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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 2016

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 2016 together with comparative figures for the corresponding year in 2015 which are set out as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	Notes 4	615,997	832,452
Cost of sales		<u>(595,489)</u>	<u>(795,031)</u>
Gross profit		20,508	37,421
Other income		546	1,484
Selling and distribution expenses		(9,569)	(10,092)
Administrative expenses		(19,224)	(25,581)
Listing expense		-	(196)
Finance costs		<u>(28)</u>	<u>(57)</u>
(Loss) profit before tax	5	(7,767)	2,979
Income tax credit (expense)	6	<u>43</u>	<u>(2,338)</u>
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company for the year		<u><u>(7,724)</u></u>	<u><u>641</u></u>
		2016 <i>HK Cents</i>	2015 <i>HK Cents</i>
(Loss) earnings per share			
– Basic	7	<u><u>(2.76)</u></u>	<u><u>0.23</u></u>
– Diluted	7	<u><u>(2.76)</u></u>	<u><u>0.23</u></u>

* For identification purposes only

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

		2016	2015
		HK\$'000	HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		<u>20</u>	<u>124</u>
Current assets			
Inventories		33,192	74,677
Trade and other receivables, deposits and prepayments	8	28,878	52,588
Investment held for trading		99	-
Tax recoverable		2,042	344
Bank balances and cash		<u>73,510</u>	<u>29,661</u>
		<u>137,721</u>	<u>157,270</u>
Current liabilities			
Trade payables, other payables and accruals	9	37,667	21,781
Borrowings		<u>-</u>	<u>30,500</u>
		<u>37,667</u>	<u>52,281</u>
Net current assets		<u>100,054</u>	<u>104,989</u>
Total assets less current liabilities and net assets		<u>100,074</u>	<u>105,113</u>
Capital and reserves			
Share capital	10	28,000	28,000
Reserves		<u>72,074</u>	<u>77,113</u>
Equity attributable to owners of the Company and total equity		<u>100,074</u>	<u>105,113</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 distribution and retail sales of mobile phones and related products in Hong Kong.

2. APPLICATION OF NEW AND REVISED 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 (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

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.

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants

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

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKFRS 2	Clarification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts” ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 15 Revenue from Contracts with Customers

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

HKFRS 16 Leases

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK\$1,132,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group’s financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company anticipate that the application of HKAS 7 in the future may result in more disclosures.

Other than those described above, the directors of the Company do not anticipate that the application of the new and amendments to HKFRSs will have a material impact on the results and/or the financial position of the Group.

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 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 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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of inventories recognised as an expense	595,489	795,031
Allowance (reversal of allowance) on obsolete and slow moving inventories	2,206	(1,222)
Allowance for doubtful debts	744	-
Depreciation of property, plant and equipment	90	814
Gain from changes in fair value of investment held for trading	(40)	-
Loss on disposal of property, plant and equipment	11	19
	<u>11</u>	<u>19</u>

6. INCOME TAX (CREDIT) EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong		
Current	-	2,045
(Over) underprovision in prior years	(43)	293
Income tax (credit) expense	(43)	2,338
	<u>(43)</u>	<u>2,338</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for the year. Hong Kong Profit tax is calculated at 16.5% of the estimated assessable profit in prior year.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the Group's loss attributable to owners of the Company of HK\$7,724,000 (2015: profit of HK\$641,000) and the weighted average number of ordinary shares of 280,000,000 (2015: 278,281,644).

The computation of the diluted (loss) 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.

The calculation of the weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2015 had taken into account the shares issued during the year upon the Group Reorganisation and adjusted for the capitalisation issue on 15 January 2015.

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$15,806,000 (2015: HK\$40,920,000). The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	13,578	32,281
31 to 60 days	1,926	6,043
61 to 90 days	200	2,506
91 to 120 days	75	8
Over 120 days	27	82
	<hr/>	<hr/>
Total trade receivables	15,806	40,920
	<hr/> <hr/>	<hr/> <hr/>

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.

9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$22,750,000 (2015: HK\$9,785,000). 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 the reporting period.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	16,576	9,328
31 to 90 days	43	194
91 to 120 days	1	-
Over 120 days	6,130	263
	<hr/>	<hr/>
Total trade payables	22,750	9,785
	<hr/> <hr/>	<hr/> <hr/>

10. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value HK\$ '000
Authorised		
At 1 January 2015, 31 December 2015 and 31 December 2016	500,000,000	50,000
Issued and fully paid		
At 1 January 2015	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 and 2016	<u>280,000,000</u>	<u>28,000</u>

On listing of the shares of the Company on the HKSE 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 in 2015 rank pari passu in all respects with the then existing issued ordinary shares.

