SIS INTERNATIONAL HOLDINGS LIMITED

新龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The directors (the "Directors") of SiS International Holdings Limited (the "Company") are pleased to announce the condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 together with comparative figures for the corresponding period in 2017. The interim financial statements have been reviewed by the Company's auditor and audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

		Six months ended	
		30 June	30 June
		2018	2017
	Notes	***HK cents***	*HK cents*
		(unaudited)	(unaudited)
EARNINGS PER SHARE	*7*		
-Basic		**51.4**	21.3
-Diluted		**51.4**	21.3

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Non-current assets			
Investment properties		**4,503,501**	4,081,883
Property, plant and equipment		**353,700**	353,770
Goodwill		**126,406**	126,406
Interests in associates		**99,829**	92,966
Available-for-sale investments	*2.3*	**-**	223,733
Financial assets at fair value through profit or loss		**262,605**	-
Equity instruments at fair value through other comprehensive income		**86,326**	-
Deferred tax assets		**72,610**	68,778
Deposits paid		**3,124**	3,180
Other assets		**1,300**	1,300
		5,509,401	4,952,016
Current assets			
Inventories		**621,996**	547,985
Trade and other receivables, deposits and prepayments	*9*	**1,041,349**	855,243
Amounts due from associates		**1,918**	16,718
Tax recoverable		**106**	14
Investments held-for-trading	*2.3*	**-**	16,661
Financial assets at fair value through profit or loss		**14,483**	-
Derivative financial instruments		**264**	-
Pledged deposits		**469,851**	466,337
Bank balances and cash		**604,472**	652,152
		2,754,439	2,555,110
Current liabilities			
Trade payables, other payables and accruals	*10*	**798,750**	711,881
Contract liabilities		**8,806**	-
Amounts due to associates		**2,424**	-
Derivative financial instruments		**-**	536
Dividend payable		**11,119**	-
Obligations under finance leases		**4,333**	4,173
Tax payable		**15,262**	19,037
Bank borrowings		**2,099,435**	1,667,093
Rental deposits		**9,987**	17,615
		2,950,116	2,420,335
Net current (liabilities) assets		**(195,677)**	134,775
Total assets less current liabilities		**5,313,724**	5,086,791
Non-current liabilities			
Bank borrowings		**1,000,859**	965,581
Bonds		**274,433**	268,034
Obligations under finance leases		**27,568**	29,082
Deferred tax liabilities		**186,080**	168,288
Rental deposits		**127,958**	114,748
Retirement benefits obligations		**11,390**	10,227
		1,628,288	1,555,960
Net assets		**3,685,436**	3,530,831

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Capital and reserves			
Share capital	11	**27,797**	27,797
Share premium and reserves		**3,351,003**	3,208,365
Equity attributable to owners of the Company		**3,378,800**	3,236,162
Non-controlling interests		**306,636**	294,669
Total equity		**3,685,436**	3,530,831

Notes:

1. BASIS OF PREPARATION

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

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$195,677,000 as at 30 June 2018. The directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In the opinion of the directors of the Company, the Group has a number of sources of funds available to enable its obligation and commitments to be settled on a timely manner. In addition, the Group will be able to withdraw the unutilised bank facilities or obtain additional financing from financial institutions by taking into account the carrying amount of the Group's assets which have not been pledged. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair value.

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

Application of new and amendments to HKFRSs

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions

Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 -2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

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

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

For distribution of mobile and IT products, the Group is a principal as the Group controls the specified good before that goods or service is transferred to customers.

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

Summary of effects arising from initial application of HKFRS 15

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

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

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

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

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

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

Summary of effects arising from initial application of HKFRS 9

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

	Notes	Available-for- sale investments *HK$'000*	Investments held-for-trading *HK$'000*	Financial assets at FVTPL *HK$'000*	Equity instruments at FVTOCI *HK$'000*	Investment revaluation reserve *HK$'000*	Retained profits *HK$'000*
Closing balance at 31 December 2017 -HKAS39		223,733	16,661	-	-	80,394	3,082,233
Effect arising from initial application of HKFRS 9:							
Reclassification							
From available-for-sale investments	(a)	(223,733)	-	163,032	60,701	(87,712)	87,712
From investment held-for-trading	(b)	-	(16,661)	16,661	-	-	-
Remeasurement							
From cost less impairment to fair value	(a)	-	-	-	8,140	8,140	-
Opening balance at 1 January 2018		-	-	179,693	68,841	822	3,169,945

Notes:

(a) Available-for-sale investments

From AFS equity investments to FVTOCI

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

From AFS investments to FVTPL

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

(b) Financial assets at FVTPL

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

(c) Impairment under ECL model

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

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

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

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

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

	31 December 2017 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	1 January 2018 (Restated) *HK$'000*
Non-current assets				
Available-for-sale investments	223,733	-	(233,733)	-
Financial assets at fair value through profit or loss	-	-	163,032	163,032
Equity instruments at fair value through other comprehensive income	-	-	60,701	60,701
Current assets				
Investments held-for-trading	16,661	-	(16,661)	-
Financial assets at fair value through profit or loss	-	-	16,661	16,661
Current liabilities				
Trade payables, other payables and accruals	711,881	(5,336)	-	706,545
Contract liabilities	-	5,336	-	5,336

