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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 2024

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 2024 together with comparative figures for the corresponding period in 2023. 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 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
Revenue	4	470,383	675,542
Cost of sales		(444,574)	(652,662)
Gross profit		25,809	22,880
Other income		1,835	255
Other gains and losses, net		(345)	(410)
Selling and distribution expenses		(9,456)	(6,755)
Administrative expenses		(12,215)	(9,675)
Finance cost		(179)	(13)
Profit before tax	5	5,449	6,282
Income tax expense	6	(1,309)	(1,556)
Profit for the period		<u>4,140</u>	<u>4,726</u>
Other comprehensive income			
<i>Item that will not be classified to profit or loss</i>			
Fair value gain on equity instruments at fair value through other comprehensive income		1,066	195
Total comprehensive income for the period attributable to owners of the Company		<u>5,206</u>	<u>4,921</u>

* For identification purposes only

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

		Six months ended	
		30 June 2024	30 June 2023
		<i>HK cents</i> (unaudited)	<i>HK cents</i> (unaudited)
Earnings per share	Note 7		
– Basic		<u>1.47</u>	<u>1.69</u>
– Diluted		<u>1.47</u>	<u>1.69</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2024	31 December 2023
		<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		535	857
Right-of-use assets		5,175	6,324
Equity instruments at fair value through other comprehensive income		13,136	12,070
Rental deposit		<u>418</u>	<u>418</u>
		<u>19,264</u>	<u>19,669</u>
Current assets			
Inventories		54,645	43,398
Trade and other receivables, deposits and prepayments	9	61,744	56,383
Tax recoverable		805	2,114
Bank balances and cash		<u>88,285</u>	<u>110,498</u>
		<u>205,479</u>	<u>212,393</u>
Current liabilities			
Trade payables, other payables and accruals	10	50,867	62,246
Contract liabilities		55	126
Dividend payable	8	4,200	-
Lease liabilities		<u>2,249</u>	<u>2,183</u>
		<u>57,371</u>	<u>64,555</u>
Net current assets		<u>148,108</u>	<u>147,838</u>
Total assets less current liabilities		<u>167,372</u>	<u>167,507</u>
Non-current liability			
Lease liabilities		<u>3,050</u>	<u>4,191</u>
Net assets		<u>164,322</u>	<u>163,316</u>
Capital and reserves			
Share capital	11	28,000	28,000
Reserves		<u>136,322</u>	<u>135,316</u>
Equity attributable to owners of the Company and total equity		<u>164,322</u>	<u>163,316</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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

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 2024 for the preparation of Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance 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 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
Profit before tax has been arrived at after charging and (crediting):		
Cost of inventories recognised as an expense (including write-back of inventories HK\$78,000 (2023 interim : write-down of inventories HK\$107,000))	444,574	652,662
Impairment losses reversed under expected credit loss model	(46)	-
Impairment losses under expected credit loss model	-	53
Depreciation of property, plant and equipment	397	388
Depreciation of right-of-use assets	1,149	1,218
Dividend income	(325)	(217)
Exchange loss, net	391	357
Interest income from bank deposits	(1,274)	(37)
Interest expense on lease liabilities	179	13

6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
Hong Kong Profits Tax- Current period	1,309	1,556

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\$4,140,000 (six months ended 30 June 2023: profit HK\$4,726,000) and the number of ordinary shares calculated below.

	Six months ended	
	30 June 2024 '000 shares	30 June 2023 '000 shares
Number of ordinary shares for the purpose of basic and diluted earnings per share	280,000	280,000

7. EARNINGS PER SHARE *(Continued)*

The computation of diluted earnings per share did not assume the exercise of the Company's share options as the exercise prices of those options were higher than the average market prices of the Company for the interim period ended 30 June 2023 and all those options were lapsed on 30 June 2023.

8. DIVIDENDS

Dividend recognized as distribution during the six months ended 30 June 2024 represented final dividend payable in respect of the year ended 31 December 2023 of 1.5 HK cents per share, total HK\$4,200,000 (for the six months ended 30 June 2023: 2.0 HK cents per share in respect of the year ended 31 December 2022 total HK\$5,600,000).

