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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The directors (the “Directors”) of SiS Mobile Holdings Limited (the “Company”) are pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017 together with comparative figures for the corresponding year in 2016 which are set out as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

		2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	Notes 4	445,911	615,997
Cost of sales		<u>(421,027)</u>	<u>(595,489)</u>
Gross profit		24,884	20,508
Other income		605	160
Other gains and losses	5	94	(369)
Selling and distribution expenses		(8,277)	(8,825)
Administrative and other expenses		(15,384)	(19,213)
Finance costs		<u>(18)</u>	<u>(28)</u>
Profit (loss) before tax	6	1,904	(7,767)
Income tax (expense) credit	7	<u>(584)</u>	<u>43</u>
Profit (loss) for the year		<u>1,320</u>	<u>(7,724)</u>
Other comprehensive income			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Gain from changes in fair value of available-for-sales investments		<u>245</u>	<u>-</u>
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company		<u>1,565</u>	<u>(7,724)</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings (loss) per share			
– Basic	8	<u>0.47</u>	<u>(2.76)</u>
– Diluted	8	<u>0.47</u>	<u>(2.76)</u>

* For identification purposes only

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

		2017	2016
		HK\$'000	HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		975	20
Available-for-sale investments		1,954	-
		2,929	20
Current assets			
Inventories		33,049	33,192
Trade and other receivables, deposits and prepayments	9	29,776	28,878
Investment held-for-trading		-	99
Tax recoverable		-	2,042
Bank balances and cash		70,953	73,510
		133,778	137,721
Current liabilities			
Trade payables, other payables and accruals	10	33,425	37,667
Tax payable		584	-
		34,009	37,667
Net current assets		99,769	100,054
Total assets less current liabilities and net assets		102,698	100,074
Capital and reserves			
Share capital	11	28,000	28,000
Reserves		74,698	72,074
Equity attributable to owners of the Company and total equity		102,698	100,074

Notes:

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 July 2014. The Company's immediate holding company is SiS International Holdings Limited ("SiS"), a company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "HKSE").

The Company is an investment holding company. The principal activities of its principal subsidiaries are distribution and retail sales of mobile phones and related products in Hong Kong.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

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

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures ³
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (*Continued*)

HKFRS 9 Financial Instruments

Based on the Group’s financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application to HKFRS 9:

Classification and measurement:

The Group has designated listed equity securities classified as available-for-sale investments carried at fair value as fair value through other comprehensive income under HKFRS 9. The fair value gains or losses accumulated in the investments reserve amounting to HK\$245,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under derecognition under HKFRS 9 and not subject to impairment, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on financial assets measured at amortised costs. Such further impairment and the related deferred tax recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

HKFRS 16 Leases

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK\$3,636,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of HKFRS16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 Leases (Continued)

In addition, the Group currently considers refundable rental deposits paid of HK\$377,000 as rights under leases to which HKAS17 applies. Based on the definition of lease payment under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost are considered as additional lease payments adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Other than those described above, the directors of the Company do not anticipate that the application of the new and amendments to HKFRSs will have a material impact on the results and/or the financial position of the Group.

3. SEGMENTAL 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. OTHER GAINS AND LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Exchange loss (gain), net	16	(346)
Loss (gain) from changes in fair value of investment held-for-trading	24	(40)
Loss on disposal of property, plant and equipment	-	11
(Reversal of allowance) allowance for doubtful debts	(134)	744
	(94)	369

6. PROFIT (LOSS) BEFORE TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of inventories recognised as an expense (including reversal of allowance on obsolete and slow moving inventories of HK\$2,237,000 (2016: allowance on obsolete and slow moving inventories of HK\$2,206,000))	421,027	595,489
Depreciation of property, plant and equipment	172	90
	<u>421,200</u>	<u>595,579</u>

7. INCOME TAX EXPENSE (CREDIT)

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong		
Current	584	-
Overprovision in prior years	-	(43)
Income tax expense (credit)	<u>584</u>	<u>(43)</u>

Hong Kong Profit tax is calculated at 16.5% of the estimated assessable profit for the current year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit in prior year.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the Group's profit attributable to owners of the Company of HK\$1,320,000 (2016: loss of HK\$7,724,000) and the weighted average number of ordinary shares of 280,000,000 (2016: 280,000,000)

The computation of the diluted earnings (loss) per share does not assume the exercise of the Company's share options as the exercise price of those share options is higher than the average market price of the Company's shares for both years.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$16,874,000 (2016: HK\$15,806,000). The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	11,856	13,578
31 to 60 days	3,911	1,926
61 to 90 days	727	200
91 to 120 days	367	75
Over 120 days	13	27
Total trade receivables	<u>16,874</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\$22,072,000 (2016: HK\$22,750,000). 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 the end of the reporting period.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	15,753	16,576
31 to 90 days	144	43
91 to 120 days	-	1
Over 120 days	<u>6,175</u>	<u>6,130</u>
Total trade payables	<u><u>22,072</u></u>	<u><u>22,750</u></u>

11. SHARE CAPITAL

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

DIVIDEND

Directors do not recommend payment of dividend for the year ended 31 December 2017 (2016: Nil).

BUSINESS REVIEW AND PROSPECT

The Group made progress and reported a net profit of HK\$1,320,000 ended 31 December 2017 as compared to a net loss of HK\$7,724,000 in last year. Net profit increased whilst sales turnover for year 2017 decreased to HK\$445,911,000 representing a 28% decrease as compared to the same period in 2016. Total operating costs of the Group reduced by 16% at the same time through effective cost management & controls.

Hong Kong economy has grown in year 2017 and we see positive signs of continuous recovery. At the same time, the Hong Kong's government's efforts on smart city blue print offers new opportunities for the Group. The year ahead remain challenging as the mobility product mature bringing margin pressure. However, Technology and Internet of things (IoT) is transforming every aspect of business, home, life, city, office, etc present new opportunities for the Group.

The Directors are moving ahead cautiously with confidence. The Group will continue to adjust and expand our product mix; focusing on high margin products. We will also explore and identify new opportunities and avenues to increase the overall returns to shareholders.

FINANCIAL REVIEW AND ANALYSIS

Financial Review

For the financial year ended 31 December 2017, revenue of the Group amounted to HK\$445,911,000 (2016: HK\$615,997,000), representing a decrease of 28% compared to that of last year. This was mainly attributable to lower sales demand during the year. In light of the lowered sales, the Group tighten its distribution and administrative expenses continuously throughout the year 2017. The net profit attributable to owners of the Company was HK\$1,320,000 whereas a net loss of HK\$7,724,000 was recorded for the same period last year.

During the year, the Group's total operating expenditures for the year reduced from HK\$28,066,000 to HK\$23,679,000. Such improvement was mainly caused by the reduction in rental expense and lower equity-settled share option expense.

The carrying amount of inventory as at 31 December 2017 amounted to HK\$33,049,000, the more or less the inventory level at 31 December 2016. It was at a sufficient level to meet customers monthly demand. Trade receivable level was stable and healthy, no outstanding allowance for trade receivable at year end 2017.

Liquidity and Financial Resources

As at 31 December 2017, the Group had total assets of HK\$136,707,000 which were financed by total equity of HK\$102,698,000 and total liabilities of HK\$34,009,000. The Group had current ratio of approximately 3.9 compared to that of approximately 3.7 at 31 December 2016.

As at 31 December 2017 the Group had HK\$70,953,000 (31 December 2016: HK\$73,510,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank borrowings. As at 31 December 2017 and 2016, the Group did not have any borrowings.

At the end of December 2017, the Group had net cash surplus of HK\$70,953,000 (31 December 2016: HK\$73,510,000).

Charges on Group Assets

There was no pledged asset as at 31 December 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 31 December 2017 was 38 (31 December 2016: 38) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$11,782,000 (31 December 2016: HK\$12,162,000). 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. In 2015, 7,890,000 share options were granted to directors, employees and eligible persons. Fair value of the options determined at the date of grant was approximately HK\$7,418,000 and in which HK\$1,059,000 (2016: HK\$2,685,000) had been charged off during 2017 as equity-settled share option expense. 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.

Environmental, Social and Corporate Responsibility

As a responsible organization, the Group is committed to maintain high environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including employment, workplace conditions, health and safety and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationship with its employees, has enhanced cooperation with its vendors and has provided high quality products and services to its customers and resellers so as to ensure sustainable development.

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.

Contingent Liabilities

At 31 December 2017, the Group did not have any 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”). 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 COMMITTEES

The Audit Committee comprises all independent non-executive Directors. The Audit Committee has reviewed the Company’s consolidated financial statements for the year ended 31 December 2017, including the accounting principles and practices adopted by the Company, in conjunction with the Company’s auditors. The financial figures in this announcement of the Group’s results for the year ended 31 December 2017 have been agreed by the Company’s auditors.

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 year ended.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2017.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites on or before 30 April 2018.

APPRECIATION

We would like to express our appreciation to our dedicated staff for their contributions and hard work and to our customers, business partners, shareholders and directors for their continued support.

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

Hong Kong, 15 March 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.