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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The directors (the “Directors”) of SiS Mobile Holdings Limited (the “Company”) is pleased to announce that the condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 together with comparative figures for the corresponding period in 2021. The interim financial statements have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended	
		30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)
Revenue	4	707,738	940,694
Cost of sales		<u>(680,875)</u>	<u>(916,116)</u>
Gross profit		26,863	24,578
Other income		513	213
Other gains and losses, net		(428)	82
Selling and distribution expenses		(5,913)	(6,131)
Administrative expenses		(11,237)	(9,594)
Finance cost		<u>(47)</u>	<u>(62)</u>
Profit before tax	5	9,751	9,086
Income tax expense	6	<u>(824)</u>	<u>(1,852)</u>
Profit for the period		<u>8,927</u>	<u>7,234</u>
Other comprehensive income			
<i>Item that will not be classified to profit or loss</i>			
Fair value (loss) gain on equity instruments at fair value through other comprehensive income		<u>(962)</u>	<u>980</u>
Total comprehensive income for the period attributable to owners of the Company		<u>7,965</u>	<u>8,214</u>

* For identification purposes only

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

		Six months ended	
		30 June 2022	30 June 2021
		<i>HK cents</i> (unaudited)	<i>HK cents</i> (unaudited)
Earnings per share	Notes 7		
– Basic		<u>3.19</u>	<u>2.58</u>
– Diluted		<u>3.19</u>	<u>2.58</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022	31 December 2021
		<i>HK\$ '000</i> (unaudited)	<i>HK\$ '000</i> (audited)
Non-current assets			
Property, plant and equipment		1,876	2,207
Right-of-use assets		3,045	4,263
Equity instruments at fair value through other comprehensive income		11,823	12,785
Rental deposit		<u>418</u>	<u>418</u>
		<u>17,162</u>	<u>19,673</u>
Current assets			
Inventories		29,078	54,680
Trade and other receivables, deposits and prepayments	9	93,574	64,777
Bank balances and cash		<u>64,642</u>	<u>56,035</u>
		<u>187,294</u>	<u>175,492</u>
Current liabilities			
Trade payables, other payables and accruals	10	38,162	46,350
Contract liabilities		5	99
Lease liabilities		2,468	2,444
Tax payable		7,843	7,019
Bank Borrowing		<u>10,000</u>	<u>-</u>
		<u>58,478</u>	<u>55,912</u>
Net current assets		<u>128,816</u>	<u>119,580</u>
Total assets less current liabilities		<u>145,978</u>	<u>139,253</u>
Non-current liabilities			
Lease liabilities		<u>638</u>	<u>1,878</u>
Net assets		<u>145,340</u>	<u>137,375</u>
Capital and reserves			
Share capital	11	28,000	28,000
Reserves		<u>117,340</u>	<u>109,375</u>
Equity attributable to owners of the Company and total equity		<u>145,340</u>	<u>137,375</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements 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 (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies used in these condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

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 mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018 – 2020

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

3. SEGMENT 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 distribution and retail sales of mobile phones and related products.

5. PROFIT BEFORE TAX

	Six months ended	
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging and (crediting):		
Cost of inventories recognised as an expense (including reversal of allowance on slow moving inventories HK\$3,622,000 (2021 interim: HK\$194,000))	680,875	916,116
Reversal of impairment losses under expected credit losses model	(47)	(19)
Depreciation of property, plant and equipment	389	448
Depreciation of right-of-use assets	1,218	1,219
Dividend income	(160)	(169)
Exchange loss (gain), net	475	(64)
Government subsidy income from Employment Support Scheme provided by the Hong Kong Government	(352)	-
	680,875	916,116

6. INCOME TAX EXPENSE

	Six months ended	
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax- Current period	824	1,852

The Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above the HK\$2 million for the qualified entity. 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%.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit of HK\$8,927,000 (six months ended 30 June 2021: profit HK\$7,234,000) and the number of ordinary shares calculated below.

	Six months ended	
	30 June 2022 '000 shares	30 June 2021 '000 shares
Number of ordinary shares for the purpose of basic and diluted earnings per share	280,000	280,000

The computation of diluted earnings per share for the six months ended 30 June 2022 and 2021 did not assume the exercise of share options of the Company as the exercise prices of those options were higher than the average market prices of the Company for the periods.

