



# SiS International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00529)

## INTERIM REPORT 2021



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## **CORPORATE INFORMATION**

### **DIRECTORS**

#### **Executive Directors:**

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

Lim Kiah Meng (*Vice chairman*)

Lim Hwee Hai

Lim Hwee Noi

#### **Independent Non-executive Directors:**

Lee Hiok Chuan

Ong Wui Leng

Ma Shiu Sun, Michael

### **COMPANY SECRETARY**

Chiu Lai Chun, Rhoda

### **REGISTERED OFFICE**

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

### **PRINCIPAL PLACE OF BUSINESS**

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Nine Queen's Road Central

Hong Kong

Telephone: (852) 2138 3938

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### **STOCK CODE**

00529

### **INVESTOR RELATIONS**

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

### **AUDITORS**

Deloitte Touche Tohmatsu

(*Registered Public Interest Entity Auditor*)

### **LEGAL ADVISORS**

Cleary Gottlieb Steen & Hamilton (Hong Kong)

Norton Rose Fulbright

### **PRINCIPAL BANKERS**

DBS Bank Ltd.

Hang Seng Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

MUFG Bank, Ltd.

OCBC Bank

Standard Chartered Bank (Hong Kong) Limited

Sumitomo Mitsui Banking Corporation

The Tokyo Star Bank, Limited

United Overseas Bank Limited

### **PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE**

MUFG Fund Services (Bermuda) Limited

4th Floor, North Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Secretaries Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

## MESSAGE FROM THE CHAIRMAN AND CEO

Dear Shareholders,

I am pleased to present to our shareholders the interim results of the Group for the six months ended 30 June 2021.

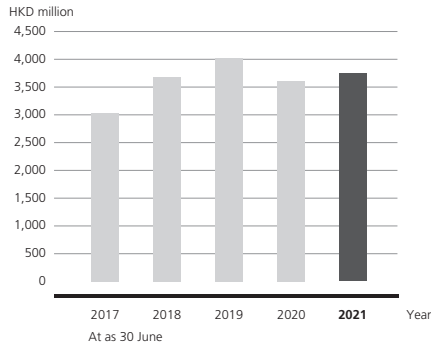
The Group reported a profit attributable to owners of the Company, not including non-controlling interest, of HK\$24,371,000 compared to a loss in the last corresponding interim period.

During the first six months of 2021, the Group recorded a 60% increase in revenue from HK\$3,248,584,000 to HK\$5,183,858,000. Gross profit grew 10% during the interim period in 2021.

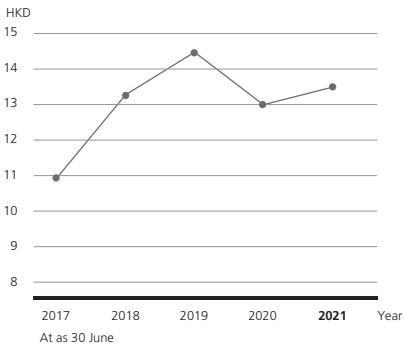
The turnaround were mainly contributed by a better performance in distribution business, gain from securities investments as well as lower fair value loss of HK\$53,715,000 from investment properties (interim 2020: fair value loss HK\$415,747,000) in real estate investment business.

As at 30 June 2021, total asset of the Group amounted to HK\$9,115,166,000. Net assets value per ordinary share increased slightly from HK\$13.4 to HK\$13.5.

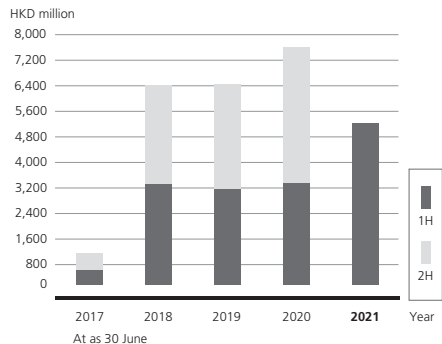
### Total equity



### Net assets value per share



### Revenue



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

### **BUSINESS REVIEW**

#### **Real Estate Investment Business**

The hospitality business in Japan is still severely affected by the fallout of Covid-19 pandemic during the first half year 2021. It has been a difficult period for the sector as travel and tourism have not been able to open up completely with the resurgence of the more transmissible & contagious Delta variant and low vaccination rate.

#### **Distribution Business**

During the 2021 interim period, total revenue from distribution business grew 62% from HK\$3,110,224,000 to HK\$5,051,943,000 as compared to the preceding interim period. This was attributed primarily to the expanding of product range and accelerated ecommerce and sale channels activities. We continued to perform well during the pandemic with growth from both Thailand and Hong Kong markets. As a result, total segment profit of distribution business increased 65% to HK\$141,117,000.

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

Business in Information Technology Consultants Limited ("ITCL"), our associated company in Bangladesh remained stable and contributed steadily to the Group. It continued to lead and also expanded its electronic payment services to the markets.

The Group's securities investment recorded segment profit of HK\$33,771,000 as compared to a loss of HK\$37,558,000 in the last corresponding interim period. The Group will continue to hold on to its securities portfolio whilst seeking out to divest or invest in promising securities when opportunity arises.