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$34,469,000 (31 December 2023: HK\$26,128,000). 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 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Within 30 days	27,711	16,892
31 to 60 days	6,227	7,040
61 to 90 days	118	1,875
91 to 120 days	145	29
Over 120 days	<u>268</u>	<u>292</u>
Total trade receivables	<u>34,469</u>	<u>26,128</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\$38,312,000 (31 December 2023: HK\$46,639,000). 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 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Within 30 days	31,722	40,448
31 to 90 days	437	41
91 to 120 days	-	148
Over 120 days	<u>6,153</u>	<u>6,002</u>
Total trade payables	<u>38,312</u>	<u>46,639</u>

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value
		<u>HK\$'000</u>
Authorised	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid		
At 1 January 2023, 30 June 2023, 31 December 2023 and 30 June 2024	<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 2024 (six months ended 30 June 2023: Nil).

BUSINESS REVIEW

In the past six months, our company faced significant challenges, leading to a 30% drop in revenue to HK\$470,383,000. This decline was primarily due to a sluggish trading environment on volume products and ongoing low consumer spending in the local market. While our cost of sales decreased accordingly, we successfully improved our gross profit margin by strategically focusing on higher-margin products.

Net profit decreased by 12%, from HK\$4,726,000 to HK\$4,140,000, as operating costs remained under pressure, mainly rising labor costs for additional workforce and higher marketing expenses.

The expected tourism-driven economic recovery in Hong Kong has been much slower than anticipated, while elevated interest rates, persistent high inflation, and an escalated cost of living have presented an intricate business landscape.

We believe that demand for mobile phones persists, despite a contracting market. To address this, we have introduced new high-quality brands that offer competitive features. We are also adjusting our product mix and exploring different business models. Our expanded now includes traditional mobile phones, smart devices and accessories, such as wearables and smart home products that complement mobile technology.

PROSPECT

Amid ongoing volatility, our group navigates these hurdles by diversifying our product portfolio and expanding our range. This approach helps us better navigate market conditions and capture new and emerging opportunities. We remain committed to delivering value and quality to our customers while strengthening our market position.

With robust fundamentals and a solid balance sheet, we are well-positioned for meaningful progress. Our focus is not just on overcoming current obstacles, but also refining our strategies for greater resilience. Through collaboration in adaptation and management, we are confident in our ability to overcome challenges and deliver enhanced value to our shareholders.

FINANCIAL ANALYSIS

Liquidity and Financial Resources

As at 30 June 2024, the Group had total assets of HK\$224,743,000 which were financed by total equity of HK\$164,322,000 and total liabilities of HK\$60,421,000. The Group had current ratio of approximately 3.6 compared to that of approximately 3.3 at 31 December 2023.

As at 30 June 2024, the Group had HK\$88,285,000 (31 December 2023: HK\$110,498,000) 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 2024, the Group had a net cash surplus of HK\$88,285,000 (31 December 2023: HK\$110,498,000). There was no bank borrowing as at 30 June 2024 (31 December 2023: Nil).

Charges on Group Assets

There was no pledged asset as at 30 June 2024 (31 December 2023: Nil).

Number and Remuneration of Employees, Remuneration Policies and Bonus

The number of staff of the Group as at 30 June 2024 was 51 (30 June 2023: 50) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$10,886,000 (30 June 2023: HK\$7,537,000). 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 9% increase during the six months ended 30 June 2024. The fair value gain HK\$1,066,000 was accounted for in other comprehensive income. During the interim period 2024, there was no addition or disposal to the portfolio and the Group received dividend income of HK\$325,000 (interim 2023: HK\$217,000).

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 2024 (31 December 2023: Nil).

Contingent Liabilities

At 30 June 2024, the Group did not have contingent liabilities or guarantees (31 December 2023: Nil).

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “Code”) as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Through the period ended 30 June 2024, 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 C3 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 2024, 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 2024.

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 2024 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 2024.

APPRECIATION

I would like to express my heartfelt gratitude for your unwavering support during these challenging times. I am deeply appreciative of our dedicated staff, valued customers, trusted vendors, and strategic partners. Your exceptional commitment has been instrumental in our ability to navigate adversity and emerge stronger.

I would also like to extend my sincere thanks to our shareholders for your steadfast confidence in us. Your support inspires us to strive for excellence and continuous improvement.

Lastly, I want to convey our condolences to the family of Mr. Lim Kia Hong, our former-Chairman. His invaluable contributions to the Group will always be remembered, and we are profoundly grateful for his dedication.

On behalf of the Board of
SiS Mobile Holdings Limited
LIM Kiah Meng
Chairman

Hong Kong, 28 August 2024

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 Hwee Hai as non-executive director and Ms. Chu Chung Yi, Ms. Doe Julianne Pearl and Mr. Cheng Tak Chung as independent non-executive directors.