<b>Non-current Assets</b>				
Right-of-use assets	(b)	—	30,325	30,325
Investment properties	(b)	4,598,274	19,006	4,617,280
<b>Current Liabilities</b>				
Lease liabilities	(a)	—	14,914	14,914
Obligations under finance leases	(a)	4,398	(4,398)	—
<b>Non-current Liabilities</b>				
Lease liabilities	(a)	—	64,171	64,171
Obligations under finance leases	(a)	25,356	(25,356)	—

##### Notes:

- (a) In relation to assets previously under finance leases, the Group reclassified the obligations under finance leases of HK\$4,398,000 and HK\$25,356,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.
- (b) The carrying amount of right-of-use assets as at 1 January 2019 relates to operating leases of land and buildings recognised upon application of HKFRS 16. The Group recognised lease liabilities of HK\$49,331,000, right-of-use assets of HK\$30,325,000 for properties interest included in both leasehold land and buildings, and investment properties of HK\$19,006,000 for a leasehold land for an investment properties at 1 January 2019.

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### 2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases (Cont'd)

##### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Cont'd)

###### As a lessee (Cont'd)

Notes: (Cont'd)

- (c) *Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. As the discounting effect is not significant, no adjustment was made to the refundable rental deposits paid at the date of initial application, 1 January 2019.*
- (d) *For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.*

###### As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. Accordingly, HK\$20,627,000 was adjusted from refundable rental deposits received to advance lease payments. The weighted average incremental borrowing rate applied range from 1.445% to 2.407%.

At 30 June 2019, included in the advance lease payments of HK\$37,733,000 (as reported), an amount of HK\$22,033,000 would have been presented as rental deposits under non-current liabilities in the Group's condensed consolidated statement of financial position if HKFRS 16 has not been applied. The application of HKFRS 16 as lessor have no material profit or loss impact for the six months ended 30 June 2019.

**3A. REVENUE FROM CONTRACTS WITH CUSTOMERS**

## Disaggregation of revenue

	For the six months ended 30 June 2019		
	Distribution of mobile and IT products <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or service</b>			
Distribution of mobile and IT products			
Mobile products	475,866	—	475,866
IT related products	2,424,796	—	2,424,796
	<u>2,900,662</u>	<u>—</u>	<u>2,900,662</u>
Commission income	14,408	—	14,408
Hotel operations			
Room revenue	—	12,343	12,343
Food and beverage	—	2,536	2,536
	<u>—</u>	<u>14,879</u>	<u>14,879</u>
<b>Sub-total</b>	<u>2,915,070</u>	<u>14,879</u>	2,929,949
Leasing of investment properties			<u>126,321</u>
<b>Total</b>			<u>3,056,270</u>
<b>Geographical market</b>			
Hong Kong	459,732	—	459,732
Thailand	2,455,338	—	2,455,338
Japan	—	14,879	14,879
	<u>2,915,070</u>	<u>14,879</u>	<u>2,929,949</u>
<b>Total before leasing of investment properties</b>	<u>2,915,070</u>	<u>14,879</u>	<u>2,929,949</u>
<b>Timing of revenue recognition</b>			
At a point in time	2,915,070	2,536	2,917,606
Over time	—	12,343	12,343
	<u>2,915,070</u>	<u>14,879</u>	<u>2,929,949</u>
<b>Total before leasing of investment properties</b>	<u>2,915,070</u>	<u>14,879</u>	<u>2,929,949</u>

