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SiS MOBILE HOLDINGS LIMITED

新龍移動集團有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1362)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The directors (the “Directors”) of SiS Mobile Holdings Limited (the “Company”) are pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 together with comparative figures for the corresponding year in 2018 which are set out as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019 HK\$'000	2018 HK\$'000
Revenue	Notes 4	439,774	472,535
Cost of sales		(420,113)	(448,937)
Gross profit		19,661	23,598
Other income		853	347
Other gains and losses	5	(1,315)	(564)
Selling and distribution expenses		(8,916)	(9,189)
Administrative expenses		(15,123)	(14,067)
Finance costs		(163)	(40)
(Loss) profit before tax	6	(5,003)	85
Income tax credit	7	-	12
(Loss) profit for the year		<u>(5,003)</u>	<u>97</u>
Other comprehensive income			
<i>Item that will not be subsequently reclassified to profit or loss</i>			
Loss from changes in fair value of equity instruments at fair value through other comprehensive income		(795)	(2,534)
Loss and total comprehensive expense for the year attributable to owners of the Company		<u>(5,798)</u>	<u>(2,437)</u>

* For identification purposes only

		2019 <i>HK Cents</i>	2018 <i>HK Cents</i>
(Loss) earnings per share			
– Basic	8	<u>(1.79)</u>	<u>0.03</u>
– Diluted	8	<u>(1.79)</u>	<u>0.03</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		3,356	649
Right-of-use assets		5,793	-
Equity instruments at fair value through other comprehensive income		<u>13,989</u>	<u>14,638</u>
		<u>23,138</u>	<u>15,287</u>
Current Assets			
Inventories		40,981	50,005
Trade and other receivables, deposits and prepayments	9	43,970	55,281
Tax receivable		1	-
Bank balances and cash		<u>30,319</u>	<u>14,925</u>
		<u>115,271</u>	<u>120,211</u>
Current Liabilities			
Trade payables, other payables and accruals	10	37,950	33,627
Contract liabilities		46	1,607
Lease liabilities		2,690	-
Tax payable		<u>-</u>	<u>3</u>
		<u>40,686</u>	<u>35,237</u>
Net Current Assets		<u>74,585</u>	<u>84,974</u>
Total Assets less Current Liabilities		<u>97,723</u>	<u>100,261</u>
Non-current Liability			
Lease liabilities		<u>3,260</u>	<u>-</u>
Net Assets		<u>94,463</u>	<u>100,261</u>
Capital and Reserves			
Share capital	11	28,000	28,000
Reserves		<u>66,463</u>	<u>72,261</u>
Equity attributable to owners of the Company and total equity		<u>94,463</u>	<u>100,261</u>

Notes:

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 July 2014. The Company's immediate holding company is SiS International Holdings Limited ("SiS"), a company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "HKSE").

The Company is an investment holding company. The principal activities of its principal subsidiaries are sales and distribution of mobile phones and related products in Hong Kong.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

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

HKFRS 16 *Leases*

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

As a lessee

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

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

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

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rate of the relevant group entity at the date of initial application. The incremental borrowing rate applied is 3%.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. As the discounting effect is not significant, no adjustment was made to the refundable rental deposits paid at date of initial application, 1 January 2019.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SEGMENTAL REPORTING

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

The Group is principally engaged in the sales and distribution of mobile phones and related products in Hong Kong. The executive directors of the Company, being the chief operating decision maker (“CODM”) for the purposes of resource allocation and performance assessment focuses mainly on revenue analysis by brand. As no other discrete financial information other than the consolidated revenue and consolidated profit or the Group are provided to CODM, no segment information is presented other than entity-wide disclosures.

4. REVENUE

Revenue represents the net amount received and receivable for goods sold arising from the sales and distribution of mobile phones and related products.