### **PROSPECT**

The effects of Covid-19 on the world economy are likely to continue into second half 2021. However, global economy growth is anticipated to rebound in the months ahead as vaccinations accelerated and Covid-19 cases drop. Many countries will reopen their borders; key service sectors such as hospitality, travel and tourism will resume and people having suffered from "pandemic fatigue" will be eager to travel again. We envisage that Japan, a favourite destination amongst global travellers will return to its pre-pandemic heyday.

With every challenge comes an opportunity to transform challenges into opportunities for growth. The Group remained nimble and will continue to manage its business costs in tandem with market conditions at the same time seek and identify growth opportunities.

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

### APPRECIATION

On behalf of the Board, I want to thank and say how grateful I am to the commitments and the dedication of our staff, customers, vendors, business partners, banks, shareholders and those who are rallying behind us. It is to their credit and that of the senior management team that we have been able to conduct our business effectively in light of this challenging environment.

**Lim Kia Hong**

*Chairman and Chief Executive Officer*

Hong Kong, 27 August 2021

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 2021 together with comparative figures for the corresponding period in 2020. 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 2021

	NOTES	Six months ended	
		30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
Revenue	3	5,183,858	3,248,584
Cost of sales		<u>(4,873,505)</u>	<u>(2,966,417)</u>
Gross profit		310,353	282,167
Other income		15,725	16,811
Other gains and losses, net	4	35,255	(48,970)
Impairment losses under expected credit loss model, net of reversal		(13,264)	(21,960)
Distribution costs		(112,660)	(89,069)
Administrative expenses		(71,920)	(70,307)
Loss from changes in fair value of investment properties		(53,715)	(415,747)
Share of results of associates		2,257	2,065
Finance costs		<u>(26,601)</u>	<u>(34,319)</u>
Profit (loss) before tax		85,430	(379,329)
Income tax (expense) credit	5	<u>(17,428)</u>	<u>69,795</u>
Profit (loss) for the period	6	<u><u>68,002</u></u>	<u><u>(309,534)</u></u>
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		24,371	(327,542)
Non-controlling interests		<u>43,631</u>	<u>18,008</u>
		<u><u>68,002</u></u>	<u><u>(309,534)</u></u>
<b>EARNINGS (LOSS) PER SHARE</b>	7		
— Basic (HK cents)		<u><u>8.77</u></u>	<u><u>(117.8)</u></u>
— Diluted (HK cents)		<u><u>8.77</u></u>	<u><u>(117.8)</u></u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended	
	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
Profit (loss) for the period	<u>68,002</u>	<u>(309,534)</u>
<b>Other comprehensive income (expense):</b>		
<i>Item that will not be reclassified to profit or loss</i>		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income ("FVTOCI")	<u>3,733</u>	<u>(12,060)</u>
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations		
— Subsidiaries	(73,651)	(14,634)
— Associates	<u>(830)</u>	<u>(704)</u>
	<u>(74,481)</u>	<u>(15,338)</u>
Other comprehensive expense for the period	<u>(70,748)</u>	<u>(27,398)</u>
Total comprehensive expense for the period	<u>(2,746)</u>	<u>(336,932)</u>
<b>Total comprehensive (expense) income for the period attributable to:</b>		
Owners of the Company	(25,697)	(346,372)
Non-controlling interests	<u>22,951</u>	<u>9,440</u>
	<u>(2,746)</u>	<u>(336,932)</u>



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2021

	NOTES	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
<b>Non-current Assets</b>			
Investment properties	9	4,219,422	4,452,242
Property, plant and equipment	9	669,735	703,076
Right-of-use assets		38,580	47,153
Goodwill		126,406	126,406
Interests in associates		114,752	113,325
Equity instruments at fair value through profit or loss ("FVTPL")		215,060	182,551
Equity instruments at FVTOCI		82,356	78,748
Deferred tax assets		79,658	84,257
Other financial assets		10,283	8,212
Other assets		2,500	2,500
		<b>5,558,752</b>	<b>5,798,470</b>
<b>Current Assets</b>			
Inventories		823,517	661,795
Trade and other receivables, deposits and prepayments	10	1,356,635	1,396,298
Amount due from an associate		353	353
Derivative financial instruments		2,413	—
Tax recoverable		10	55
Equity instruments at FVTPL		16,521	16,901
Pledged bank deposits		436,875	450,733
Bank balances and cash		920,090	795,110
		<b>3,556,414</b>	<b>3,321,245</b>
<b>Current Liabilities</b>			
Trade payables, other payables and accruals	11	1,034,276	976,548
Contract liabilities		32,678	33,654
Lease liabilities		17,371	18,156
Advance lease payments		1,742	1,883
Amount due to an associate		126	62
Derivative financial instruments		—	2,078
Tax payable		54,987	34,416
Bank borrowings	12	2,937,440	2,596,684
Bonds		70,156	74,983
Rental deposits		21,515	18,530
		<b>4,170,291</b>	<b>3,756,994</b>
<b>Net Current Liabilities</b>		<b>(613,877)</b>	<b>(435,749)</b>
<b>Total Assets less Current Liabilities</b>		<b>4,944,875</b>	<b>5,362,721</b>

