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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 2019

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 2019 together with comparative figures for the corresponding period in 2018. 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 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Revenue	4	218,289	250,304
Cost of sales		<u>(205,966)</u>	<u>(237,485)</u>
Gross profit		12,323	12,819
Other income		420	181
Selling and distribution expenses		(4,695)	(4,616)
Administrative expenses		(7,870)	(7,211)
Finance cost		<u>(35)</u>	<u>-</u>
Profit before tax	5	143	1,173
Income tax expense	6	<u>-</u>	<u>(103)</u>
Profit for the period		<u>143</u>	<u>1,070</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>(556)</u>	<u>(883)</u>
Total comprehensive (expense) income for the period attributable to owners of the Company		<u>(413)</u>	<u>187</u>

\* For identification purposes only

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

		Six months ended	
		30 June 2019 <i>HK cents</i> (unaudited)	30 June 2018 <i>HK cents</i> (unaudited)
Earnings per share	Notes 7		
– Basic		<u>0.05</u>	<u>0.38</u>
– Diluted		<u>0.05</u>	<u>0.38</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		30 June 2019 <i>HK\$'000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		1,377	649
Right-of-use assets		2,997	-
Equity instruments at fair value through other comprehensive income		<u>14,141</u>	<u>14,638</u>
		<u>18,515</u>	<u>15,287</u>
<b>Current assets</b>			
Inventories		58,109	50,005
Trade and other receivables, deposits and prepayments	9	36,650	55,281
Tax recoverable		2	-
Bank balances and cash		<u>34,271</u>	<u>14,925</u>
		<u>129,032</u>	<u>120,211</u>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	10	44,574	33,627
Contract liabilities		117	1,607
Lease liabilities		1,548	-
Tax payable		<u>-</u>	<u>3</u>
		<u>46,239</u>	<u>35,237</u>
<b>Net current assets</b>		<u>82,793</u>	<u>84,974</u>
<b>Total assets less current liabilities</b>		<u>101,308</u>	<u>100,261</u>
<b>Non-current liabilities</b>			
Lease liabilities		<u>1,460</u>	<u>-</u>
<b>Net assets</b>		<u>99,848</u>	<u>100,261</u>
<b>Capital and reserves</b>			
Share capital	11	28,000	28,000
Reserves		<u>71,848</u>	<u>72,261</u>
<b>Equity attributable to owners of the Company and total equity</b>		<u>99,848</u>	<u>100,261</u>

*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 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies used in these condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

In the current period, the Group has applied the following new and amendments to HKFRSs that are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of Group's condensed consolidated financial statements:

- |                         |  |
|-------------------------|--|
| • HKFRS 16              | Leases   |
| • HK (IFRIC)-Int 23     | Uncertainty over Income Tax Treatments               |
| • Amendments to HKFRS 9 | Prepayment Features with Negative Compensation       |
| • Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement            |
| • Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| • Amendments to HKFRSs  | Annual Improvements to HKFRSs 2015-2017 Cycle        |

Except as described below, the application of the new and amendments to HKFRSs in the current 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.

As a lessee, the Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. Elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. Excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. Applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- iv. Used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

On transition, the Group has made the following adjustments upon application HKFRS 16:

The Group recognised lease liabilities of HK\$1,943,000 and right-of-use assets of HK\$1,943,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3%.

## 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>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit before tax has been arrived at after charging and (crediting):		
Cost of inventories recognised as an expense	<b>205,966</b>	237,485
Allowance on obsolete and slow moving inventories	<b>60</b>	149
Allowance for doubtful debts	<b>71</b>	-
Depreciation of property, plant and equipment	<b>270</b>	197
Depreciation of right-of-use assets	<b>1,101</b>	-
Exchange loss, net	<b>116</b>	68
Interest expense on lease liabilities	<b>35</b>	-
Loss on disposal property, plant and equipment	<b>4</b>	-
Dividend income	<b>(197)</b>	(181)
Interest income on bank deposits	<b>(12)</b>	-
	<b><u>          </u></b>	<b><u>          </u></b>

## 6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2019 <i>HK\$'000</i> (unaudited)	30 June 2018 <i>HK\$'000</i> (unaudited)
The charge comprises:		
Hong Kong Profits Tax - Current period	-	103

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\$143,000 (30 June 2018: HK\$1,070,000) and the weighted average number of ordinary shares calculated below.

	Six months ended	
	30 June 2019 <i>'000 shares</i>	30 June 2018 <i>'000 shares</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>280,000</u>	<u>280,000</u>

The computation of diluted earnings per share for the six months ended 30 June 2019 and 2018 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 2019 (six months ended 30 June 2018: Nil).