5. OTHER GAINS AND LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Exchange loss, net	161	280
Property, plant and equipment written off	1,101	-
Allowance for credit losses	66	284
Gain on derecognition of right-of-use assets and leases liabilities upon termination of leases	(13)	-
	<u>1,315</u>	<u>564</u>

6. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging (crediting):

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of inventories recognised as an expense (including reversal of allowance on obsolete and slow moving inventories of HK\$353,000 (2018: net reversal of allowance HK\$69,000))	420,113	448,937
Depreciation of property, plant and equipment	577	400
Dividend income from equity instruments at fair value through other comprehensive income	(459)	(329)
Depreciation of right-of-use assets	2,630	-
	<u>422,261</u>	<u>448,937</u>

7. INCOME TAX CREDIT

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong		
Current	-	18
Overprovision in prior years	-	(30)
	<u>-</u>	<u>(12)</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the Group's loss attributable to owners of the Company of HK\$5,003,000 (2018: profit HK\$97,000) and the weighted average number of ordinary shares of 280,000,000 (2018: 280,000,000).

The computation of the diluted (loss) earnings per share does not assume the exercise of the Company's share options as the exercise price of those share options is higher than the average market price of the Company's shares for both years.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$16,419,000 (2018: HK\$24,791,000). The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	12,162	14,818
31 to 60 days	3,715	7,725
61 to 90 days	221	2,208
91 to 120 days	308	40
Over 120 days	13	-
	<u>16,419</u>	<u>24,791</u>

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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 sales of goods, the Group allows an average credit period of 30 days to its trade customers. 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\$27,340,000 (2018: HK\$23,612,000). The average credit period on purchase of goods is 15 to 45 days. The following is an aged analysis of the trade payables based on the invoice date, at the end of each reporting period.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	18,250	15,353
31 to 90 days	2,553	1,976
91 to 120 days	1	-
Over 120 days	<u>6,536</u>	<u>6,283</u>
Total trade payables	<u>27,340</u>	<u>23,612</u>

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value <i>HK\$'000</i>
Authorised At 1 January 2018, 31 December 2018 and 2019	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid At 1 January 2018, 31 December 2018 and 2019	<u>280,000,000</u>	<u>28,000</u>

DIVIDEND

No dividend or distribution has been declared or made by the Company during the year ended 31 December 2019 and up to the date of issue of these consolidated financial statements. (2018: Nil).

BUSINESS REVIEW AND PROSPECT

The continuing protests, unrest in Hong Kong in the second half of 2019 had hugely impacted businesses and derailed its economy. These, coupled with intense competition and slowing consumer demand for mobile products has resulted in negative sales revenue.

In light of lower demand & sales, the Group has taken steps to reduce its distribution costs and administrative expenses in 2019. However, a one-time renovation cost of HK\$1,101,000 was written off as a result of relocation of office and warehouse from the building which carried out industrial building revitalization plan during the year.

The year ahead is beset with uncertainties and poses many challenges. The outbreak of the Covid-19 has further aggravated the global economy. Demand for mobility products remained sluggish. Against a backdrop of tough economic and plummeting market environment, the Directors are cautiously moving ahead. The Group will continue to seek opportunities, diversify its portfolio and stand poised to capture the opportunities when the economy rebounds and when the Covid-19 episode dies down.

Due to the outbreak of the novel coronavirus ("COVID-19") epidemic in China and Hong Kong in January 2020, the Group's operational and financial performance, as well as the wholesale market in general are expected to be adversely affected by the epidemic in the first half of 2020. The affected items include revenue and equity instruments at fair value through other comprehensive income. The Group will keep continuous attention on the situation of the COVID-19, assess and react proactively to its impacts on the financial and operating results of the Group.

FINANCIAL REVIEW AND ANALYSIS

Financial Review

For the financial year ended 31 December 2019, revenue of the Group amounted to HK\$439,774,000 (2018: HK\$472,535,000), representing a decrease of 7% compared to that of last year. This was mainly attributable to lower sales demand during the year. Gross profit margin of smartphone products were more challenging, the net loss attributable to owners of the Company was HK\$5,003,000 whereas a net profit of HK\$97,000 was recorded for the same period last year.

