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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 2017

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 2017 together with comparative figures for the corresponding period in 2016. 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 2017 HK\$'000 (unaudited)	30 June 2016 HK\$'000 (unaudited)
Revenue	4	189,233	359,311
Cost of sales		<u>(177,062)</u>	<u>(351,007)</u>
Gross profit		12,171	8,304
Other income		104	108
Selling and distribution expenses		(3,818)	(5,043)
Administrative expenses		(7,610)	(10,925)
Finance costs		<u>-</u>	<u>(28)</u>
Profit (loss) before tax	5	847	(7,584)
Income tax expense	6	<u>(363)</u>	<u>-</u>
Profit (loss) and total comprehensive income (expense) for the period attributable to owners of the Company		<u>484</u>	<u>(7,584)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per share	7		
– Basic		<u>0.17</u>	<u>(2.71)</u>
– Diluted		<u>0.17</u>	<u>(2.71)</u>

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2017 <i>HK\$'000</i> (unaudited)	31 December 2016 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		18	20
Current assets			
Inventories		29,427	33,192
Trade and other receivables, deposits and prepayments	9	38,688	28,878
Investment held for trading		75	99
Tax recoverable		1,680	2,042
Bank balances and cash		70,019	73,510
		139,889	137,721
Current liabilities			
Trade payables, other payables and accruals	10	38,820	37,667
Net current assets		101,069	100,054
Total assets less current liabilities and net assets		101,087	100,074
Capital and reserves			
Share capital	11	28,000	28,000
Reserves		73,087	72,074
Equity attributable to owners of the Company and total equity		101,087	100,074

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 except for certain financial instruments which are measured at fair value at the end of each reporting period.

The accounting policies used in these condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016 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 relevant for the preparation of Group's condensed consolidated financial statements.

- Amendments to HKFSs Annual Improvements of HKFRSs 2014-2016 Cycle
- Amendments to HKAS 7 Disclosure Initiative
- Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

Additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017. Other than described above, 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 period and prior years and/or on the disclosures set out in the 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. PROFIT (LOSS) BEFORE TAX

	Six months ended	
	30 June 2017 HK\$'000 (unaudited)	30 June 2016 HK\$'000 (unaudited)
Profit (loss) before tax has been arrived at after charging and (crediting):		
Cost of inventories recognised as an expense (Reversal of allowance) allowance on obsolete and slow moving inventories	177,062 (2,612)	351,007 6,587
Reversal of allowance for doubtful debts	(134)	-
Depreciation of property, plant and equipment	8	62
Changes in fair value of investment held-for-trading	24	-
Exchange gain, net	(87)	(107)
Loss on disposal of property, plant and equipment	-	11
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2017 HK\$'000 (unaudited)	30 June 2016 HK\$'000 (unaudited)
The charge comprises:		
Hong Kong Profits Tax - Current period	<u>363</u>	<u>-</u>

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

7. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the Group's profit of HK\$484,000 (30 June 2016: loss of HK\$7,584,000) and the weighted average number of ordinary shares calculated below.

	Six months ended	
	30 June 2017 '000 shares	30 June 2016 '000 shares
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>280,000</u>	<u>280,000</u>

The computation of diluted earnings (loss) per share for the six months ended 30 June 2017 and 2016 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.

8. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$15,065,000 (31 December 2016: HK\$15,806,000). The following is an aged analysis of trade receivables presented based on the invoice date at end of each reporting period.

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within 30 days	12,168	13,578
31 to 60 days	2,761	1,926
61 to 90 days	25	200
91 to 120 days	37	75
Over 120 days	<u>74</u>	<u>27</u>
Total trade receivables	<u>15,065</u>	<u>15,806</u>

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS -continued

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\$26,430,000 (31 December 2016: HK\$22,750,000). 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 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within 30 days	20,232	16,576
31 to 90 days	23	43
91 to 120 days	-	1
Over 120 days	<u>6,175</u>	<u>6,130</u>
Total trade payables	<u>26,430</u>	<u>22,750</u>

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value
Authorised		<u>HK\$'000</u>
At 1 January 2016 (audited), 31 December 2016 (audited) and 30 June 2017 (unaudited)	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid		
At 1 January 2016 (audited), 31 December 2016 (audited) and 30 June 2017 (unaudited)	<u>280,000,000</u>	<u>28,000</u>

12. COMMITMENT

During the period, the Group entered into a renovation agreement with an independent third party for renovation of leased office and warehouse for the amount contracted but not provided for of HK\$462,000.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

BUSINESS REVIEW

For the first half of 2017, demand for smartphones continued to decline. Sales revenue also decreased. The Smartphone market in Hong Kong continues its downward trend since September 2015. Revenue for period ending 30 June 2017 reduced 47% as compared to the same in 2016 as consumers began to move to lower priced brands in the face of challenging economic landscape and lower revenue from mobile handset sales. Despite this backdrop, the Group reported a small profit of HK\$484,000 as compared a net loss for the same period in 2016.

Our gross profit has also show signs of improvement with better cost controls and improvement in inventory level controls. The Group will continue streamlining its operation and explore new growth opportunities.

PROSPECT

The global economic environment continues to be challenging. The growth of smartphones continues to remain stagnant. This coupled with the slowing growth in tourists especially cross-border arrivals and a strong HKD posed tremendous challenges for distributors and retailers. Despite the challenging business environment, the Group will continue to seek for higher margin and higher growth product category to add to our stable of products we are currently distributing. With a strong balance sheet and an experienced management team, the directors are cautiously moving ahead with confidence. The Group will also continue seek and capture opportunities in new segments to add to our income streams.

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2017, the Group had total assets of HK\$139,907,000 which were financed by total equity of HK\$101,087,000 and total liabilities of HK\$38,820,000. The Group had current ratio of approximately 3.6 compared to that of approximately 3.7 at 31 December 2016.

As at 30 June 2017 the Group had HK\$70,019,000 (31 December 2016: HK\$73,510,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources.

The Group maintained a healthy liquidity position. As at 30 June 2017, the Group had a net cash surplus of HK\$70,019,000 (31 December 2016: HK\$73,510,000).

There was no borrowing as at 30 June 2017 (31 December 2016: Nil)

Charges on Group Assets

There was no pledged asset as at 30 June 2017 (31 December 2016 : Nil).

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

The number of staff of the Group as at 30 June 2017 was 36 (30 June 2016: 39) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$5,814,000 (30 June 2016: HK\$6,814,000). 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.

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 2017 (31 December 2016 : Nil).

Capital Expenditure

During the period, the Group entered into a renovation agreement with an independent third party for renovation of leased office and warehouse for the amount contracted but not provided for of HK\$462,000 (31 December 2016: Nil).

Contingent Liabilities

At 30 June 2017 the Group did not have any material contingent liabilities or guarantees (31 December 2016 : 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 2017, 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 2017, 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 2017.

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 2017 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 2017.

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, 21 August 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.