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

AT 30 JUNE 2021

		30 June 2021	31 December 2020
	NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
<b>Non-current Liabilities</b>			
Bank borrowings	12	698,159	1,086,566
Bonds		202,822	216,826
Lease liabilities		58,060	71,002
Advance lease payments		32,769	36,837
Deferred tax liabilities		94,628	118,788
Rental deposits		94,759	102,607
Retirement benefits obligations		19,718	19,018
		<u>1,200,915</u>	<u>1,651,644</u>
<b>Net Assets</b>		<u><b>3,743,960</b></u>	<u><b>3,711,077</b></u>
<b>Capital and Reserves</b>			
Share capital	13	27,797	27,797
Share premium		73,400	73,400
Other reserves		27,389	21,496
Retained profits		3,210,208	3,185,837
Equity attributable to owners of the Company		<u>3,338,794</u>	<u>3,308,530</u>
Non-controlling interests		<u>405,166</u>	<u>402,547</u>
<b>Total Equity</b>		<u><b>3,743,960</b></u>	<u><b>3,711,077</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Investments reserve	Translation reserve	Property revaluation reserve	Contributed surplus	Share options reserve	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000	HK\$'000 (Note 2)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020 (audited)	27,797	73,400	1,821	15,833	933	2,860	3,695	(17,558)	3,501,431	3,610,212	363,008	3,973,220
(Loss) profit for the period	—	—	—	—	—	—	—	—	(327,542)	(327,542)	18,008	(309,534)
Other comprehensive expense for the period	—	—	(10,744)	(8,086)	—	—	—	—	—	(18,830)	(8,568)	(27,398)
Total comprehensive (expense) income for the period	—	—	(10,744)	(8,086)	—	—	—	—	(327,542)	(346,372)	9,440	(336,932)
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	55	55
Redemption of preference shares	—	—	—	—	—	—	—	—	—	—	(560)	(560)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(21,019)	(21,019)
Dividend recognised as distribution (note 8)	—	—	—	—	—	—	—	—	(5,559)	(5,559)	—	(5,559)
At 30 June 2020 (unaudited)	27,797	73,400	(8,923)	7,747	933	2,860	3,695	(17,558)	3,168,330	3,258,281	350,924	3,609,205

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Investments reserve	Translation reserve	Property revaluation reserve	Contributed surplus	Share options reserve	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000	HK\$'000 (Note 2)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	27,797	73,400	(11,533)	43,099	933	2,860	3,695	(17,558)	3,185,837	3,308,530	402,547	3,711,077
Profit for the period	—	—	—	—	—	—	—	—	24,371	24,371	43,631	68,002
Other comprehensive income (expense) for the period	—	—	3,266	(53,334)	—	—	—	—	—	(50,068)	(20,680)	(70,748)
Total comprehensive income (expense) for the period	—	—	3,266	(53,334)	—	—	—	—	24,371	(25,697)	22,951	(2,746)
Partial disposal of interest in a subsidiary (Note 2)	—	—	—	(96)	—	—	—	56,057	—	55,961	19,088	75,049
Redemption of preference shares	—	—	—	—	—	—	—	—	—	—	(2,991)	(2,991)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(36,429)	(36,429)
At 30 June 2021 (unaudited)	27,797	73,400	(8,267)	(10,331)	933	2,860	3,695	38,499	3,210,208	3,338,794	405,166	3,743,960

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)***Notes:*

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.*
  
2. *Other reserve represents a) the difference between the fair value of the consideration (net of transaction costs) 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, amounted to a debit of HK\$17,558,000 and b) the difference by which the non-controlling interests were adjusted and the consideration (net of transaction costs and capital gain tax) in relation to the disposal of partial interest of the Company's interest in SiS Distribution (Thailand) Public Company Limited ("SiS Thai"), whose shares are listed on The Stock Exchange of Thailand, amounted to a credit of HK\$56,057,000. On 25 June 2021, the Group disposed 10,000,000 ordinary shares of SiS Thai, its non-wholly owned subsidiary, to independent third parties, at a consideration of HK\$89,583,000. The percentage of shareholding in such subsidiary decreased from 63.53% to 60.77% as a consequence. The difference between the consideration paid, (net of capital gain tax of HK\$14,534,000), the non-controlling interests adjusted of HK\$19,088,000 and the adjustment to translation reserve of HK\$96,000 (debit), amounted to HK\$56,057,000, has been credited and accumulated under "other reserve".*

