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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 2023

The directors (the “Directors”) of SiS Mobile 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 2023 together with comparative figures for the corresponding period in 2022. 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 2023 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)
Revenue	4	675,542	707,738
Cost of sales		<u>(652,662)</u>	<u>(680,875)</u>
Gross profit		22,880	26,863
Other income		255	513
Other gains and losses, net		(410)	(428)
Selling and distribution expenses		(6,755)	(5,913)
Administrative expenses		(9,675)	(11,237)
Finance cost		<u>(13)</u>	<u>(47)</u>
Profit before tax	5	6,282	9,751
Income tax expense	6	<u>(1,556)</u>	<u>(824)</u>
Profit for the period		<u><u>4,726</u></u>	<u><u>8,927</u></u>
Other comprehensive income			
<i>Item that will not be classified to profit or loss</i>			
Fair value gain (loss) on equity instruments at fair value through other comprehensive income		<u>195</u>	<u>(962)</u>
Total comprehensive income for the period attributable to owners of the Company		<u><u>4,921</u></u>	<u><u>7,965</u></u>

* For identification purposes only

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

		Six months ended	
		30 June 2023	30 June 2022
		<i>HK cents</i> (unaudited)	<i>HK cents</i> (unaudited)
Earnings per share	Notes 7		
– Basic		<u>1.69</u>	<u>3.19</u>
– Diluted		<u>1.69</u>	<u>3.19</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023	31 December 2022
		<i>HK\$ '000</i> (unaudited)	<i>HK\$ '000</i> (audited)
Non-current assets			
Property, plant and equipment		1,194	1,500
Right-of-use assets		609	1,827
Equity instruments at fair value through other comprehensive income		<u>10,922</u>	<u>10,727</u>
		<u>12,725</u>	<u>14,054</u>
Current assets			
Inventories		42,460	29,879
Trade and other receivables, deposits and prepayments	9	50,341	72,035
Tax recoverable		2,329	3,885
Bank balances and cash		<u>100,709</u>	<u>86,122</u>
		<u>195,839</u>	<u>191,921</u>
Current liabilities			
Trade payables, other payables and accruals	10	43,087	45,337
Contract liabilities		1,356	197
Dividend Payable	8	5,600	-
Lease liabilities		<u>637</u>	<u>1,878</u>
		<u>50,680</u>	<u>47,412</u>
Net current assets		<u>145,159</u>	<u>144,509</u>
Net assets		<u>157,884</u>	<u>158,563</u>
Capital and reserves			
Share capital	11	28,000	28,000
Reserves		<u>129,884</u>	<u>130,563</u>
Equity attributable to owners of the Company and total equity		<u>157,884</u>	<u>158,563</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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

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 2023 for the preparation of Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules

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 2023 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)
Profit before tax has been arrived at after charging and (crediting):		
Cost of inventories recognised as an expense (including write-down of inventories HK\$107,000 (2022 interim : write-back of inventories HK\$3,622,000))	652,662	680,875
Impairment losses reversed under expected credit loss model	-	(47)
Impairment losses under expected credit loss model	53	-
Depreciation of property, plant and equipment	388	389
Depreciation of right-of-use assets	1,218	1,218
Dividend income	(217)	(160)
Exchange loss, net	357	475
Government subsidy income from Employment Support Scheme provided by the Hong Kong Government	-	(352)
Interest expense on lease liabilities	13	38
Interest expense on bank borrowings	-	9
	_____	_____

6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2023 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)
Hong Kong Profits Tax- Current period	1,556	824
	_____	_____

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\$4,726,000 (six months ended 30 June 2022: profit HK\$8,927,000) and the number of ordinary shares calculated below.

	Six months ended	
	30 June	30 June
	2023	2022
	<i>'000 shares</i>	<i>'000 shares</i>
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 2023 did not assume the exercise of share options of the Company as those options were lapsed on 30 June 2023. The computation of diluted earnings per share for the six months ended 30 June 2022 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

Dividend recognized as distribution during the six months ended 30 June 2023 represented final dividend payable in respect of the year ended 31 December 2022 of 2 HK cents per share, total HK\$5,600,000. There was no dividend distributed during the six months ended 30 June 2022. The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2023.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$25,332,000 (31 December 2022: HK\$18,674,000). 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	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within 30 days	21,674	15,400
31 to 60 days	3,229	2,919
61 to 90 days	350	355
91 to 120 days	72	-
Over 120 days	7	-
Total trade receivables	25,332	18,674

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\$35,425,000 (31 December 2022: HK\$28,523,000). 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 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Within 30 days	29,417	22,355
31 to 90 days	46	222
91 to 120 days	17	1
Over 120 days	<u>5,945</u>	<u>5,945</u>
Total trade payables	<u>35,425</u>	<u>28,523</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 2022, 30 June 2022, 31 December 2022 and 30 June 2023	<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 2023 (six months ended 30 June 2022: Nil).