**3A. REVENUE FROM CONTRACTS WITH CUSTOMERS (Cont'd)****Disaggregation of revenue (Cont'd)**

	For the six months ended 30 June 2018		
	Distribution of mobile and IT products <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or service</b>			
Distribution of mobile and IT products			
Mobile products	807,916	—	807,916
IT related products	2,254,808	—	2,254,808
	<u>3,062,724</u>	<u>—</u>	<u>3,062,724</u>
Commission income	15,218	—	15,218
Hotel operations			
Room revenue	—	12,300	12,300
Food and beverage	—	2,604	2,604
	<u>—</u>	<u>14,904</u>	<u>14,904</u>
<b>Sub-total</b>	<u><u>3,077,942</u></u>	<u><u>14,904</u></u>	<u><u>3,092,846</u></u>
Leasing of investment properties			<u>115,518</u>
<b>Total</b>			<u><u>3,208,364</u></u>
<b>Geographical market</b>			
Hong Kong	434,566	—	434,566
Thailand	2,643,376	—	2,643,376
Japan	—	14,904	14,904
	<u>3,077,942</u>	<u>14,904</u>	<u>3,092,846</u>
<b>Total before leasing of investment properties</b>	<u><u>3,077,942</u></u>	<u><u>14,904</u></u>	<u><u>3,092,846</u></u>
<b>Timing of revenue recognition</b>			
At a point in time	3,077,942	2,604	3,080,546
Over time	—	12,300	12,300
	<u>3,077,942</u>	<u>14,904</u>	<u>3,092,846</u>
<b>Total before leasing of investment properties</b>	<u><u>3,077,942</u></u>	<u><u>14,904</u></u>	<u><u>3,092,846</u></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 investment and hotel operations		Securities investment	Consolidated
	Hong Kong	Thailand	Japan	Other regions		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30 June 2019</b> (unaudited)						
<i>Segment revenue</i>						
External sales	<u>459,732</u>	<u>2,455,338</u>	<u>119,048</u>	<u>22,152</u>	<u>—</u>	<u>3,056,270</u>
<i>Segment (loss) profit</i>	<u>(1,582)</u>	<u>68,159</u>	<u>144,005</u>	<u>90,753</u>	<u>(52,019)</u>	249,316
Share of results of associates						(907)
Finance costs						(33,284)
Other unallocated income						7,550
Unallocated corporate expenses						<u>(21,668)</u>
Profit before tax						<u>201,007</u>
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	Consolidated
	Hong Kong	Thailand	Japan	Other regions		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30 June 2018</b> (unaudited)						
<i>Segment revenue</i>						
External sales	<u>434,566</u>	<u>2,643,376</u>	<u>110,665</u>	<u>19,757</u>	<u>—</u>	<u>3,208,364</u>
<i>Segment (loss) profit</i>	<u>(3,749)</u>	<u>55,652</u>	<u>80,488</u>	<u>35,662</u>	<u>61,274</u>	229,327
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>

**3B. SEGMENT INFORMATION (Cont'd)**

As at 31 December 2018, the property investment and hotel operations in Japan become a reportable segment resulting from changes in resource allocation and assessment of segment performance by the chief operating decision makers, who are the executive directors of the Company. Therefore, certain comparative figures of the segment information have been represented.

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

**4. OTHER GAINS AND LOSSES**

	Six months ended	
	30 June 2019 <i>HK\$'000</i> (unaudited)	30 June 2018 <i>HK\$'000</i> (unaudited)
Other gains and losses comprises:		
Change in fair value of derivative financial instruments	(2,548)	822
Exchange gain (loss), net	3,658	(3,344)
Change in fair value of equity instruments at fair value through profit or loss	(53,535)	58,677
(Loss) gain on disposal of property, plant and equipment	(504)	7
Allowance for credit losses, net of reversal	(191)	(2,085)
	<u>(53,120)</u>	<u>54,077</u>



## 5. INCOME TAX EXPENSE

	Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
The charge comprises:		
Hong Kong Profits Tax		
Current period	541	105
Underprovision in respect of prior periods	1,490	—
	<u>2,031</u>	<u>105</u>
Overseas Tax		
Current period	15,962	14,648
(Over)underprovision in respect of prior periods	(82)	413
Withholding tax on dividend paid	1,301	3,454
	<u>17,181</u>	<u>18,515</u>
Deferred taxation	<u>21,919</u>	<u>10,134</u>
Income tax expense for the period	<u><u>41,131</u></u>	<u><u>28,754</u></u>

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.

