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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 2015

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 2015 together with comparative figures for the corresponding period in 2014. 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 2015 HK\$'000 (unaudited)	30 June 2014 HK\$'000 (audited)
Revenue	4	423,092	846,723
Cost of sales		(406,276)	(823,157)
Gross profit		16,816	23,566
Other income		529	945
Fair value loss on derivative financial instruments		-	(2,303)
Selling and distribution expenses		(5,066)	(7,544)
Administrative expenses		(11,572)	(10,445)
Finance costs		(2)	(326)
Profit before tax	5	705	3,893
Income tax expense	6	(647)	(1,661)
Profit and total comprehensive income for the period attributable to owners of the Company		58	2,232
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7		
– Basic		0.02	0.95
– Diluted		N/A	N/A

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2015	31 December 2014
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		<u>344</u>	<u>941</u>
Current assets			
Inventories		30,882	48,997
Trade and other receivables, deposits and prepayments	9	25,030	48,686
Tax recoverable		2,503	3,150
Bank balances and cash		<u>73,429</u>	<u>51,674</u>
		<u>131,844</u>	<u>152,507</u>
Current liabilities			
Trade payables, other payables and accruals	10	31,237	78,171
Borrowings		<u>-</u>	<u>5,000</u>
		<u>31,237</u>	<u>83,171</u>
Net current assets		<u>100,607</u>	<u>69,336</u>
Total assets less current liabilities and net assets		<u>100,951</u>	<u>70,277</u>
Capital and reserves			
Share capital	11	28,000	1
Reserves		<u>72,951</u>	<u>70,276</u>
Equity attributable to owners of the Company and total equity		<u>100,951</u>	<u>70,277</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.

Pursuant to the group reorganisation (“Group Reorganisation”) to rationalise the group structure to prepare for the listing of the shares of the Company, the Company acquired the entire equity interests in the companies comprising the Group (“Combined Entities”) from SiS International Holdings Limited (“SiS”). The Group Reorganisation was completed on 10 October 2014 and since then, the Company became the holding company of the Combined Entities. The Combined Entities and the Company are under common control of SiS before and after the Group Reorganisation. Therefore, the acquisition of the Combined Entities are accounted for as business combination under common control by applying the principles of merger accounting in accordance with Accounting Guidance 5 “Merger Accounting for Common Combinations”.

The condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group have been prepared to include the results, changes in equity and cash flows of the Combined Entities as if the current group structure had been in existence since 1 January 2014, or since the respective dates of incorporation or acquisition by SiS, whichever period is shorter.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to HKAS 19
 - Amendments to HKFRSs
 - Amendments to HKFRSs
- | |
|---|
| Defined Benefit Plans: Employee Contributions |
| Annual Improvements to HKFRSs 2010-2012 Cycle |
| Annual Improvements to HKFRSs 2011-2013 Cycle |

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these 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 BEFORE TAX

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

	Six months ended	
	30 June 2015 HK\$'000 (unaudited)	30 June 2014 HK\$'000 (audited)
Cost of inventories recognised as an expense	406,275	823,152
Impairment (reversal on) of inventories	2,149	(858)
Depreciation of property, plant and equipment	595	645
Listing expenses	196	1,500
Loss on disposal of property, plant and equipment	18	-
Operating lease rentals in respect of rented premises	3,323	3,864
Exchange gain, net	(464)	(106)
Interest income on bank deposits	(2)	-
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2015 HK\$'000 (unaudited)	30 June 2014 HK\$'000 (audited)
The charge comprises:		
Hong Kong Profits Tax		
Current period	647	1,243
Underprovision in respect of prior periods	-	418
	<u> </u>	<u> </u>
Income tax expense for the period	<u>647</u>	<u>1,661</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\$58,000 (30 June 2014: HK\$2,232,000) and the weighted average number of ordinary shares calculated below.

	Six months ended	
	30 June 2015 '000 shares	30 June 2014 '000 shares
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>276,535</u>	<u>235,200</u>

The computation of diluted earnings per share for the six months ended 30 June 2015 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 period.

The calculation of the weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2014 has taken into account the shares issued during the period upon the Group Reorganisation and adjusted for the capitalisation issue on 15 January 2015.

8. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$15,999,000 (31 December 2014: HK\$24,056,000). The following is an aged analysis of trade receivables presented based on the invoice date at end of each reporting period.