During the year, the Group's total operating expenditures for the year amount to HK\$24,202,000 (2018: HK\$23,296,000), representing an increase of 4% compared to that of last year. That is mainly because of increasing of rental expenses during the period of relocation of office and warehouse.

The carrying amount of inventory as at 31 December 2019 amounted to HK\$40,981,000, representing a decrease of 18% compared to that of last year. In view of the sluggish market, the Group took necessary steps to reduce inventory level to a healthier level in the second half year 2019.

Liquidity and Financial Resources

As at 31 December 2019, the Group had total assets of HK\$138,409,000 which were financed by total equity of HK\$94,463,000 and total liabilities of HK\$43,946,000. The Group had current ratio of approximately 2.8 compared to that of approximately 3.4 at 31 December 2018.

As at 31 December 2019 the Group had HK\$30,319,000 (31 December 2018: HK\$14,925,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank borrowings. As at 31 December 2019 and 2018, the Group did not have any borrowings.

At the end of December 2019, the Group had net cash surplus of HK\$30,319,000 (31 December 2018: HK\$14,925,000).

Charges on Group Assets

There was no pledged asset as at 31 December 2019 (31 December 2018: Nil).

Significant Investments

The listed securities held by the Group are held for long term investment purpose and suffered a 4% decline during the year ended 31 December 2019, as a result of market volatility in both USA and Hong Kong stock markets. The fair value loss HK\$795,000 (2018: HK\$2,534,000) was accounted for in other comprehensive expense. There was no investment in an investee company with a value of 5% or more of the Group's total assets as at the year end date. During the year ended 2019, there was no addition or disposal to the portfolio except for receiving some script dividend of a listed security in Hong Kong and the Group received dividend income of HK\$459,000 (2018: HK\$329,000).

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

The number of staff of the Group as at 31 December 2019 was 39 (31 December 2018: 40) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$11,257,000 (31 December 2018: HK\$11,850,000). 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 for directors and employees to work with commitment towards enhancing the value of the Company and its shareholders and therefore the Company can retain high caliber executives and employees. During the year end 2019, 300,000 share options were lapsed. 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, other receivables and bank balances of the Group are denominated in United States Dollar (US\$), the currency other than the functional currencies of the relevant group entities. As Hong Kong Dollars are pegged to US\$, the management of the Group does not expect that there would be any material currency risk exposure between these two currencies. The Group currently does not have currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

Contingent Liabilities

At 31 December 2019, the Group did not have any contingent liabilities or guarantees (31 December 2018: Nil).

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible organization, the Group is committed to maintain high environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including employment, workplace conditions, health and safety and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationship with its employees, has enhanced cooperation with its vendors and has provided high quality products and services to its customers and resellers so as to ensure sustainable development.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company has complied with the code provision under the Code.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in securities of the Company. Having made specific enquiry of all directors, all directors confirmed they have complied with the Model Code.

AUDIT COMMITTEE

The Audit Committee comprises all independent non-executive Directors. The Audit Committee has reviewed the Company’s consolidated financial statements for the year ended 31 December 2019, including the accounting principles and practices adopted by the Company, in conjunction with the Company’s auditors. The financial figures in this announcement of the Group’s results for the year ended 31 December 2019 have been agreed by 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 year ended.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2019.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company’s website at www.sismobile.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2019 annual report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites on or before 30 April 2020.

APPRECIATION

We would like to express our appreciation to our dedicated staff for their contributions and hard work and to our customers, business partners, shareholders and directors for their continued support.

On behalf of the Board of
SiS Mobile Holdings Limited
LIM Kia Hong
Chairman

Hong Kong, 26 March 2020

As at the date of this announcement, the directors of the Company are Mr. Lim Kiah Meng, Mr. Fong Po Kiu and Ms. Wong Yi Ting as executive directors, Mr. Lim Kia Hong and Mr. Lim Hwee Hai as non-executive directors and Ms. Chu Chung Yi, Ms. Ng See Wai Rowena and Ms. Doe Julianne Pearl as independent non-executive directors.