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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 2021

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 2021 together with comparative figures for the corresponding period in 2020. 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 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
Revenue	4	940,694	189,850
Cost of sales		<u>(916,116)</u>	<u>(181,754)</u>
Gross profit		24,578	8,096
Other income		276	440
Selling and distribution expenses		(6,112)	(4,463)
Administrative expenses		(9,594)	(7,363)
Finance cost		<u>(62)</u>	<u>(108)</u>
Profit (loss) before tax	5	9,086	(3,398)
Income tax (expense) credit	6	<u>(1,852)</u>	<u>18</u>
Profit (loss) for the period		<u><u>7,234</u></u>	<u><u>(3,380)</u></u>
Other comprehensive income (expense)			
<i>Item that will not be classified to profit or loss</i>			
Fair value gain (loss) on equity instruments at fair value through other comprehensive income		<u>980</u>	<u>(2,760)</u>
Profit (loss) and total comprehensive income (expense) for the period attributable to owners of the Company		<u><u>8,214</u></u>	<u><u>(6,140)</u></u>

* For identification purposes only

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

		Six months ended	
		30 June 2021	30 June 2020
		HK cents (unaudited)	HK cents (unaudited)
Earnings (loss) per share	<i>Notes</i> 7		
– Basic		2.58	(1.21)
		<hr/> 2.58	<hr/> (1.21)
– Diluted		2.58	(1.21)
		<hr/> 2.58	<hr/> (1.21)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021	31 December 2020
		HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		2,566	2,977
Right-of-use assets		5,481	6,700
Equity instruments at fair value through other comprehensive income		14,342	13,362
Rental deposit		418	418
		<hr/> 22,807	<hr/> 23,457
Current assets			
Inventories		22,413	28,460
Trade and other receivables, deposits and prepayments	9	45,122	55,982
Bank balances and cash		70,064	57,489
		<hr/> 137,599	<hr/> 141,931
Current liabilities			
Trade payables, other payables and accruals	10	39,606	53,033
Contract liabilities		36	466
Lease liabilities		2,420	2,396
Tax payable		2,358	506
		<hr/> 44,420	<hr/> 56,401
Net current assets		<hr/> 93,179	<hr/> 85,530
Total assets less current liabilities		<hr/> 115,986	<hr/> 108,987
Non-current liabilities			
Lease liabilities		3,106	4,321
Net assets		<hr/> 112,880	<hr/> 104,666
Capital and reserves			
Share capital	11	28,000	28,000
Reserves		84,880	76,666
Equity attributable to owners of the Company and total equity		<hr/> 112,880	<hr/> 104,666

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (HKAS 34) 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 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied 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 2021 for the preparation of Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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.

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 (LOSS) BEFORE TAX

	Six months ended	
	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
Profit (loss) before tax has been arrived at after charging and (crediting):		
Cost of inventories recognised as an expense	916,116	181,754
Reversal on obsolete and slow moving inventories	(194)	(5)
(Reversal of) impairment losses under expected credit losses model	(19)	99
Depreciation of property, plant and equipment	448	366
Depreciation of right-of-use assets	1,219	1,235
Exchange gain, net	(64)	(97)
Interest expense on lease liabilities	62	71
Loss on disposal property, plant and equipment	-	3
Dividend income	(169)	(117)
Interest income on bank deposits	-	(30)
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE (CREDIT)

	Six months ended	
	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
Hong Kong Profits Tax		
Current period	1,852	-
Overprovision in prior year	-	(18)
	<u> </u>	<u> </u>
	<u>1,852</u>	<u>(18)</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 (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the Group's profit of HK\$7,234,000 (six months ended 30 June 2020: loss HK\$3,380,000) and the number of ordinary shares calculated below.

	Six months ended	
	30 June 2021 '000 shares	30 June 2020 '000 shares
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>280,000</u>	<u>280,000</u>

The computation of diluted earnings (loss) per share for the six months ended 30 June 2021 and 2020 did not assume the exercise of share options of the Company as the exercise prices of those options were higher than the average market prices of the Company for the periods.

8. DIVIDENDS

There is no dividend distributed during the six months ended 30 June 2021 and 2020.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$20,582,000 (31 December 2020: HK\$25,429,000). 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 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 30 days	15,757	19,596
31 to 60 days	4,014	4,566
61 to 90 days	811	1,163
91 to 120 days	-	104
	<hr/>	<hr/>
Total trade receivables	20,582	25,429

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\$21,194,000 (31 December 2020: HK\$31,276,000). 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 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 30 days	14,844	24,982
31 to 90 days	162	73
91 to 120 days	4	20
Over 120 days	6,184	6,201
	<hr/>	<hr/>
Total trade payables	21,194	31,276

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value
		<i>HK\$'000</i>
Authorised	500,000,000	50,000
Issued and fully paid		
At 1 January 2020 (audited), 30 June 2020 (unaudited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	280,000,000	28,000

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

BUSINESS REVIEW

Amidst a challenging business landscape brought about by the Covid-19 pandemic, revenue for the six months ended 30 June 2021 increased 395% from HK\$189,850,000 to HK\$940,694,000. Net Profit attributable to the owners of the Company for the interim period 2021 amounted to HK\$7,234,000 as compared to a net loss of HK\$3,380,000 in the corresponding period a year earlier.

Total assets of the group increased to HK\$160,406,000 as at 30 June 2021. Net asset value grew 8% to HK\$112,880,000 in six months period.

Like many businesses, we continue to transform our business to seek out new opportunities and prepare for new recovery as we await the pandemic to wane off with widespread vaccination.

Sales revenue grew considerably when compared to same period last year attributed primarily to the expansion of products range and accelerated activities in the channels. Despite the challenging retail landscape in the face of the on-going pandemic, the Group continued to establish new channels with many of its online business partners in the area of e-commerce business, expanded its mobile phone range and added onto it various 5G devices with the advent of 5G technology.

PROSPECT

After a difficult year, there are some causes for optimism in 2021. With the vaccine, we have an opportunity to get Covid-19 under control.

The Group foresees a number of risks to the Group's growth forecast in the remainder of the year and recognizes that the impact of Covid-19 remains a significant uncertainty. The world's shortage in material supplies across the different industries including mobile phones, computers, home appliances and motor vehicles could adversely affect the sales of mobile handsets with increase in consumer demand.

We are closely monitoring the situation. The Group will adapt and continue to build new ways of doing business to generate profit and for long term sustainability.

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2021, the Group had total assets of HK\$160,406,000 which were financed by total equity of HK\$112,880,000 and total liabilities of HK\$47,526,000. The Group had current ratio of approximately 3.1 compared to that of approximately 2.5 at 31 December 2020.

As at 30 June 2021, the Group had HK\$70,064,000 (31 December 2020: HK\$57,489,000) 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 2021, the Group had a net cash surplus of HK\$70,064,000 (31 December 2020: HK\$57,489,000) without borrowing (31 December 2020: Nil).

Charges on Group Assets

There was no pledged asset as at 30 June 2021 (31 December 2020: Nil).

Significant Investments

The listed securities held by the Group are held for long term investment purpose and value up by 7% during the six months ended 30 June 2021, as a result of improving performance in both USA and Hong Kong stock markets. The fair value gain HK\$980,000 was accounted for in other comprehensive income. During the interim period 2021, there was no addition or disposal to the portfolio and the Group received dividend income of HK\$169,000 (interim 2020: HK\$117,000).

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

The number of staff of the Group as at 30 June 2021 was 43 (30 June 2020: 35) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$8,440,000 (30 June 2020: HK\$5,595,000). 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 2021 (31 December 2020: Nil).

Contingent Liabilities

At 30 June 2021, the Group did not have contingent liabilities or guarantees (31 December 2020: 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 2021, 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 2021, including the accounting principles and practices adopted by the Company.

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 2021.

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 2021 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 2021.

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 during this time; it is to their credit that we could continue to run our business without significant disruptions in these difficult times.

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

Hong Kong, 26 August 2021

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.