Corporate Tax in Japan is calculated at 23.2% on the estimated assessable profit for the period (six months ended 30 June 2018: 23.4%). Pursuant to relevant laws and regulation in Japan, withholding tax is imposed at 20.42% and 5% on dividends paid to local investors and foreign investors respectively in respect of profit earned by Japanese entities.

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

## 6. PROFIT FOR THE PERIOD

	Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Allowance for (reversal of) inventories, net	1,514	(2,876)
Cost of inventories recognised in cost of sales	2,731,350	2,907,061
Depreciation of property, plant and equipment	12,360	8,818
Depreciation of right-of-use assets	5,253	—
Share of tax expense of associates	484	3,347
Interest income on bank deposits	<u>(6,375)</u>	<u>(4,516)</u>

## 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\$139,594,000 (six months ended 30 June 2018: HK\$142,878,000) and the number of ordinary shares calculated below.

	Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Number of ordinary shares for the purpose of basic earnings per share	277,966,666	277,966,666
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>—</u>	<u>267,177</u>
Number of ordinary shares for the purpose of diluted earnings per share	<u>277,966,666</u>	<u>278,233,843</u>

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

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.

## 8. DIVIDENDS

	Six months ended	
	30 June	30 June
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Final dividend, payable in respect of the year ended 31 December 2018 of 7.0 HK cents per share (2018: 4.0 HK cents per share in respect of the year ended 31 December 2017)	<u>19,458</u>	<u>11,119</u>

The Directors of the Company do not recommend the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 2019 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\$72,520,000 (six months ended 30 June 2018: 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 2019 were fair valued by CBRE KK, who are independent qualified professional valuers not connected with the Group. The valuations were arrived at by income approach with adjustment made to account for the development costs, and indirect costs that will be expended to complete the development. There has been no change from the valuation techniques used in the prior year. The resulting gain in fair value of investment properties of HK\$118,960,000 (six months ended 30 June 2018: HK\$52,108,000) has been recognised directly in profit or loss for the period.

During the period, the Group spent approximately HK\$10,291,000 (six months ended 30 June 2018: HK\$4,918,000) and HK\$245,894,000 (six months ended 30 June 2018: HK\$300,321,000) on the addition of property, plant and equipment and investment properties respectively.

During the period, the Group disposed of an investment property in Hong Kong for a consideration of HK\$33,800,000 (six months ended 30 June 2018: nil) to a third party.

**10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$976,015,000 (31 December 2018: HK\$815,095,000). The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the invoice date.

	30 June 2019 <i>HK\$'000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
Within 30 days	594,121	410,650
31 to 90 days	328,301	355,989
91 to 120 days	21,933	33,040
Over 120 days	<u>31,660</u>	<u>15,416</u>
	<u><u>976,015</u></u>	<u><u>815,095</u></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\$576,421,000 (31 December 2018: HK\$456,699,000). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2019 <i>HK\$'000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
Within 30 days	223,409	271,665
31 to 90 days	340,732	167,620
91 to 120 days	2,274	8,470
Over 120 days	<u>10,006</u>	<u>8,944</u>
	<u><u>576,421</u></u>	<u><u>456,699</u></u>

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

## 12. BANK BORROWINGS

During the current interim period, the Group repaid bank borrowings of HK\$1,364,962,000 (six months ended 30 June 2018: HK\$1,131,541,000) and obtained new short-term bank borrowings amounting to HK\$1,648,647,000 (six months ended 30 June 2018: HK\$1,570,761,000).

## 13. 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 2018 (audited), 31 December 2018 (audited) and 30 June 2019 (unaudited)	<u>277,966,666</u>	<u>27,797</u>

## 14. SHARE-BASED PAYMENTS

### (a) Share Options Scheme of the Company

A new share option scheme was adopted by the Company on 26 May 2017 (the "New Scheme"), while the old share option scheme adopted by the Company on 21 May 2007 had expired on 20 May 2017 (the "Old Scheme"). The Old Scheme and New scheme are collectively referred to 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 of the Company	Outstanding at 1 January 2019 (audited) and 30 June 2019 (unaudited)
Directors	990,000
Employees and others	<u>1,260,000</u>
	<u>2,250,000</u>

No options were granted, exercised, lapsed or forfeited during the six months ended 30 June 2019.