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended	
	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
<b>Net cash (used in) from operating activities</b>	<b>(2,551)</b>	<b>338,323</b>
<b>Investing activities</b>		
Addition of investment properties	(4,386)	(52,566)
Purchase of property, plant and equipment	(8,896)	(11,507)
Purchase of equity instruments at FVTPL	(40)	(407)
Purchase of equity instruments at FVTOCI	(234)	(312)
Withdrawal of pledged deposits	14,820	—
Placement of pledged deposits	(780)	(100)
Other investing cash flows	2,814	975
<b>Net cash from (used in) investing activities</b>	<b>3,298</b>	<b>(63,917)</b>
<b>Financing activities</b>		
Dividends paid to non-controlling interests	(36,429)	(21,019)
Contribution from non-controlling interests	—	55
Proceeds from disposal of partial interest in a subsidiary	75,705	—
Redemption of preference shares	(2,991)	(560)
Interest paid	(25,713)	(32,157)
New bank borrowings raised	2,110,989	1,593,071
Repayments of bank borrowings	(2,029,144)	(1,603,694)
Repayments of lease liabilities	(8,692)	(10,167)
<b>Net cash from (used in) financing activities</b>	<b>83,725</b>	<b>(74,471)</b>
<b>Net increase in cash and cash equivalents</b>	<b>84,472</b>	<b>199,935</b>
Cash and cash equivalents at 1 January	795,110	668,091
Effect of foreign exchange rate changes	40,508	4,762
<b>Cash and cash equivalents at 30 June, represented by bank balances and cash</b>	<b>920,090</b>	<b>872,788</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In preparing the condensed consolidated financial statements, the directors of the Company ("Directors") have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities (including non-current portion of bank borrowings with repayment on demand clause of HK\$386,171,000) exceeded its current assets by HK\$613,877,000 as at 30 June 2021.

The Directors believe that the existing loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In the opinion of the Directors, the Group has a number of sources of funds available to enable its obligation and commitments to be settled on a timely manner, including the available unutilised bank facilities and 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.

The outbreak of Covid-19 and the subsequent quarantine measures including the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment which directly and indirectly affected the operations of the Group. Although some of the hotels of the Group had resumed their operation, the hotel occupancy rate in Japan were still severely impacted throughout the interim period in 2021. As such, the valuation of properties and short-term performance of the business to the Group were still affected in different aspects as disclosed in the relevant notes to the condensed consolidated financial statements.

### 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 at the end of each reporting period.

Other than additional accounting policies resulting from application of 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 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

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

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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In addition, the Group has early applied Amendment to HKFRS 16 *Covid-19-Related Rent Concessions* during the year ended 31 December 2020.

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

### 2.1 *Impacts on early application of Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"*

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior periods.

### 2.2 *Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform — Phase 2"*

#### 2.2.1 *Accounting policies*

Financial instruments

#### Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

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

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

#### 2.2 *Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform — Phase 2" (Cont'd)*

##### 2.2.1 *Accounting policies (Cont'd)*

###### Financial instruments (Cont'd)

###### Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform (Cont'd)

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 *Financial Instrument* on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

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

As at 1 January 2021, the Group has several financial liabilities, the interest of which are indexed to benchmark rates that will subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts with payments indexed to benchmark rates which are subject to interest rate benchmark reform. The amounts of financial liabilities are shown at their carrying amounts.

	Japanese Yen London Interbank Offer Rate ("JPY LIBOR") <i>HK\$'000</i>	United States Dollars London Interbank Offer Rate ("US\$ LIBOR") <i>HK\$'000</i>
<b>Financial liabilities</b>		
Bank borrowings	2,082,185	83,694
Bonds	<u>216,826</u>	<u>—</u>

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings and bonds measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.



**3. REVENUE AND SEGMENT INFORMATION****Disaggregation of revenue from contracts with customers**

	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Distribution of mobile and IT products <i>HK\$'000</i> (unaudited)	Hotels operations <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)	Distribution of mobile and IT products <i>HK\$'000</i> (unaudited)	Hotels operations <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>Types of goods or service</b>						
Distribution of mobile and IT products						
Mobile products	2,117,547	—	2,117,547	745,549	—	745,549
IT related products	2,908,592	—	2,908,592	2,351,572	—	2,351,572
	<u>5,026,139</u>	<u>—</u>	<u>5,026,139</u>	<u>3,097,121</u>	<u>—</u>	<u>3,097,121</u>
Commission income	25,804	—	25,804	13,103	—	13,103
Hotel Operations						
Room revenue	—	8,415	8,415	—	3,577	3,577
Food and beverage	—	9,208	9,208	—	949	949
	<u>—</u>	<u>17,623</u>	<u>17,623</u>	<u>—</u>	<u>4,526</u>	<u>4,526</u>
Revenue from contracts with customers	<u>5,051,943</u>	<u>17,623</u>	<u>5,069,566</u>	<u>3,110,224</u>	<u>4,526</u>	<u>3,114,750</u>
Leasing of investment properties			114,292			133,834
<b>Total revenue</b>			<u>5,183,858</u>			<u>3,248,584</u>
<b>Geographical market</b>						
Hong Kong	1,241,296	—	1,241,296	471,854	—	471,854
Thailand	3,810,647	—	3,810,647	2,638,370	—	2,638,370
Japan	—	17,623	17,623	—	4,526	4,526
	<u>—</u>	<u>17,623</u>	<u>17,623</u>	<u>—</u>	<u>4,526</u>	<u>4,526</u>
Total before leasing of investment properties	<u>5,051,943</u>	<u>17,623</u>	<u>5,069,566</u>	<u>3,110,224</u>	<u>4,526</u>	<u>3,114,750</u>
<b>Timing of revenue recognition</b>						
At a point in time	5,051,943	9,208	5,061,151	3,110,224	949	3,111,173
Over time	—	8,415	8,415	—	3,577	3,577
	<u>—</u>	<u>8,415</u>	<u>8,415</u>	<u>—</u>	<u>3,577</u>	<u>3,577</u>
Total before leasing of investment properties	<u>5,051,943</u>	<u>17,623</u>	<u>5,069,566</u>	<u>3,110,224</u>	<u>4,526</u>	<u>3,114,750</u>