DIVIDEND

Directors do not recommend payment of dividend for the year ended 31 December 2016.

BUSINESS REVIEW AND PROSPECT

2016 was a challenging year for mobile industry. Global economic downturn, lower demand for mobile products plus the recall of a flagship mobile phone model by one of our major vendors in October contributed to the lower sales revenue in the last quarter of 2016.

In light of the lowered sales and gross profit level, the Group reduced its distribution cost and administrative expenses in 2016. Improvement on Inventory management resulted a reduction on inventory provision to HK\$2,206,000 as compared to HK\$6,587,000 for the interim period 2016.

The Directors believe that the outlook for 2017 remain uncertain, market sentiments will remain weak. The demand for mobility products will be adversely affected by the global uncertainties and European financial turmoil.

However, the group is financially strong with a strong balance sheet, an experienced management team, the Group is well positioned to explore and identify new opportunities and avenues to add to our income streams. We will continue to seek fresh opportunities in new segments such as Internet of Things (IOT), mobile services etc while we continue to improve its operation efficiency, streamlining the business processes to emerge stronger when the economy recovers.

FINANCIAL REVIEW AND ANALYSIS

Financial Review

For the financial year ended 31 December 2016, revenue of the Group amounted to HK\$615,997,000 (2015: HK\$832,452,000), representing a decrease of 26% compared to that of last year. This was mainly attributable to lower sales demand and no flagship mobile products launched by our vendors during the year. The net loss attributable to owners of the Company was HK\$7,724,000 whereas a net profit of HK\$641,000 was recorded for the same period last year.

Despite of inventory allowance of HK\$2,206,000 for slow moving inventories and doubtful debts allowance of HK\$744,000 were provided during the year, the Group's total operating expenditures for the year reduced by 19% from HK\$35,730,000 to HK\$28,821,000. Such improvement was mainly caused by the reduction in rental expense, lower staff costs and decrease in depreciation cost.

During the year, inventory allowance of HK\$2,206,000 was made for slow moving mobile phone products to reflect the net realisable value of the inventory at year ended 31 December 2016. The management monitored the inventory level and marketability frequently, and took necessary steps to balance inventory level and sales demand. The carrying amount of inventory as at 31 December 2016 amounted to HK\$33,192,000, 56% lower than the inventory level at 31 December 2015. The inventory allowance was estimated based on applicable accounting standards and considered sufficient.

Due to the sluggish economy, doubtful debt of HK\$744,000 was made for two customers on a conservative approach. Trade receivable turnover day was 9 days, compared with 18 days for last year, the trade receivable was considered as healthy.

Liquidity and Financial Resources

As at 31 December 2016, the Group had total assets of HK\$137,741,000 which were financed by total equity of HK\$100,074,000 and total liabilities of HK\$37,667,000. The Group had current ratio of approximately 3.7 compared to that of approximately 3.0 at 31 December 2015.

As at 31 December 2016 the Group had HK\$73,510,000 (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 31 December 2016, the Group did not have any borrowings (31 December 2015: HK\$30,500,000).

At the end of December 2016, the Group had net cash surplus (bank balances and cash less borrowings) of HK\$73,510,000 compared to net cash deficit of HK\$839,000 as at 31 December 2015.

Gearing ratio, as defined by total borrowings to total equity as at 31 December 2015 was 29%.

Charges on Group Assets

There was no pledged asset as at 31 December 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 31 December 2016 was 38 (31 December 2015: 47) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$12,162,000 (31 December 2015: HK\$13,253,000). 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. In 2015, 7,890,000 share options were granted to directors, employees and eligible persons. Fair value of the options determined at the date of grant was approximately HK\$7,418,000 and in which HK\$2,685,000 (2015: HK\$3,674,000) had been charged off during 2016 as equity-settled share option expense. 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.

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.

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 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”). 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 COMMITTEES

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 2016, 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 2016 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 2016.

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 2016 annual report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites on or before 30 April 2017.

APPRECIATION

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

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

Hong Kong, 15 March 2017

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.