**14. SHARE-BASED PAYMENTS (Cont'd)****(b) Share Options Scheme of SiS Mobile ("SiS Mobile Share Option Scheme")**

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

<b>Grantee of SiS Mobile</b>	<b>Outstanding at 1 January 2019 (audited) and 30 June 2019 (unaudited)</b>
Directors	6,390,000
Employees	<u>1,500,000</u>
	<u><u>7,890,000</u></u>

No options were granted, exercised, lapsed or forfeited during the six months ended 30 June 2019.

**15. PLEDGE OF ASSETS**

At the end of the reporting period,

- (a) The Group's investment properties with carrying values of HK\$4,795,346,000 (31 December 2018: HK\$4,361,882,000) and property, plant and equipment of carrying values of HK\$474,022,000 (31 December 2018: HK\$481,328,000) were charged to secure general banking facilities available to the Group.
- (b) Bank deposits of HK\$456,923,000 (31 December 2018: HK\$445,331,000) were pledged to secure the Group's bank borrowings.
- (c) Certain shares of subsidiaries have been pledged to the banks as at 30 June 2019 and 31 December 2018 to secure several banking facilities available to the Group.

## 16. RELATED PARTY TRANSACTIONS

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

Nature of transactions	Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Sales of goods	2	2,170
Purchase of goods	208,892	446,050
Other services fee income	<u>3,208</u>	<u>2,485</u>

- (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 2019 was HK\$9,262,000 (six months ended 30 June 2018: HK\$10,184,000).

## 17. 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 hearing before the Competition Tribunal was completed in September 2018. On 17 May 2019, the Competition Tribunal handed down a judgement where the application against SiS International was dismissed.

**18. CAPITAL COMMITMENTS**

	30 June 2019 <i>HK\$'000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
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Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:

Investment in unquoted equity instruments	1,014	1,014
Refurbishment of investment properties	<u>132,906</u>	<u>177,867</u>

**19. ACQUISITION OF 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 HKFRS 3 *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	<u>(67,141)</u>
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>



## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

### (a) 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)
	30.06.2019 <i>HK\$'000</i>	31.12.2018 <i>HK\$'000</i>		
1. Listed equity securities classified as equity instruments at FVTPL	172,634	225,719	Level 1	Quoted bid prices in active markets.
2. Listed equity securities classified as equity instrument at FVTOCI	14,141	14,638	Level 1	Quoted bid prices in active markets.
3. Unquoted equity investments classified as equity instrument at FVTOCI	26,010	25,830	Level 2	Most recent share price of the investee issued to independent third parties, taking into account the adjustment factor, if any.
4. Unquoted equity investments classified as equity instrument at FVTOCI	51,398	50,286	Level 3	The discount cash flows method was used to capture the present value of the expected future economic benefit to be derived from the ownership of these investees  Discount of 25% for lack of marketability, determined by reference to the share price of listed entities in similar industries.
5. Foreign currency forward contracts classified as derivative financial instruments	(3,237)	(582)	Level 2	Discounted cash flow: Future cash flows are estimated based on quoted forward exchange rates, which is observable at the end of period end.

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 investments, and vice versa.

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

### (b) 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.

#### *Reconciliation of Level 3 fair value measurements of financial assets*

	<b>Unquoted equity Investment</b> <i>HK\$'000</i>
At 1 January 2018 (audited)	39,371
Net fair value gain in other comprehensive income	<u>4,035</u>
At 30 June 2018 (unaudited)	<u><u>43,406</u></u>
At 1 January 2019 (audited)	<b>50,286</b>
Net fair value gain in other comprehensive income	<b>878</b>
Purchases	<u><b>234</b></u>
At 30 June 2019 (unaudited)	<u><u><b>51,398</b></u></u>

All gains and losses included in other comprehensive income related to equity instruments at FVTOCI held at the end of the reporting period and are reported as changes of 'investments reserve'.

## INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## FINANCIAL REVIEW AND ANALYSIS

### Liquidity and Financial Resources

As at 30 June 2019, the Group had total assets of HK\$9,178,034,000 which were financed by total equity of HK\$4,016,078,000 and total liabilities of HK\$5,161,956,000. The Group had current ratio of approximately 0.91 compared to that of approximately 0.87 as at 31 December 2018.

As at 30 June 2019 the Group had HK\$1,102,016,000 (31 December 2018: HK\$1,032,086,000) bank deposits balances and cash of which HK\$456,923,000 (31 December 2018: HK\$445,331,000) were pledged to banks to secure bank borrowings. The Group's working capital requirements were mainly financed by internal resources, bank loans and bonds. As at 30 June 2019, the Group had short term loans HK\$2,296,421,000 (31 December 2018: HK\$2,257,272,000) and long term loans and bonds of HK\$1,437,102,000 (31 December 2018: HK\$1,110,220,000). 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 2019, the Group had net cash deficit (total bank borrowings and bonds less bank balances and cash and pledged deposits) of HK\$2,631,507,000 (31 December 2018: HK\$2,335,406,000).

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 30 June 2019 was 93% (31 December 2018: 87%).

### Charges on Group Assets

As at 30 June 2019, the Group had pledged deposits of HK\$456,923,000 (31 December 2018: HK\$445,331,000) and investment properties with carrying values of HK\$4,795,346,000 (31 December 2018: HK\$4,361,882,000) and property, plant and equipment with carrying value of HK\$474,022,000 (31 December 2018: HK\$481,328,000) 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 2019 and 31 December 2018 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 2019 was 670 (30 June 2018: 637) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$87,381,000 (30 June 2018: HK\$77,066,000). Due to change of Thailand labor law during the period, additional provision for long-term employees benefits was made. 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 ended 30 June 2019, no share options have been granted, exercised, lapsed or forfeited. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

### Currency Risk Management

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

### Capital Expenditure

During the period, the Group spent approximately HK\$10,291,000 (six months ended 30 June 2018: HK\$4,918,000) and HK\$245,894,000 (six months ended 30 June 2018: HK\$300,321,000) on addition of property, plant and equipment and investment properties respectively.

## OTHER INFORMATION

### Directors' Interests in Shares

At 30 June 2019, the interests of the Directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("HKEX") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

Name of Director	Personal interests	Family interests	Joint interests (Note 1)	Corporate interests (Note 2)	Percentage	
					Total number of issued ordinary shares held	of the issued share capital of the Company
Lim Kia Hong	6,933,108	400,000	—	178,640,000	185,973,108	66.90%
Lim Kiah Meng	5,403,200	250,000	534,000	178,640,000	184,827,200	66.49%
Lim Hwee Hai (Note 3)	4,493,200	4,751,158	—	—	9,244,358	3.33%
Lim Hwee Noi (Note 3)	4,751,158	4,493,200	—	—	9,244,358	3.33%
Lee Hiok Chuan	250,000	—	—	—	250,000	0.09%
Ong Wui Leng	250,000	—	—	—	250,000	0.09%

#### Notes:

- (1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (3) 4,493,200 shares and 4,751,158 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

**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, 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
					205,582,221	73.42%
Lim Kia Hong	1,846,754	128,000	—	203,607,467	205,582,221	73.42%
Lim Kiah Meng	1,729,024	80,000	170,880	203,607,467	205,587,371	73.42%
Lim Hwee Hai (Note 4)	1,065,984	1,145,330	—	—	2,211,314	0.79%
Lim Hwee Noi (Note 4)	1,145,330	1,065,984	—	—	2,211,314	0.79%
Lee Hiok Chuan	64,000	—	—	—	64,000	0.02%
Ong Wui Leng	64,000	—	—	—	64,000	0.02%

