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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 2021

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 2021 together with comparative figures for the corresponding year in 2020 which are set out as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	4	2,275,455	1,166,222
Cost of sales		<u>(2,203,115)</u>	<u>(1,130,467)</u>
Gross profit		72,340	35,755
Other income		718	2,390
Other gains and losses, net	5	(7)	174
Selling and distribution expenses		(12,712)	(10,319)
Administrative expenses		(20,093)	(16,406)
Finance costs		<u>(111)</u>	<u>(276)</u>
Profit before tax	6	40,135	11,318
Income tax expense	7	<u>(6,849)</u>	<u>(488)</u>
Profit for the year		<u>33,286</u>	<u>10,830</u>
Other comprehensive income			
<i>Item that will not be subsequently reclassified to profit or loss</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		<u>(577)</u>	<u>(627)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>32,709</u>	<u>10,203</u>

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK Cents</i>	2020 <i>HK Cents</i>
Earnings per share			
– Basic	8	<u>11.89</u>	<u>3.87</u>
– Diluted	8	<u>11.89</u>	<u>3.87</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		2,207	2,977
Right-of-use assets		4,263	6,700
Equity instruments at fair value through other comprehensive income		12,785	13,362
Rental deposit		<u>418</u>	<u>418</u>
		<u>19,673</u>	<u>23,457</u>
Current Assets			
Inventories		54,680	28,460
Trade and other receivables, deposits and prepayments	9	64,777	55,982
Bank balances and cash		<u>56,035</u>	<u>57,489</u>
		<u>175,492</u>	<u>141,931</u>
Current Liabilities			
Trade payables, other payables and accruals	10	46,350	53,033
Contract liabilities		99	466
Lease liabilities		2,444	2,396
Tax payable		<u>7,019</u>	<u>506</u>
		<u>55,912</u>	<u>56,401</u>
Net Current Assets		<u>119,580</u>	<u>85,530</u>
Total Assets less Current Liabilities		<u>139,253</u>	<u>108,987</u>
Non-current Liability			
Lease liabilities		<u>1,878</u>	<u>4,321</u>
Net Assets		<u>137,375</u>	<u>104,666</u>
Capital and Reserves			
Share capital	11	28,000	28,000
Reserves		<u>109,375</u>	<u>76,666</u>
Equity attributable to owners of the Company and total equity		<u>137,375</u>	<u>104,666</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.

Amendments to HKFRSs that are mandatorily effective for the current year

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 consolidated financial statements:

Amendments to HKFRS 9, HKAS 39 and 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.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years.

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

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 and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

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.

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, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Exchange gain, net	73	140
Gain on derecognition of right-of-use assets and lease liabilities upon termination of leases	-	176
Impairment losses under expected credit loss model	(80)	(139)
Loss on disposal of property, plant and equipment	-	(3)
	<u>(7)</u>	<u>174</u>

6. PROFIT BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories recognised as an expense (including write-down of inventories of HK\$3,497,000 (2020: HK\$28,000))	2,203,115	1,130,467
Depreciation of property, plant and equipment	836	810
Depreciation of right-of-use assets	2,437	2,462
Dividend income from equity instruments at fair value through other comprehensive income	(369)	(297)
Expenses related to short-term leases	417	137
Government subsidy income from Employment Support Scheme provided by the Hong Kong government	-	(1,908)
	<u>-</u>	<u>(1,908)</u>

7. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong		
Current year	6,868	506
Overprovision in prior year	(19)	(18)
	<u>6,849</u>	<u>488</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. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK\$33,286,000 (2020: HK\$10,830,000) and the number of ordinary shares of 280,000,000 (2020: 280,000,000).