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within 30 days	14,246	11,742
31 to 60 days	1,605	8,658
61 to 90 days	138	3,646
91 to 120 days	10	-
121 days and above	-	10
Total trade receivables	<u>15,999</u>	<u>24,056</u>

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\$22,849,000 (31 December 2014: HK\$45,919,000). 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 end of each reporting period.

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within 30 days	16,945	31,490
31 to 90 days	5,530	14,107
91 to 120 days	5	79
Over 120 days	369	243
	<u>22,849</u>	<u>45,919</u>

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	30 June 2015	31 December 2014	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Authorised	<u>500,000,000</u>	<u>500,000,000</u>	<u>50,000</u>	<u>50,000</u>
Issued and fully paid				
At the beginning of the period	10,000	-	1	-
At date of incorporation 4 July 2014	-	1	-	-*
Issue of shares on				
10 October 2014	-	9,999	-	1
15 January 2015 (a)	235,190,000	-	23,519	-
15 January 2015 (b)	44,800,000	-	4,480	-
	<u>280,000,000</u>	<u>10,000</u>	<u>28,000</u>	<u>1</u>

* Represent HK\$0.1

On listing of the shares of the Company on the Stock Exchange of Hong Kong Limited on 15 January 2015,

- (a) an amount of HK\$23,519,000 was capitalised 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

BUSINESS REVIEW AND PROSPECT

The Group reported a marginal profit for the six months period ended 30 June 2015 when compared with the HK\$2 million net profit in interim 2014. The intensive competition in mobility products, falling demand in volume of tourists coupled with weak demand in retail market in Hong Kong resulted in decrease of revenue. Although the gross profit margin has improved, revenue for the six months period decreased to HK\$423 million. The operating costs such as payroll, corporate and other expenditure were higher when compared with last interim period.

While the second half 2015 looks bleak and challenging, the Group is cautiously moving ahead. With a strong and effective management team, strong financial position, the Group will continue to adjust and expand our product mix; focusing on high margin products, improving productivity and increasing our overall returns to shareholders. We will also explore and identify new opportunities and avenues to add to our income streams.

In June 2015, the Company granted share options to qualified grantees as incentives and benefits for their continuing support to the Group.

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2015, the Group had total assets of HK\$132,188,000 which were financed by total equity of HK\$100,951,000 and total liabilities of HK\$31,237,000. The Group had current ratio of approximately 4.2 compared to that of approximately 1.8 at 31 December 2014.

As at 30 June 2015 the Group had HK\$73,429,000 (31 December 2014: HK\$51,674,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank borrowings. As at 30 June 2015, the Group did not have any borrowings (31 December 2014: HK\$5,000,000).

The Group continued to maintain a healthy liquidity position. As at 30 June 2015, the Group had a net cash surplus (bank balances and cash less borrowings) of HK\$73,429,000 compared to HK\$46,674,000 as at 31 December 2014.

There was no borrowing as at 30 June 2015. Gearing ratio, as defined by total borrowings to total equity was 7% as at 31 December 2014.

Charges on Group Assets

There was no pledged asset as at 30 June 2015 (31 December 2014 : Nil).

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

The number of staff of the Group as at 30 June 2015 was 46 (30 June 2014: 49) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$5,950,000 (30 June 2014: HK\$7,469,000). 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. During the 2015 interim period, 7,890,000 share options were granted to grantees. No share options have been exercised, lapsed or forfeited. 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 2015 (31 December 2014 : Nil).

Contingent Liabilities

At 30 June 2015 the Group did not have any material contingent liabilities or guarantees (31 December 2014 : 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"). Since the listing date up to the end of the reporting period, 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 since the listing date.

AUDIT COMMITTEES

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 2015, including the accounting principles and practices adopted by the Company.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On 15 January 2015, the Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited. Net proceeds from the global offering were approximately HK\$4.7 million. The Company intends 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. As at 30 June 2015, 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 since the listing date to the period ended 30 June 2015.

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 2015 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 2015.

APPRECIATION

We would like to thank our committed staff for their contributions, our customers, business partners, shareholders and directors for their support. Our success would not have been possible without their dedication, contributions, efforts, time and confidence.

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

Hong Kong, 26 August 2015

As at the date of this announcement, the directors of the Company are Mr. Lim Kiah Meng, Mr. Fong Po Kiu, Ms. Wong Yi Ting and Ms. Cheng Wai Yee 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.