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

#### Segment information

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

	Distribution of mobile and IT products		Property investment and hotel operation		Securities investment	Consolidated
	Hong Kong HK\$'000	Thailand HK\$'000	Japan HK\$'000	Other regions HK\$'000	HK\$'000	HK\$'000
<b>For the six months ended 30 June 2021 (unaudited)</b>						
<i>Segment revenue</i>						
— Revenue from contracts with customers	1,241,296	3,810,647	17,623	—	—	5,069,566
— Leasing of investment properties	—	—	92,608	21,684	—	114,292
External sales	<u>1,241,296</u>	<u>3,810,647</u>	<u>110,231</u>	<u>21,684</u>	<u>—</u>	<u>5,183,858</u>
<i>Segment profit (loss)</i>	<u>14,566</u>	<u>126,551</u>	<u>(40,181)</u>	<u>(269)</u>	<u>33,771</u>	134,438
Share of results of associates						2,257
Finance costs						(26,601)
Other unallocated income						369
Unallocated corporate expenses						(25,033)
Profit before tax						<u>85,430</u>

**3. REVENUE AND SEGMENT INFORMATION (Cont'd)****Segment information (Cont'd)**

	Distribution of mobile and IT products		Property investment and hotel operation		Securities investment	Consolidated
	Hong Kong <i>HK\$'000</i>	Thailand <i>HK\$'000</i>	Japan <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>For the six months ended 30 June 2020 (unaudited)</b>						
<i>Segment revenue</i>						
— Revenue from contracts with customers	471,854	2,638,370	4,526	—	—	3,114,750
— Leasing of investment properties	—	—	111,461	22,373	—	133,834
External sales	<u>471,854</u>	<u>2,638,370</u>	<u>115,987</u>	<u>22,373</u>	<u>—</u>	<u>3,248,584</u>
<i>Segment (loss) profit</i>	<u>(3,185)</u>	<u>88,537</u>	<u>(343,178)</u>	<u>(32,670)</u>	<u>(37,558)</u>	(328,054)
Share of results of associates						2,065
Finance costs						(34,319)
Other unallocated income						3,645
Unallocated corporate expenses						<u>(22,666)</u>
Loss before tax						<u>(379,329)</u>

Segment profit (loss) 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, other unallocated income and finance costs.

## 4. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30 June	30 June
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Exchange (loss) gain, net	(1,361)	8,500
Impairment loss on property, plant and equipment ( <i>note 9</i> )	—	(21,808)
Gain on disposal of property, plant and equipment	28	5
Gain from changes in fair value of derivative financial instruments	4,498	2,672
Gain (loss) from changes in fair value of equity instruments at FVTPL	32,090	(38,339)
	<u>35,255</u>	<u>(48,970)</u>

## 5. INCOME TAX EXPENSE (CREDIT)

	Six months ended	
	30 June	30 June
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	1,852	—
Overprovision in respect of prior periods	—	(56)
	<u>1,852</u>	<u>(56)</u>
Overseas Tax		
Current period	33,275	20,126
(Over) underprovision in respect of prior periods	(128)	16
Withholding tax on dividend paid	651	1,790
	<u>33,798</u>	<u>21,932</u>
Deferred taxation	(18,222)	(91,671)
Income tax expense (credit) for the period	<u>17,428</u>	<u>(69,795)</u>

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for current period. No provision for Hong Kong Profits Tax had been made in the period ended 30 June 2020 as the Group had no significant assessable profits in Hong Kong.

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

Corporate Tax in Japan is calculated at 23.2% on the estimated assessable profit for both periods. Pursuant to relevant laws and regulation in Japan, withholding tax is imposed at 20.42% and 5% on dividends paid to local investors and foreign investors respectively in respect of profit earned by Japanese entities.

