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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 2020

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 2020 together with comparative figures for the corresponding period in 2019. 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 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
Revenue	4	189,850	218,289
Cost of sales		<u>(181,754)</u>	<u>(205,966)</u>
Gross profit		8,096	12,323
Other income		440	420
Selling and distribution expenses		(4,463)	(4,695)
Administrative expenses		(7,363)	(7,870)
Finance cost		<u>(108)</u>	<u>(35)</u>
(Loss) profit before tax	5	(3,398)	143
Income tax credit	6	<u>18</u>	<u>-</u>
(Loss) profit for the period		<u>(3,380)</u>	<u>143</u>
Other comprehensive expense			
<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>(2,760)</u>	<u>(556)</u>
Total comprehensive expense for the period attributable to owners of the Company		<u>(6,140)</u>	<u>(413)</u>

* For identification purposes only

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

		Six months ended	
		30 June 2020	30 June 2019
		<i>HK cents</i> (unaudited)	<i>HK cents</i> (unaudited)
Earnings per share	Notes 7		
– Basic		<u>(1.21)</u>	<u>0.05</u>
– Diluted		<u>(1.21)</u>	<u>0.05</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020	31 December 2019
		<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		3,267	3,356
Right-of-use assets		4,118	5,793
Equity instruments at fair value through other comprehensive income		<u>11,229</u>	<u>13,989</u>
		<u>18,614</u>	<u>23,138</u>
Current assets			
Inventories		28,072	40,981
Trade and other receivables, deposits and prepayments	9	34,728	43,970
Tax recoverable		17	1
Bank balances and cash		<u>52,319</u>	<u>30,319</u>
		<u>115,136</u>	<u>115,271</u>
Current liabilities			
Trade payables, other payables and accruals	10	41,316	37,950
Contract liabilities		22	46
Lease liabilities		<u>2,419</u>	<u>2,690</u>
		<u>43,757</u>	<u>40,686</u>
Net current assets		<u>71,379</u>	<u>74,585</u>
Total assets less current liabilities		<u>89,993</u>	<u>97,723</u>
Non-current liabilities			
Lease liabilities		<u>1,670</u>	<u>3,260</u>
Net assets		<u>88,323</u>	<u>94,463</u>
Capital and reserves			
Share capital	11	28,000	28,000
Reserves		<u>60,323</u>	<u>66,463</u>
Equity attributable to owners of the Company and total equity		<u>88,323</u>	<u>94,463</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 ("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 (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 additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of Group's condensed consolidated financial statements:

- Amendments to HKFRS 3 Definition of a Business
- Amendments to HKAS 1 Definition of Material
and HKAS 8
- Amendments to HKFRS 9, Interest Rate Benchmark Reform
HKAS 39 and HKFRS 7

Except as described below, the application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

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. (LOSS) PROFIT BEFORE TAX

	Six months ended	
	30 June	30 June
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit before tax has been arrived at after charging and (crediting):		
Cost of inventories recognised as an expense	181,754	205,966
(Reversal) allowance on obsolete and slow moving inventories	(5)	60
Allowance for credit losses	99	71
Depreciation of property, plant and equipment	366	270
Depreciation of right-of-use assets	1,235	1,101
Exchange (gain) loss, net	(97)	116
Interest expense on lease liabilities	71	35
Loss on disposal property, plant and equipment	3	4
Dividend income	(117)	(197)
Interest income on bank deposits	(30)	(12)
	<u> </u>	<u> </u>

6. INCOME TAX CREDIT

	Six months ended	
	30 June	30 June
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax - prior period	(18)	-
	<u> </u>	<u> </u>

The Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above the HK\$2 million for the qualified entity.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's loss of HK\$3,380,000 (30 June 2019: profits HK\$143,000) and the weighted average number of ordinary shares calculated below.

	Six months ended	
	30 June 2020	30 June 2019
	<i>'000 shares</i>	<i>'000 shares</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	280,000	280,000

The computation of diluted earnings per share for the six months ended 30 June 2020 and 2019 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 2020 (six months ended 30 June 2019: Nil).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$19,804,000 (31 December 2019: HK\$16,419,000). The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at end of each reporting period.

	30 June 2020	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within 30 days	13,203	12,162
31 to 60 days	6,430	3,715
61 to 90 days	171	221
91 to 120 days	-	308
Over 120 days	-	13
Total trade receivables	19,804	16,419

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\$31,768,000 (31 December 2019: HK\$27,340,000). 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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 30 days	24,933	18,250
31 to 90 days	612	2,553
91 to 120 days	2	1
Over 120 days	6,221	6,536
	<hr/> 31,768 <hr/>	<hr/> 27,340 <hr/>
Total trade payables	31,768	27,340

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value
Authorised		<hr/> HK\$'000
At 1 January 2019 (audited), 31 December 2019 (audited) and 30 June 2020 (unaudited)	<hr/> 500,000,000 <hr/>	<hr/> 50,000 <hr/>
Issued and fully paid		
At 1 January 2019 (audited), 31 December 2019 (audited) and 30 June 2020 (unaudited)	<hr/> 280,000,000 <hr/>	<hr/> 28,000 <hr/>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

BUSINESS REVIEW

Revenue for the reporting period decreased by 13% to HK\$189,850,000 with a decrease of gross of profit from HK\$12,323,000 to HK\$8,096,000 when compared with the corresponding period last year. The Group recorded a net loss attributable to shareholders of HK\$3,380,000 compared to a net profit of HK\$143,000 in the last interim period.

The unprecedented business environment due to Covid-19 pandemic took a heavy toll on the business economy not only in Hong Kong but worldwide. Demand for mobile phones devices in Hong Kong plummet and shrank by 13% in the first half year 2020 when compared with the same period last year. On the other hand, demand for stay home devices and entertainment equipment such as tablets, notebooks, high quality headphones grew as more office workers were asked to work from home in an attempt to minimize Covid-19 infections as the situation worsened. Tapping on this growing trend, the Group seized the opportunity and accelerated the launch of online programs with business partners to open up new channels to boost the sales.

PROSPECT

Amid global economic uncertainty and the Covid-19 pandemic, the Group is cautiously moving ahead; adjusting our business model to emerge stronger from the pandemic fallout by focusing on exploring new business, reducing costs and enhance operational efficiency to maximize shareholders value.

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2020, the Group had total assets of HK\$133,750,000 which were financed by total equity of HK\$88,323,000 and total liabilities of HK\$45,427,000. The Group had current ratio of approximately 2.6 compared to that of approximately 2.8 at 31 December 2019.

As at 30 June 2020, the Group had HK\$52,319,000 (31 December 2019: HK\$30,319,000) 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 2020, the Group had a net cash surplus of HK\$52,319,000 (31 December 2019: HK\$30,319,000).

There was no borrowing as at 30 June 2020 (31 December 2019: Nil).

Charges on Group Assets

There was no pledged asset as at 30 June 2020 (31 December 2019 : Nil).

Significant Investments

The listed securities held by the Group are held for long term investment purpose and suffered a 20% decline during the six months ended 30 June 2020, as a result of market volatility in both USA and Hong Kong stock markets. The fair value loss HK\$2,760,000 was accounted for in other comprehensive expense. During the interim period 2020, there was no addition or disposal to the portfolio and the Group received dividend income of HK\$117,000 (interim 2019: HK\$197,000).

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

The number of staff of the Group as at 30 June 2020 was 35 (30 June 2019: 38) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$5,595,000 (30 June 2019: HK\$6,210,000). 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 2020 (31 December 2019: Nil).

Contingent Liabilities

At 30 June 2020, the Group did not have contingent liabilities or guarantees (31 December 2019: 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 2020, 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 2020, 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. 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. As a result of significant change in business environment and the uncertainty of market outbreak of covid-19, the Board resolved to change the use of net proceed as stated in the Prospectus of the Company dated 31 December 2014. Details were disclosed in the supplemental announcement dated 27 August 2020 and will be disclosed in the interim report which will be published before end of September 2020.

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 2020.

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 2020 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 2020.

APPRECIATION

We would like to express our sincere appreciation to our committed staff for their contributions and hardworking, together with our customers, business partners and shareholders and directors for their support in SiS Mobile.

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

Hong Kong, 27 August 2020

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.