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

3. SEGMENT INFORMATION

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

	Distribution of mobile and IT products				
	Hong Kong	**Thailand**	**Property related**	**Securities investment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Six months ended 30 June 2018 (unaudited)					
Segment revenue					
External sales	**434,566**	**2,643,376**	**130,422**	**-**	**3,208,364**
Segment (loss) profit	**(3,749)**	**55,652**	**116,150**	**61,274**	**229,327**
Share of results of associates					**7,836**
Finance costs					**(26,567)**
Other unallocated income					**5,363**
Unallocated corporate expenses					**(23,009)**
Profit before tax					**192,950**

	Distribution of mobile and IT products				
	Hong Kong	Thailand	Property related	Securities investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2017 (unaudited)					
Segment revenue					
External sales	332,286	-	122,103	-	454,389
Segment (loss) profit	(5,532)	-	88,978	(4,710)	78,736
Share of results of associates					16,757
Finance costs					(16,692)
Other unallocated income					10,881
Unallocated corporate expenses					(20,597)
Profit before tax					69,085

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

4. OTHER GAINS AND LOSSES

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

5. INCOME TAX EXPENSE

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

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

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

Corporate Tax in Japan is calculated at 23.4% on the estimated assessable profit for both periods. Pursuant to relevant laws and regulation in Japan, withholding tax is imposed at 20.42% and 5% on dividends paid to local investors and foreign investors respectively in respect of profit earned by Japanese subsidiaries.

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

6. PROFIT FOR THE PERIOD

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

7. EARNINGS PER SHARE

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

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

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

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

8. DIVIDENDS

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

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

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK$821,286,000 (31 December 2017: HK$725,689,000). The following is an analysis of trade receivables by age, net of allowance for doubtful debts, presented based on the invoice date, which approximated the revenue recognition date.

	30 June 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Within 30 days	**510,434**	430,390
31 to 90 days	**275,284**	260,913
91 to 120 days	**19,274**	11,229
Over 120 days	**16,294**	23,157
	821,286	725,689

The Group maintains a defined credit policy. For sales 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.

10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK$527,355,000 (31 December 2017: HK$453,251,000). The following is an analysis of trade payables by age, presented based on the invoice date.

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

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

11. SHARE CAPITAL

	No. of ordinary shares of HK$0.10 each	Nominal value *HK$'000*
Authorised	350,000,000	35,000
Issued and fully paid		
At 1 January 2017 (audited)	277,566,666	27,757
Exercise of share options	400,000	40
At 31 December 2017 (audited) and at 30 June 2018 (unaudited)	**277,966,666**	**27,797**

12. CONTINGENT LIABILITIES

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

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

INTERIM DIVIDEND

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

BUSINESS REVIEW

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

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

Real Estate Business

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

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

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

Distribution Business

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

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

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

Investments in IT, Securities and other Business

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

PROSPECT

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

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

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

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

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

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

Charges on Group Assets

As at 30 June 2018, the Group had pledged deposits of HK$469,851,000 (31 December 2017: HK$466,337,000) and investment properties with carrying values of HK$4,293,202,000 (31 December 2017: HK$3,912,647,000) and property, plant and equipment with carrying value of HK$182,791,000 (31 December 2017: HK$180,970,000) were pledged to banks to secure general banking facilities granted to the Group and for purchase of investment properties and working capital. Certain shares of subsidiaries have been pledged to the banks as at 30 June 2018 and 31 December 2017 to secure several banking facilities available to the Group.

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

The number of staff of the Group as at 30 June 2018 was 637 (30 June 2017: 95) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK$77,066,000 (30 June 2017: HK$21,899,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. During the six months period ended 30 June 2018, no share options have been exercised. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

Currency Risk Management

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

Capital Expenditure

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

Contingent Liabilities

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

CORPORATE GOVERNANCE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on HKEX (the "Listing Rules") throughout the period ended 30 June 2018, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in pages 10 and 11 of the Group's 2017 annual report under the Corporate Governance section.

MODEL CODE

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

AUDIT COMMITTEE

The Audit Committee comprises all independent non-executive Directors. The Audit Committee has reviewed the Company's condensed consolidated financial statements for the six months ended 30 June 2018, including the accounting principles and practices adopted by the Company, in conjunction with the Company's auditors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website at www.sisinternational.com.hk and the website of the HKEX at www.hkexnews.hk. The 2018 interim report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites on or before 30 September 2018.

APPRECIATION

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

On behalf of the Board of
SiS International Holdings Limited
LIM Kia Hong
Chairman and Chief Executive Officer

Hong Kong, 30 August 2018

As at the date of this announcement, the executive directors are Mr. Lim Kia Hong, Mr. Lim Kiah Meng, Mr. Lim Hwee Hai, and Madam Lim Hwee Noi. The independent non-executive directors are Mr. Lee Hiok Chuan, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael.