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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 2016

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 2016 together with comparative figures for the corresponding period in 2015. 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 2016 HK\$'000 (unaudited)	30 June 2015 HK\$'000 (unaudited)
Revenue	4	359,311	423,092
Cost of sales		<u>(351,007)</u>	<u>(406,276)</u>
Gross profit		8,304	16,816
Other income		108	529
Selling and distribution expenses		(5,043)	(5,066)
Administrative expenses		(10,925)	(11,572)
Finance costs		<u>(28)</u>	<u>(2)</u>
(Loss) profit before tax	5	(7,584)	705
Income tax expense	6	<u>-</u>	<u>(647)</u>
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company		<u><u>(7,584)</u></u>	<u><u>58</u></u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share	7		
– Basic		<u>(2.71)</u>	<u>0.02</u>
– Diluted		<u>(2.71)</u>	<u>N/A</u>

\* For identification purposes only

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		47	124
<b>Current assets</b>			
Inventories		57,517	74,677
Trade and other receivables, deposits and prepayments	9	42,870	52,588
Tax recoverable		344	344
Bank balances and cash		31,616	29,661
		132,347	157,270
<b>Current liabilities</b>			
Trade payables, other payables and accruals	10	33,522	21,781
Borrowings		-	30,500
		33,522	52,281
<b>Net current assets</b>		98,825	104,989
<b>Total assets less current liabilities and net assets</b>		98,872	105,113
<b>Capital and reserves</b>			
Share capital	11	28,000	28,000
Reserves		70,872	77,113
<b>Equity attributable to owners of the Company and total equity</b>		98,872	105,113

### *Notes:*

#### **1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting 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.

#### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015 except as described below.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2016:

- |  |  |
|--|--|
| • Amendments to HKAS 11                      | Accounting for Acquisition of Interests in Joint Operations          |
| • Amendments to HKAS 1                       | Disclosure Initiative  |
| • Amendments to HKAS 16 and HKAS38           | Clarification of Acceptable Methods of Depreciation and Amortisation |
| • Amendments to HKFRSs                       | Annual Improvements to HKFRSs 2012-2014 Cycle                        |
| • Amendments to HKAS 16 and HKAS41           | Agriculture: Bearer Plants   |
| • Amendments to HKAS 27                      | Equity Method in Separate Financial Statements                       |
| • Amendments to HKFRS 10, HKFRS12 and HKAS28 | Investment Entities: Applying the Consolidation Exception            |

The application of the amendments to HKFRSs in the current period has had no material effect on the Group's financial performance and positions for the current period and prior years 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 consolidated revenue and consolidated gross profit of the Group are the measures reported to the executive directors of the Company, being the chief operating decision maker for the purposes of resource allocation and performance assessment. The executive directors consider that all products distributed by the Group have similar nature and therefore, concluded that there is only one operating and one reportable segment, which is the Group as a whole, and no further analysis for segment information is presented.

## 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. (LOSS) PROFIT BEFORE TAX

	Six months ended	
	30 June 2016 HK\$'000 (unaudited)	30 June 2015 HK\$'000 (unaudited)
(Loss) profit before tax has been arrived at after charging and (crediting):		
Cost of inventories recognised as an expense	351,007	406,275
Impairment of inventories	6,587	2,149
Depreciation of property, plant and equipment	62	595
Listing expenses	-	196
Loss on disposal of property, plant and equipment	11	18
Exchange gain, net	(107)	(464)
Interest income on bank deposits	-	(2)
	<u>351,007</u>	<u>406,275</u>

## 6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2016 HK\$'000 (unaudited)	30 June 2015 HK\$'000 (unaudited)
The charge comprises:		
Hong Kong Profits Tax		
Current period	-	647
	<u>-</u>	<u>647</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

## 7. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on the Group's loss of HK\$7,584,000 (30 June 2015: profit of HK\$58,000) and the weighted average number of ordinary shares calculated below.

	Six months ended	
	30 June 2016 '000 shares	30 June 2015 '000 shares
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>280,000</u>	<u>276,535</u>

The computation of diluted (loss) earnings per share for the six months ended 30 June 2016 and 2015 did not assume the exercise of share options of the Company as the exercise prices of those options are higher than the average market prices of the Company for the periods.

The calculation of the weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2015 has taken into account the shares issued during the period upon the group reorganisation and adjusted for the capitalisation issue on 15 January 2015.

## 8. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$22,171,000 (31 December 2015: HK\$40,920,000). The following is an aged analysis of trade receivables presented based on the invoice date at end of each reporting period.

