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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 2018

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 2018 together with comparative figures for the corresponding period in 2017. 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 2018 HK\$'000 (unaudited)	30 June 2017 HK\$'000 (unaudited)
Revenue	4	250,304	189,233
Cost of sales		<u>(237,485)</u>	<u>(177,062)</u>
Gross profit		12,819	12,171
Other income		181	104
Selling and distribution expenses		(4,616)	(3,818)
Administrative expenses		<u>(7,211)</u>	<u>(7,610)</u>
Profit before tax	5	1,173	847
Income tax expense	6	<u>(103)</u>	<u>(363)</u>
Profit for the period		<u><b>1,070</b></u>	<u>484</u>
<b>Other comprehensive expense</b>			
<i>Item that will not be subsequently classified to profit or loss</i>			
Fair value loss on equity instruments at fair value through other comprehensive income		<u>(883)</u>	-
Total comprehensive income for the period attributable to owners of the Company		<u><b>187</b></u>	<u>484</u>

\* For identification purposes only

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

		<b>Six months ended</b>	
		<b>30 June 2018 (unaudited) HK cents</b>	<b>30 June 2017 (unaudited) HK cents</b>
Earnings per share	<i>Notes</i>		
– Basic	7	<b>0.38</b>	0.17
		<hr/>	<hr/>
– Diluted		<b>0.38</b>	0.17
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 June 2018 HK\$'000 (unaudited)</b>	<b>31 December 2017 HK\$'000 (audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>816</b>	975
Available-for-sale investments	2	-	1,954
Equity instruments at fair value through other comprehensive income	2	<b>16,245</b>	-
		<hr/>	<hr/>
		<b>17,061</b>	2,929
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>37,896</b>	33,049
Trade and other receivables, deposits and prepayments	9	<b>56,052</b>	29,776
Bank balances and cash		<b>49,457</b>	70,953
		<hr/>	<hr/>
		<b>143,405</b>	133,778
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	10	<b>56,894</b>	33,425
Tax payable		<b>687</b>	584
		<hr/>	<hr/>
		<b>57,581</b>	34,009
		<hr/>	<hr/>
<b>Net current assets</b>		<b>85,824</b>	99,769
		<hr/>	<hr/>
<b>Total assets less current liabilities; and net assets</b>		<b>102,885</b>	102,698
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Share capital	11	<b>28,000</b>	28,000
Reserves		<b>74,885</b>	74,698
		<hr/>	<hr/>
<b>Equity attributable to owners of the Company and total equity</b>		<b>102,885</b>	102,698
		<hr/>	<hr/>

*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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017 except as described below.

In the current period, the Group has applied the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of Group's condensed consolidated financial statements.

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers and the related Amendments
- HK (IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration
- Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to HKFRS 4 Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
- Amendments to HKAS 28 As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
- Amendments to HKAS 40 Transfers of Investment Property

Except application of HKFRS 9, the application of the new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim periods and/or on the disclosures set out in the condensed consolidated financial statements.

On application of HKFRS 9, the available-for-sale investments carried at fair value as at 31 December 2017 was reclassified as equity instruments at fair value through other comprehensive income on 1 January 2018. The fair value gains or losses accumulated in the investments reserve as at 1 January 2018 will no longer be subsequently reclassified to profit or loss upon derecognition under HKFRS 9 and such investments are not subject to impairment.

### 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

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit before tax has been arrived at after charging and (crediting):		
Cost of inventories recognised as an expense	<b>237,485</b>	177,062
Allowance (reversal of allowance) on obsolete and slow moving inventories	<b>149</b>	(2,612)
Reversal of allowance for doubtful debts	-	(134)
Depreciation of property, plant and equipment	<b>197</b>	8
Changes in fair value of investment held-for-trading	-	24
Exchange loss (gain), net	<b>68</b>	(87)
	<b><u>68</u></b>	<u>(87)</u>

### 6. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The charge comprises:		
Hong Kong Profits Tax - Current period	<b>103</b>	363
	<b><u>103</u></b>	<u>363</u>

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

## 7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit of HK\$1,070,000 (30 June 2017: profit of HK\$484,000) and the weighted average number of ordinary shares calculated below.