8. DIVIDENDS

There is no dividend distributed during the six months ended 30 June 2022 and 2021.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$28,827,000 (31 December 2021: HK\$40,259,000). The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at end of each reporting period.

	30 June 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
Within 30 days	24,093	33,677
31 to 60 days	4,379	6,081
61 to 90 days	316	498
91 to 120 days	37	-
Over 120 days	<u>2</u>	<u>3</u>
Total trade receivables	<u>28,827</u>	<u>40,259</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\$22,572,000 (31 December 2021: HK\$23,722,000). The average credit period on purchase of goods is 30 days. The following is an aged analysis of the trade payables based on the invoice date at end of each reporting period.

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within 30 days	16,577	17,669
31 to 90 days	45	104
91 to 120 days	1	2
Over 120 days	<u>5,949</u>	<u>5,947</u>
Total trade payables	<u>22,572</u>	<u>23,722</u>

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value
Authorised	<u>500,000,000</u>	<u><i>HK\$'000</i> 50,000</u>
Issued and fully paid At 1 January 2021, 30 June 2021, 31 December 2021 and 30 June 2022	<u>280,000,000</u>	<u>28,000</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

BUSINESS REVIEW

Net profit attributable to shareholders for the six months period grew 23% from HK\$7,234,000 to HK\$8,927,000 whilst revenue declined 25% to HK\$707,738,000 when compared to the same period last year. Despite a challenging business environment and economy, the Group continued to post positive results.

Earnings per share was improved from HK cents 2.58 to HK cents 3.19. Net assets value of the Group increased to HK\$145,340,000.

Hong Kong was hit by the resurgence of the COVID-19 infections, followed by the strict border restrictions which curtailed many social and economic activities. Amid this backdrop, the Group will respond to the challenges; adapting and take timely actions by adjusting our business model. At the same time, The Group will seek new opportunities and avenues to create value for all stakeholders.

PROSPECT

Amid unfavourable external environment; the turbulent global economy and rising inflation; supply chain challenges and geopolitical tensions, the Group is cautiously moving ahead.

The ongoing COVID-19 pandemic, along with the war have caused severe supply chain disruptions over the past year. Even though we cannot change the war or the world, we can aim to stay prepared as we believe that this situation will eventually pass. With our strong financial position, our great standing and our team of outstanding staff, we will manage and mitigate; utilize this period to build and better position ourselves when opportunities present.

We will continue with our relentless efforts to seek and introduce innovative products, renowned brands to expand our Channel to continue and improved our performance.

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2022, the Group had total assets of HK\$204,456,000 which were financed by total equity of HK\$145,340,000 and total liabilities of HK\$59,116,000. The Group had current ratio of approximately 3.2 compared to that of approximately 3.1 at 31 December 2021.

As at 30 June 2022, the Group had HK\$64,642,000 (31 December 2021: HK\$56,035,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank borrowing.

The Group maintained a healthy liquidity position. As at 30 June 2022, the Group had a net cash surplus of HK\$54,642,000 (31 December 2021: HK\$56,035,000). There was HK\$10,000,000 short- term bank borrowing as at 30 June 2022 (31 December 2021: Nil), gearing ratio 6.9% to total equity.

Charges on Group Assets

There was no pledged asset as at 30 June 2022 (31 December 2021: Nil).

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

The number of staff of the Group as at 30 June 2022 was 46 (30 June 2021: 43) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$8,822,000 (30 June 2021: HK\$8,440,000). 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. No share options have been exercised, granted, lapsed or forfeited during current period. 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.

Significant Investments

The listed securities held by the Group are held for long term investment purpose and suffered an 8% decline during the six months ended 30 June 2022, as a result of market volatility in USA stock market. The fair value loss HK\$962,000 was accounted for in other comprehensive income. During the interim period 2022, there was no addition or disposal to the portfolio and the Group received dividend income of HK\$160,000 (interim 2021: HK\$169,000).

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 is pegged to US Dollars, 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.

The Group did not have any derivatives financial instrument outstanding as at 30 June 2022 (31 December 2021: Nil).

Contingent Liabilities

At 30 June 2022, the Group did not have contingent liabilities or guarantees (31 December 2021: Nil).

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 (the “Listing Rules”). Through the period ended 30 June 2022, 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 condensed consolidated financial statements for the six months ended 30 June 2022, including the accounting principles and practices adopted by the Company.

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 period ended 30 June 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM 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 2022 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 2022.

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.

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

Hong Kong, 25 August 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.