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

**6. PROFIT (LOSS) FOR THE PERIOD**

	<b>Six months ended</b>	
	<b>30 June 2021 HK\$'000 (unaudited)</b>	<b>30 June 2020 HK\$'000 (unaudited)</b>
Profit (loss) for the period has been arrived at after charging (crediting):		
Cost of inventories recognised in cost of sales	<b>4,777,242</b>	2,898,771
Depreciation of property, plant and equipment	<b>16,419</b>	12,776
Depreciation of right-of-use assets	<b>6,169</b>	5,983
Share of tax expense of associates	<b>24</b>	202
Write-down of inventories	<b>6,631</b>	1,674
Interest income on bank deposits	<b>(1,487)</b>	<b>(3,979)</b>

## 7. EARNINGS (LOSS) PER SHARE

The calculation of both basic and diluted earnings (loss) per share is based on the Group's profit attributable to owners of the Company of HK\$24,371,000 (unaudited) (for the six months ended 30 June 2020: loss attributable to owners of the Company of HK\$327,542,000 (unaudited)) and the number of ordinary shares calculated below.

	Six months ended	
	30 June 2021 (unaudited)	30 June 2020 (unaudited)
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>277,966,666</u>	<u>277,966,666</u>

The computation of diluted earnings (loss) per share for the six months ended 30 June 2021 and 30 June 2020 did not assume the exercise of all 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 both periods.

## 8. DIVIDENDS

There is no dividend distributed during the six months ended 30 June 2021. Dividend recognised as distribution during the six months ended 30 June 2020 represented final dividend, payable in respect of the year ended 31 December 2019 of 2 HK cents per share, totalling HK\$5,559,000 (unaudited).

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2021.

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

The Group's investment properties in Hong Kong, Singapore and Thailand as at 30 June 2021 were fair valued by the Directors by reference to comparable market transactions as available in the relevant market. Appropriate adjustments have been made to reflect the difference in market conditions and characteristics of each property such as location, size, view, age and etc. There has been no change from the valuation techniques used in the prior year. The resulting decrease in fair value of these investment properties of HK\$21,320,000 (unaudited) (for the six months ended 30 June 2020: HK\$54,106,000 (unaudited)) has been recognised in the profit or loss for the current period.

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

The Group's investment properties in Japan as at 30 June 2021 were fair valued by the Directors by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential. There has been no change from the valuation techniques used in the prior year. The resulting decrease in fair value of these investment properties of HK\$32,395,000 (unaudited) (for the six months ended 30 June 2020: HK\$349,940,000 (unaudited)) has been recognised in the profit or loss for the current period.

The fair values of the investment properties under development in Japan as at 30 June 2020 were fair valued by the Directors by income approach with adjustment made to account for the development costs, and indirect costs that will be expended to complete the development. The resulting decrease in fair value of investment properties of HK\$11,701,000 (unaudited) has been recognised in the profit or loss for the six months ended 30 June 2020. There was no investment properties under development in Japan as at 30 June 2021.

During the period, the Group spent approximately HK\$8,896,000 (unaudited) (for the six months ended 30 June 2020: HK\$11,507,000 (unaudited)) and HK\$4,386,000 (unaudited) (for the six months ended 30 June 2020: HK\$52,566,000 (unaudited)) on the addition of property, plant and equipment and investment properties respectively.

For the six months ended 30 June 2020, the Group transferred a hotel property from investment property to property, plant and equipment at a carrying amount HK\$41,040,000 (unaudited) upon commencement of owner-occupation.

Resulting from the temporary closure of a hotel property due to Covid-19 pandemic, the management of the Group concluded that there was an indication for impairment and conducted impairment assessment on the recoverable amounts of the hotel property during the six months ended 30 June 2020. Based on the result of the assessment, an impairment of HK\$21,808,000 (unaudited) has been recognised against the carrying amount of property, plant and equipment for the six months ended 30 June 2020. Due to the continuing Covid-19 pandemic, the management of the Group conducted impairment assessment and concluded that no additional impairment nor reversal of impairment is required for the six months ended 30 June 2021.

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

Included in trade and other receivables, deposits and prepayments are trade receivables and lease receivables of HK\$1,106,717,000 (unaudited) and HK\$6,551,000 (unaudited), respectively (31 December 2020: HK\$1,131,593,000 and HK\$9,391,000 respectively).

The following is an analysis of trade receivables and lease receivables by age, net of allowance for credit losses, presented based on the invoice date for trade receivables and demand note date for lease receivables:

	30 June 2021 <i>HK\$'000</i> (unaudited)	31 December 2020 <i>HK\$'000</i> (audited)
Within 30 days	644,319	692,204
31 to 90 days	354,126	312,534
91 to 120 days	36,431	44,077
Over 120 days	78,392	92,169
	<u>1,113,268</u>	<u>1,140,984</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. 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\$686,525,000 (unaudited) (31 December 2020: HK\$644,691,000). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2021 <i>HK\$'000</i> (unaudited)	31 December 2020 <i>HK\$'000</i> (audited)
Within 30 days	522,506	489,415
31 to 90 days	147,113	137,924
91 to 120 days	5,691	7,739
Over 120 days	11,215	9,613
	<u>686,525</u>	<u>644,691</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\$2,029,144,000 (unaudited) (for the six months ended 30 June 2020: HK\$1,603,694,000 (unaudited)) and obtained new short-term bank borrowings amounting to HK\$2,110,989,000 (unaudited) (for the six months ended 30 June 2020: HK\$1,593,071,000 (unaudited)).