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
Within 30 days	12,601	32,281
31 to 60 days	7,584	6,043
61 to 90 days	1,643	2,506
91 to 120 days	265	8
Over 120 days	78	82
	<hr/>	<hr/>
Total trade receivables	<b>22,171</b>	<b>40,920</b>

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\$16,985,000 (31 December 2015: HK\$9,785,000). 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.

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
Within 30 days	16,733	9,328
31 to 90 days	13	194
91 to 120 days	-	-
Over 120 days	239	263
	<hr/>	<hr/>
	<b>16,985</b>	<b>9,785</b>

## 11. SHARE CAPITAL

	Number of ordinary shares of <u>HK\$0.10 each</u>	Nominal value <u>HK\$ '000</u>
Authorised	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid		
At 1 January 2015(audited)	10,000	1
Issue of shares on		
15 January 2015(a)	235,190,000	23,519
15 January 2015(b)	<u>44,800,000</u>	<u>4,480</u>
At 31 December 2015 (audited) and 30 June 2016(unaudited)	<u><b>280,000,000</b></u>	<u><b>28,000</b></u>

On listing of the shares of the Company on the Stock Exchange of Hong Kong Limited on 15 January 2015,

- (a) an amount of HK\$23,519,000 was capitalised from the share premium account of the Company by the issuance of 235,190,000 ordinary shares of HK\$0.10 each; and
- (b) 44,800,000 ordinary shares of HK\$0.10 each were issued at HK\$0.82 per share to the public for a total gross proceeds of HK\$36,736,000.

All the new shares issued during 2015 rank pari passu in all respects with the then existing shares.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## **BUSINESS REVIEW**

Hong Kong's retail sector has been facing headwinds over the recent quarters. This, coupled with significant macroeconomic challenges in the sector, had an impact on the Group's performance for the six-month period ended 30 June 2016. With weaker consumption sentiments and a provision of HK\$6,587,000 for slow moving inventory, resulting a net loss of HK\$7,584,000 for the first half 2016 as compared to a net profit in interim 2015.

We are streamlining our operations to improve our cost effectiveness. Total operating costs were lower when compared with last interim period. The Group draws on our many years' of experience in Hong Kong's mobile distribution sector and backed by an astute management team and a strong financial position.

## **PROSPECT**

Intense competition in the mobility world will continue, global economy and consumer demand remain uncertain and challenging in the near terms. However, we expect to see more innovation fueled by the growing adoption and consumption of mobile in coming years as mobile and "Internet of things" continues to become a key platform and life style. Amid the challenges we will continue to explore and identify new opportunities and avenues to add to our income streams where possible.

## **FINANCIAL REVIEW AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 30 June 2016, the Group had total assets of HK\$132,394,000 which were financed by total equity of HK\$98,872,000 and total liabilities of HK\$33,522,000. The Group had current ratio of approximately 4.0 compared to that of approximately 3.0 at 31 December 2015.

As at 30 June 2016 the Group had HK\$31,616,000 (31 December 2015: HK\$29,661,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank borrowings. As at 30 June 2016, the Group did not have any borrowings (31 December 2015: HK\$30,500,000).

The Group maintained a healthy liquidity position. As at 30 June 2016, the Group had a net cash surplus (bank balances and cash less borrowings) of HK\$31,616,000 compared to net cash deficit of HK\$839,000 as at 31 December 2015.

There was no borrowing as at 30 June 2016. Gearing ratio, as defined by total borrowings to total equity was 29% as at 31 December 2015.

## **Charges on Group Assets**

There was no pledged asset as at 30 June 2016 (31 December 2015 : Nil).

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

The number of staff of the Group as at 30 June 2016 was 39 (30 June 2015: 46) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$6,814,000 (30 June 2015: HK\$5,950,000). 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 interim period ended 30 June 2015, 7,890,000 share options were granted to grantees. No share options have been exercised, 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.

## **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.

The Group did not have any derivatives financial instrument outstanding as at 30 June 2016 (31 December 2015 : Nil).

## **Contingent Liabilities**

At 30 June 2016 the Group did not have any material contingent liabilities or guarantees (31 December 2015 : 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 of Hong Kong Limited (the "Listing Rules"). Through the period ended 30 June 2016, 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 2016, including the accounting principles and practices adopted by the Company.

## **USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING**

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 15 January 2015. Net proceeds from the global offering were approximately HK\$4.7 million. The Company intended to use the net proceeds in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" contained in the prospectus of the Company dated 31 December 2014. Since the listing of the Company's shares, the Company has used approximately HK\$0.4 million from such proceeds as working capital per proposed applications.

## **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 2016.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the Company's website at [www.sismobile.com.hk](http://www.sismobile.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The 2016 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 2016.

## **APPRECIATION**

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

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

Hong Kong, 22 August 2016

*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.*