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

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$20,306,000 (31 December 2018: HK\$24,791,000). The following is an aged analysis of trade receivables presented based on the invoice date at end of each reporting period.

	30 June 2019 <i>HK\$'000</i> (unaudited)	31 December 2018 <i>HK\$'000</i> (audited)
Within 30 days	12,423	14,818
31 to 60 days	7,176	7,725
61 to 90 days	498	2,208
91 to 120 days	209	40
Over 120 days	-	-
Total trade receivables	<u>20,306</u>	<u>24,791</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\$35,694,000 (31 December 2018: HK\$23,612,000). 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 2019 HK\$'000 (unaudited)</b>	31 December 2018 HK\$'000 (audited)
Within 30 days	<b>28,822</b>	15,353
31 to 90 days	<b>570</b>	1,976
91 to 120 days	<b>62</b>	-
Over 120 days	<b>6,240</b>	6,283
	<hr/> <b>35,694</b>	<hr/> 23,612
Total trade payables	<b>35,694</b>	23,612

**11. SHARE CAPITAL**

	Number of ordinary shares of HK\$0.10 each	Nominal value
Authorised		<hr/> HK\$'000
At 1 January 2018 (audited), 31 December 2018 (audited) and 30 June 2019 (unaudited)	<b>500,000,000</b>	<b>50,000</b>
	<hr/> <b>500,000,000</b>	<hr/> <b>50,000</b>
Issued and fully paid		
At 1 January 2018 (audited), 31 December 2018 (audited) and 30 June 2019 (unaudited)	<b>280,000,000</b>	<b>28,000</b>
	<hr/> <b>280,000,000</b>	<hr/> <b>28,000</b>

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## **BUSINESS REVIEW**

Revenue for the interim period 2019 decreased 13% to HK\$218,289,000 as compared to the same interim period 2018. Net profit for the period amounted to HK\$143,000.

The first half of 2019 was beset with much uncertainties and challenges. Demand for smartphones continues to remain sluggish; demand for mobile and mobility devices continue to decline further as consumers await the introduction of new 5G enabled handsets. Gross profit margin remained stable.

Operating costs such as rental of warehouse space and inventory holding costs, etc increased as the Company began to diversify into the growing gaming product segment. Total operating costs increased by 6% as compared to the same period last year.

## **PROSPECT**

US-China trade tensions, and months of social unrest in Hong Kong since June 2019 had impacted businesses and resulted in a higher degree of uncertainties as we move into the second half of the year. Amid the challenging and difficult business environment, the Directors are cautiously moving ahead.

## **FINANCIAL REVIEW AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 30 June 2019, the Group had total assets of HK\$147,547,000 which were financed by total equity of HK\$99,848,000 and total liabilities of HK\$47,699,000. The Group had current ratio of approximately 2.8 compared to that of approximately 3.4 at 31 December 2018.

As at 30 June 2019, the Group had HK\$34,271,000 (31 December 2018: HK\$14,925,000) 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 2019, the Group had a net cash surplus of HK\$34,271,000 (31 December 2018: HK\$14,925,000).

There was no borrowing as at 30 June 2019 (31 December 2018: Nil)

### **Charges on Group Assets**

There was no pledged asset as at 30 June 2019 (31 December 2018 : Nil).

## **Significant Investments**

The listed securities held by the Group are held for long term investment purpose and suffered a 3.8% decline during the six months ended 30 June 2019, as a result of market volatility in both USA and Hong Kong stock markets. The fair value loss HK\$556,000 was accounted for in other comprehensive expense. During the interim period 2019, there was no addition or disposal to the portfolio except for receiving some script dividend of a listed security in Hong Kong and the Group received dividend income of HK\$197,000 (interim 2018: HK\$181,000).

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

The number of staff of the Group as at 30 June 2019 was 38 (30 June 2018: 37) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$6,210,000 (30 June 2018: HK\$6,169,000). 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 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 2019 (31 December 2018: Nil).

## **Contingent Liabilities**

At 30 June 2019, the Group did not have contingent liabilities or guarantees (31 December 2018: 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 (the "Listing Rules"). Through the period ended 30 June 2019, 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 2019, 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 2019.

## **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 2019 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 2019.

## **APPRECIATION**

We would like to thank our People – our committed staff for their hard work and contribution; our customers, business partners, shareholders and directors for their continued support in SiS Mobile.

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

Hong Kong, 22 August 2019

*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.*