The bank borrowings with repayment on demand clause amounted to HK\$393,609,000 of which non-current portion of HK\$386,171,000 was included in current liabilities.

**13. SHARE CAPITAL**

	No. of ordinary shares of HK\$0.10 each	Nominal value <i>HK\$'000</i>
Authorised	<u>350,000,000</u>	<u>35,000</u>
Issued and fully paid		
At 1 January 2020 (audited), 30 June 2020 (unaudited), 31 December 2020 (audited) and 30 June 2021 (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 as SiS International Share Option Scheme (the "SiS International Share Option Scheme"). Pursuant to the SiS International Share Option Scheme, the Company may grant options to qualified persons, including employees and Directors, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

<b>Grantee</b>	<b>Outstanding at 1 January 2021 (audited) and 30 June 2021 (unaudited)</b>
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 ended 30 June 2021 and 30 June 2020.

### (b) Share Option Scheme of SiS Mobile Holdings Limited ("SiS Mobile Share Option Scheme")

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

<b>Grantee of SiS Mobile</b>	<b>Outstanding at 1 January 2021 (audited) and 30 June 2021 (unaudited)</b>
Directors	6,390,000
Employees and others	1,200,000
	<u>7,590,000</u>

No options were granted, exercised, lapsed or forfeited during the six months ended 30 June 2021 and 30 June 2020.

**15. PLEDGE OF ASSETS**

At the end of the reporting period,

- (a) the Group's investment properties with carrying amounts of HK\$4,084,555,000 (unaudited) (31 December 2020: HK\$4,199,372,000) and property, plant and equipment with carrying amounts of HK\$455,996,000 (unaudited) (31 December 2020: HK\$307,627,000) were under legal charge to secure general banking facilities and the obligation under finance leases available to the Group;
- (b) bank deposits of HK\$436,875,000 (unaudited) (31 December 2020: HK\$450,733,000) were pledged to secure bank loans; and
- (c) certain shares of subsidiaries have been pledged to the banks at both 30 June 2021 and 31 December 2020 to secure several banking facilities available to the Group.

**Restriction on assets**

Included in lease liabilities, there are HK\$38,809,000 (unaudited) (31 December 2020: HK\$47,419,000) which are recognised with related right-of-use assets of HK\$38,580,000 (unaudited) (31 December 2020: HK\$47,153,000) as at 30 June 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

**16. RELATED PARTY TRANSACTIONS**

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

	<b>Six months ended</b>	
	<b>30 June 2021 HK\$'000</b>	<b>30 June 2020 HK\$'000</b>
<b>Nature of transactions</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Sales of goods	323	8
Purchase of goods	128,787	145,648
Other services fee income	1,537	2,878
Service expenses	<u>3,410</u>	<u>3,381</u>

- (b) Remuneration paid or payable to the Directors who are considered to be the key management personnel for the six months ended 30 June 2021 was HK\$6,254,000 (unaudited) (for the six months ended 30 June 2020: HK\$7,939,000 (unaudited)).

**17. CAPITAL COMMITMENTS**

	30 June 2021 <i>HK\$'000</i> (unaudited)	31 December 2020 <i>HK\$'000</i> (audited)
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Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:

— Investment in unquoted equity instruments	—	234
— Refurbishment of investment properties	<u>1,040</u>	<u>5,612</u>

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

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

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

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

Financial assets (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30.06.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)		
1. Listed equity securities classified as equity instruments at FVTPL	231,581	199,452	Level 1	Quoted bid prices in active markets.
2. Listed equity securities classified as equity instrument at FVTOCI	26,672	13,362	Level 1	Quoted bid prices in active markets.
3. Unquoted equity investments classified as equity instrument at FVTOCI	55,684	65,386	Level 3	The discount cash flows method and discount rate of 11.2% (31 December 2020: 11.5%) was used to capture the present value of the expected future economic benefit to be derived from the ownership of these investees ( <i>Note 1</i> ).  Discount of 25% to 30% (31 December 2020: ranging from 25% to 30%) for lack of marketability, determined by reference to the share price of listed entities in similar industries ( <i>Note 2</i> ).
4. Foreign currency forward contracts classified as derivative financial instruments	2,413	(2,078)	Level 2	Discounted cash flow: Future cash flows are estimated based on quoted forward exchange rates, which is observable at the end of period end.

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

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

**18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)****(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Cont'd)***Reconciliation of Level 3 fair value measurements*

	Financial assets at FVTOCI HK\$'000
At 1 January 2020 (audited)	77,507
Net fair value loss in other comprehensive income	(10,335)
Purchase	312
	<u>67,484</u>
At 30 June 2020 (unaudited)	<u>67,484</u>
At 1 January 2021 (audited)	65,386
Net fair value loss in other comprehensive income	(4,348)
Transfer to Level 1 fair value measure (Note)	(5,588)
Purchase	234
	<u>55,684</u>
At 30 June 2021 (unaudited)	<u>55,684</u>

*Note: The Group owned 0.05% equity interest in a private company that was classified as equity instruments at FVTOCI and was measured at fair value at each reporting date. The fair value of the investment as at 1 January 2021 was approximately amounts to HK\$5,588,000. The fair value of the investment as at 1 January 2021 was measured using a valuation technique with significant unobservable input and was classified as Level 3 of the fair value hierarchy. Such company became listed on London Stock Exchange during the current period and accordingly the fair value measurement of such investment has been reclassified from Level 3 to Level 1 since there is quoted bid prices available in active markets. Therefore, the fair value of the investment as at 30 June 2021 was determined based on quoted bid prices in active markets and was classified as Level 1 of the fair value hierarchy.*

Other than mentioned above, there were no other transfers between Level 1, 2 and 3 during both periods presented.