BUSINESS REVIEW

In this interim period, we are relentless in our efforts to address the challenges that have impacted our financial metrics with candor. Our revenue declined by 5% to HK\$675,452,000 as compared to the corresponding period last year, and our net profit attributed to shareholders amounted to HK\$4,726,000 for the interim period ending 30 June 2023. We are cautiously managing and navigating the choppy waters in a steady manner to deliver to our shareholders.

Our journey through these challenges during the interim period is underscored by the increasing geopolitical tensions that all businesses including Hong Kong now face. This emphasizes the dynamic nature of market conditions and the necessity of adaptability. Acknowledging the broader economic environment, the gradual resumption of travel post-COVID-19 offers encouragement, though recovery remains gradual. Furthermore, external factors like high inflation, slower economic growth, elevated cost of living, and

mounting interest rates continue to cast shadows. These challenges have impacted both businesses and consumer confidence, creating headwinds.

In response, our approach has been pragmatic, as we recalibrate our strategies to navigate this intricate landscape whilst maintaining fiscal responsibility.

PROSPECT

Looking ahead, we envision a future that builds upon our strengths and adapts to evolving dynamics. The Group, with a strong financial foundation and a strategically crafted product portfolio, is poised to make inroads. Our commitment goes beyond navigating current challenges; we are resolute in refining our strategies to emerge with even greater resilience. Through our united efforts in adaptation, management, and calibration, we remained steadfast to overcome obstacles and provide enhanced value to our shareholders. Our ability to adapt to changing circumstances fuels our resolve to forge a way forward.

FINANCIAL ANALYSIS

Liquidity and Financial Resources

As at 30 June 2023, the Group had total assets of HK\$208,564,000 which were financed by total equity of HK\$157,884,000 and total liabilities of HK\$50,680,000. The Group had current ratio of approximately 3.9 compared to that of approximately 4.0 at 31 December 2022.

As at 30 June 2023, the Group had HK\$100,709,000 (31 December 2022: HK\$86,122,000) 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 2023, the Group had a net cash surplus of HK\$100,709,000 (31 December 2022: HK\$86,122,000). There was no bank borrowing as at 30 June 2023 (31 December 2022: Nil).

Charges on Group Assets

There was no pledged asset as at 30 June 2023 (31 December 2022: Nil).

Number and Remuneration of Employees, Remuneration Policies and Bonus

The number of staff of the Group as at 30 June 2023 was 50 (30 June 2022: 46) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$7,537,000 (30 June 2022: HK\$8,822,000). In addition to the contributory provident fund and medical insurance, discretionary bonus is awarded to employees according to performance appraisals. 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 had a 2% increase during the six months ended 30 June 2023. The fair value gain HK\$195,000 was accounted for in other comprehensive income. During the interim period 2023, there was no addition or disposal to the portfolio and the Group received dividend income of HK\$217,000 (interim 2022: HK\$160,000).

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 2023 (31 December 2022: Nil).

Contingent Liabilities

At 30 June 2023, the Group did not have contingent liabilities or guarantees (31 December 2022: 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 2023, 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 2023, 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 2023.

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 2023 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 2023.

APPRECIATION

On behalf of the Board, I extend my deepest gratitude to our dedicated staff, esteemed customers, valued vendors, strategic partners, and all those who have stood by us, particularly during these challenging times. Their remarkable contributions, combined with the leadership of our management team, have empowered us not only to weather the storm but emerged stronger.

In closing, I want to express my sincere appreciation to our shareholders for your unwavering support. Even in the face of subtle growth, your trust propels our determination to persevere. As we continue navigating uncertain waters, I remain firm in my belief that our measured approach will steer us toward a better future and sustainable growth.

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

Hong Kong, 24 August 2023

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. Doe Julianne Pearl and Mr. Cheng Tak Chung as independent non-executive directors.