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<i>'000 shares</i>	<i>'000 shares</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>280,000</b>	280,000

The computation of diluted earnings per share for the six months ended 30 June 2018 and 2017 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 2018 (six months ended 30 June 2017: Nil).

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

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$23,548,000 (31 December 2017: HK\$16,874,000). The following is an aged analysis of trade receivables presented based on the invoice date at end of each reporting period.

	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(audited)</b>
Within 30 days	<b>17,100</b>	11,856
31 to 60 days	<b>4,474</b>	3,911
61 to 90 days	<b>1,948</b>	727
91 to 120 days	<b>22</b>	367
Over 120 days	<b>4</b>	13
Total trade receivables	<b>23,548</b>	16,874

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\$43,622,000 (31 December 2017: HK\$22,072,000). 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 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
Within 30 days	34,929	15,753
31 to 90 days	2,518	144
91 to 120 days	-	-
Over 120 days	<u>6,175</u>	<u>6,175</u>
Total trade payables	<u><b>43,622</b></u>	<u><b>22,072</b></u>

## 11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value
Authorised		<u>HK\$'000</u>
At 1 January 2017 (audited), 31 December 2017 (audited) and 30 June 2018 (unaudited)	<u><b>500,000,000</b></u>	<u><b>50,000</b></u>
Issued and fully paid		
At 1 January 2017 (audited), 31 December 2017 (audited) and 30 June 2018 (unaudited)	<u><b>280,000,000</b></u>	<u><b>28,000</b></u>

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

## **BUSINESS REVIEW**

Revenue for period ending 30 June 2018 increased 32% from HK\$189 million to HK\$250 million as compared to the same period in 2017. Net profit increased from HK\$484,000 to HK\$1,070,000 as compared to the same period last year.

Sales revenue increased in the first half of 2018 due mainly to the stronger tourist arrivals and improved economic landscape in Hong Kong. With improving economic outlook, consumers have begun to move towards higher priced brands. The Group's focus on selling of higher end mobile handsets and its corresponding demand contributed to the increase in sales revenue.

Despite the increase in selling & distribution costs, total operating expenditure of the Group was reduced because of effective cost management and controls.

## **PROSPECT**

The trade tensions between China and USA is casting uncertainty and challenges. The Directors are moving ahead cautiously. The Group will continue to focus its efforts on initiatives to grow profit at the same time improve operational efficiency and expand on its product offering. We will also invest in a slew of technological and innovative initiatives to bolster our competitive edge and strengthen our position. The Group will also continue to seek, explore and identify new opportunities to add to its income streams.

## **FINANCIAL REVIEW AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 30 June 2018, the Group had total assets of HK\$160,466,000 which were financed by total equity of HK\$102,885,000 and total liabilities of HK\$57,581,000. The Group had current ratio of approximately 2.5 compared to that of approximately 3.9 at 31 December 2017.

As at 30 June 2018 the Group had HK\$49,457,000 (31 December 2017: HK\$70,953,000) 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 2018, the Group had a net cash surplus of HK\$49,457,000 (31 December 2017: HK\$70,953,000).

There was no borrowing as at 30 June 2018 (31 December 2017: Nil)

### **Charges on Group Assets**

There was no pledged asset as at 30 June 2018 (31 December 2017 : Nil).

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

The number of staff of the Group as at 30 June 2018 was 37 (30 June 2017: 36) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$6,169,000 (30 June 2017: HK\$5,814,000). 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 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 2018 (31 December 2017 : Nil).

### **Contingent Liabilities**

At 30 June 2018 the Group did not have any material contingent liabilities or guarantees (31 December 2017 : 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 2018, 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 2018, including the accounting principles and practices adopted by the Company.

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

Net proceeds from the global offering on 15 January 2015 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 2018.

## **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 2018 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 2018.

## **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, 16 August 2018

*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.*