The computation of the diluted 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\$40,259,000 (2020: HK\$25,429,000). The following is an aged analysis of trade receivables, net of allowance for credit losses HK\$241,000 (2020: HK\$161,000), presented based on the invoice date at the end of the reporting period.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	33,677	19,596
31 to 60 days	6,081	4,566
61 to 90 days	498	1,163
91 to 120 days	-	104
Over 120 days	<u>3</u>	<u>-</u>
Total trade receivables	<u>40,259</u>	<u>25,429</u>

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\$23,722,000 (2020: HK\$31,276,000). 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	17,669	24,982
31 to 90 days	104	73
91 to 120 days	2	20
Over 120 days	<u>5,947</u>	<u>6,201</u>
Total trade payables	<u>23,722</u>	<u>31,276</u>

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value <i>HK\$'000</i>
Authorised		
At 1 January 2020, 31 December 2020 and 2021	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid		
At 1 January 2020, 31 December 2020 and 2021	<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 2021 and up to the date of issue of these consolidated financial statements.

BUSINESS / FINANCIAL REVIEW, PROSPECT AND ANALYSIS,

Business / Financial Review

For the financial year ended 31 December 2021, revenue of the Group amounted to HK\$2,275,455,000 (2020: HK\$1,166,222,000), representing an increase of 95% compared to that of last year. This was mainly attributable to the Group actively adjusted its sales strategies to expand product range as well as sales channels starting from second half year 2020 and benefitting from continued demand for mobile phones, notebooks, audio instruments as well as growing demand in e-commerce since we expedited the development of e-commerce under the new normal. The net profit of the Company was HK\$33,286,000 whereas a net profit of HK\$10,830,000 was recorded for last year, represented 207% growth.

During the year, the Group's total operating expenditures for the year amount to HK\$32,916,000 (2020: HK\$27,001,000), representing an increase of 22% compared to that of last year. That was mainly because of increase in logistic and staff costs when sale revenue grew. The manpower has increased by 15% for warehouse and administrative support during the year but at the same time the Group has monitor expenditures closely. We would take steps to keep operating cost under control.

As at 31 December 2021, inventory level and trade receivable were maintained at a healthy level when compared with the revenue scale.

Prospect

We look forward to the opening of borders eventually as the pandemic is entering a new phase where many countries around the world are beginning to open their borders. However, the current Russian-Ukraine war presents new global economic challenges. The Group will continue to monitor the market conditions closely and take timely actions in its business strategies when necessary. We will also continue to adjust and expand; explore and identify new opportunities and avenues to create value for shareholders.

Liquidity and Financial Resources

As at 31 December 2021, the Group had total assets of HK\$195,165,000 which were financed by total equity of HK\$137,375,000 and total liabilities of HK\$57,790,000. The Group had current ratio of approximately 3.1 at 31 December 2021 compared to that of approximately 2.5 last year.

As at 31 December 2021 the Group had HK\$56,035,000 (31 December 2020: HK\$57,489,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank borrowings. As at 31 December 2021 and 2020, the Group did not have any borrowings.

At the end of December 2021, the Group had net cash surplus of HK\$56,035,000 (31 December 2020: HK\$57,489,000).

Charges on Group Assets

There was no pledged asset as at 31 December 2021 (31 December 2020: 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 2021, as a result of market volatility in both USA and Hong Kong stock markets. The fair value loss HK\$577,000 (2020: HK\$627,000) 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 2021, there was no addition or disposal to the portfolio and the Group received dividend income of HK\$369,000 (2020: HK\$297,000).

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

The number of staff of the Group as at 31 December 2021 was 45 (31 December 2020: 39) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$16,949,000 (31 December 2020: HK\$12,697,000). In addition to the mandatory 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, no share options have been exercised, granted or 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 2021, the Group did not have any contingent liabilities or guarantees (31 December 2020: 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 2021, 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 2021 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 2021.

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 2021 annual report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites within April 2022.

APPRECIATION

On behalf of the Board, I would like to express our sincere appreciation to our committed staff for their contributions and hardworking, together with our customers, business partners and shareholders and directors for their support in SiS Mobile during this time; it is to their credit that we have been able to conduct our business effectively in light of this challenging environment.

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

Hong Kong, 18 March 2022

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.