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

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

The Directors consider that the carrying amounts of long-term borrowing and bonds approximate to their fair value as they are carried at variable market interest rates.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## **FINANCIAL REVIEW AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 30 June 2021, the Group had total assets of HK\$9,115,166,000 which were financed by total equity of HK\$3,743,960,000 and total liabilities of HK\$5,371,206,000. The Group had current ratio of approximately 0.85 compared to that of approximately 0.88 as at 31 December 2020.

As at 30 June 2021, the Group had bank deposits balances and cash of HK\$1,356,965,000 (31 December 2020: HK\$1,245,843,000), out of which HK\$436,875,000 (31 December 2020: HK\$450,733,000) 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 2021, the Group had short term borrowings and bonds of HK\$3,007,596,000 (31 December 2020: HK\$2,671,667,000) and long term borrowings and bonds of HK\$900,981,000 (31 December 2020: HK\$1,303,392,000). The borrowings were mainly denominated in Japanese Yen, United States Dollars, Thai Baht and Hong Kong Dollars and were charged by banks at floating interest rate.

As at 30 June 2021, the Group had net cash deficit (total bank borrowings and bonds less bank balances and cash and pledged bank deposits) of HK\$2,551,612,000 (31 December 2020: HK\$2,729,216,000).

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 30 June 2021 was 104% (31 December 2020: 107%).

### **Charges on Group Assets**

As at 30 June 2021, the Group had pledged bank deposits of HK\$436,875,000 (31 December 2020: HK\$450,733,000) and investment properties with carrying values of HK\$4,084,555,000 (31 December 2020: HK\$4,199,372,000) and property, plant and equipment with carrying value of HK\$455,996,000 (31 December 2020: HK\$307,627,000) 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 2021 and 31 December 2020 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 2021 was 798 (30 June 2020: 703) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$94,337,000 (30 June 2020: HK\$81,654,000). 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 2021, no share options have been exercised. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

### Currency Risk Management

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

### Capital Expenditure

During the period, the Group spent approximately HK\$8,896,000 (six months ended 30 June 2020: HK\$11,507,000) and HK\$4,386,000 (six months ended 30 June 2020: HK\$52,566,000) on addition of property, plant and equipment and investment properties respectively.



**OTHER INFORMATION****Directors' Interests In Shares**

At 30 June 2021, the interests of the Directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("HKEX") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

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

Notes:

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

**(ii) Share Options**

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

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

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

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

**Notes:**

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

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

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

Name of Director	Personal interests	Corporate Interests (Note)	Total number of issued ordinary shares held	Effective interest in issued share capital of SiS Thai
Lim Kia Hong	241,875	214,510,470	214,752,345	60.84%

*Note: The Company indirectly holds 214,510,470 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 2021 and 30 June 2021
<b>Directors and their associates:</b>				
<b>Lim Kia Hong</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	400,000
<b>Lim Kiah Meng</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	400,000
<b>Lim Hwee Hai</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	400,000
<b>Lim Hwee Noi</b>				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	200,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	200,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	200,000
				4,200,000

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

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

Name of Director	Corporate Interests (Note)	Approximate % of issued share capital of ITCL
Lim Kiah Meng	59,210,840	46.05%

*Note: A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 10,863,862 ordinary shares in ITCL, while the Company indirectly holds 48,346,978 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 48,346,978 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 2021.

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

For details of the Company's share option scheme, please refer to note 38 to the consolidated financial statement and pages 34 to 36 in the 2020 annual report.

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

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of outstanding share option at 1 January 2021 and 30 June 2021
<b>Directors and their associates:</b>				
<b>Lim Kia Hong</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Kiah Meng</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Hwee Hai</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Hwee Noi</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lee Hiok Chuan</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
<b>Ong Wui Leng</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
<b>Ma Shiu Sun, Michael</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Total directors and their associates</b>				<b>990,000</b>

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

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of outstanding share option at 1 January 2021 and 30 June 2021
<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>				<u>1,260,000</u>
<b>Total number of share options</b>				<u><u>2,250,000</u></u>

No share options were granted, exercised, lapsed or forfeited during the six months ended 30 June 2021.

**Substantial Shareholders**

As at 30 June 2021, 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 2021, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in page 10 and 11 of the Group's 2020 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 2021, 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 2021.

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

**LIM Kia Hong**

*Chairman and Chief Executive Officer*

Hong Kong, 27 August 2021