**Notes:**

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

**OTHER INFORMATION (Cont'd)****Directors' Interests in Shares (Cont'd)****(iii) Long positions in the shares and underlying shares of 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	Approximate% of issued share capital of SIS Thai
Lim Kia Hong	241,875	224,510,470	224,752,345	63.60%
Lim Hwee Hai	244,687	—	244,687	0.07%

*Note: The Company indirectly holds 224,510,470 ordinary shares of the issued capital of SIS Thai. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 66.90% in the Company, therefore Mr. Lim has deemed corporate interest in SIS Thai under the SFO.*

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

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Outstanding at 1 January 2019 and 30 June 2019
<b>Directors and their associates:</b>				
<b>Lim Kia Hong</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
<b>Lim Kiah Meng</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
<b>Lim Hwee Hai</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
<b>Lim Hwee Noi</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	200,000
				4,200,000



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

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

Name of Director	Corporate interests (Note)	Approximate % of issued share capital of ITCL
Lim Kiah Meng	52,702,131	46.05%

*Note: A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 9,669,660 ordinary shares in ITCL, while the Company indirectly holds 43,032,471 ordinary shares. As disclosed in (i) above, Mr. Lim Kiah Meng and his family has total interest of 66.49% in the Company, therefore Mr. Lim has deemed corporate interest of 43,032,471 in ITCL under the SFO.*

Other than as disclosed above, none of the Directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 30 June 2019.

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

For details of the Company's share option scheme, please refer to note 46 to the consolidated financial statement and pages 33 to 35 in the 2018 annual report.

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

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of outstanding share options at 1 January 2019 and 30 June 2019
<b>Directors and their associates:</b>				
<b>Lim Kia Hong</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Kiah Meng</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Hwee Hai</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Hwee Noi</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lee Hiok Chuan</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
<b>Ong Wui Leng</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
<b>Ma Shiu Sun, Michael</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Total directors and their associates</b>				<b>990,000</b>

## OTHER INFORMATION (Cont'd)

### Share Options (Cont'd)

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of outstanding share options at 1 January 2019 and 30 June 2019
<b>Employees and other qualified persons:</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	420,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	420,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	420,000
<b>Total employees and other qualified persons</b>				<b>1,260,000</b>
<b>Total number of share options</b>				<b>2,250,000</b>

No share options were granted, exercised, lapsed or forfeited during the six months ended 30 June 2019.

### Substantial Shareholders

As at 30 June 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and the chief executive, the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

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

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

#### Notes:

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

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

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

### **Corporate Governance**

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on HKEX (the "Listing Rules") throughout the period ended 30 June 2019, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in page 11 of the Group's 2018 annual report under the Corporate Governance section.

### **Model Code**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company.

### **Audit Committee**

The Audit Committee comprises all independent non-executive Directors. The Audit Committee has reviewed the Company's interim report for the six months ended 30 June 2019, including the accounting policies and practices adopted by the Company, in conjunction with the Company's auditors.

### **Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor any subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

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

**LIM Kia Hong**  
*Chairman and Chief Executive Officer*

Hong Kong, 28 August 2019

## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors:

Lim Kia Hong (*Chairman & Chief Executive Officer*)

Lim Kiah Meng (*Vice chairman*)

Lim Hwee Hai

Lim Hwee Noi

#### Independent Non-executive Directors:

Lee Hiok Chuan

Ong Wui Leng

Ma Shiu Sun, Michael

### COMPANY SECRETARY

Chiu Lai Chun, Rhoda

### REGISTERED OFFICE

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Bermuda

### PRINCIPAL PLACE OF BUSINESS

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### INVESTOR RELATIONS

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[enquiry@sis.com.hk](mailto:enquiry@sis.com.hk)

### AUDITORS

Deloitte Touche Tohmatsu

### 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) Limited

Sumitomo Mitsui Banking Corporation

The Tokyo Star Bank, Limited

United Overseas Bank Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

4th Floor, North Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong