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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 2014

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 2014 together with comparative figures for the corresponding year in 2013 which are set out as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

		2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	Notes 5	1,412,068	1,274,845
Cost of sales		<u>(1,369,934)</u>	<u>(1,218,869)</u>
Gross profit		42,134	55,976
Other income		1,473	2,779
Fair value gain on derivative financial instruments		2,526	9,410
Selling and distribution expenses		(13,364)	(14,470)
Administrative and other expenses		(19,986)	(15,336)
Listing expense		(25,607)	-
Finance costs		<u>(477)</u>	<u>(163)</u>
(Loss) profit before tax	6	(13,301)	38,196
Income tax expense	7	<u>(2,474)</u>	<u>(4,705)</u>
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company for the year		<u><u>(15,775)</u></u>	<u><u>33,491</u></u>
		2014 <i>HK Cents</i>	2013 <i>HK Cents</i>
(Loss) earnings per share – Basic	8	<u><u>(6.71)</u></u>	<u><u>14.24</u></u>

* For identification purposes only

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

		<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
	Notes		
Non-current assets			
Property, plant and equipment		<u>941</u>	<u>2,015</u>
Current assets			
Inventories		48,997	101,726
Trade and other receivables, deposits and prepayments	9	48,686	79,035
Derivative financial instruments		-	9,382
Tax recoverable		3,150	-
Bank balances and cash		<u>51,674</u>	<u>30,301</u>
		<u>152,507</u>	<u>220,444</u>
Current liabilities			
Trade payables, other payables and accruals	10	78,171	71,173
Amounts due to related companies		-	22,583
Tax liabilities		-	5,151
Borrowings		<u>5,000</u>	<u>37,500</u>
		<u>83,171</u>	<u>136,407</u>
Net current assets		<u>69,336</u>	<u>84,037</u>
Total assets less current liabilities and net assets		<u>70,277</u>	<u>86,052</u>
Capital and reserves			
Share capital	11	1	-
Reserves		<u>70,276</u>	<u>86,052</u>
Equity attributable to owners of the Company and total equity		<u>70,277</u>	<u>86,052</u>

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. SiS which is a subsidiary of Summertown Limited, a limited liability company incorporated in the British Virgin Islands. The directors of the Company and its subsidiaries (collectively referred to as the Group) consider that the Company's ultimate holding company is Summertown Limited and its ultimate controlling shareholders are Mr. Lim Kiah Meng, Mr. Lim Kia Hong and their respective spouses. Mr. Lim Kiah Meng and Mr. Lim Kia Hong are also directors of the Company.

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

The consolidated financial statements are presented in Hong Kong dollar ("HK\$") which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Group reorganisation

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 from SiS. The Group Reorganisation was completed on 10 October 2014 and since then, the Company became the holding company of the companies comprising the Group (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 consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements 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 2013, or since the respective dates of incorporation or acquisition by SiS, whichever period is shorter.

The consolidated statement of financial position of the Group as at 31 December 2013 has been prepared to present the assets and liabilities of the Combined Entities as if the current group structure had been in existence at the end of the preceding financial reporting period.

Details of the Group Reorganisation were set out in section headed “History and Reorganisation” of the prospectus dated 31 December 2014.

3. 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 Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.32).

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

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹

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

Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10 HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ⁶
HKFRS 15	Revenue from Contracts with Customers ⁵

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

⁴ Effective for annual periods beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after 1 January 2017

⁶ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

The directors of the Company are in the process of assessing the impact on the application of HKFRS 9 and HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect until the directors of the Company have performed a detailed review.

Except as described above, the directors of the Company do not anticipate that the application of the other new and revised HKFRSs and amendments will have a material impact on the results and/or the financial position of the Group.

4. 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.

5. 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.

6. (LOSS) PROFIT BEFORE TAX

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of inventories recognised as an expense	1,369,934	1,218,846
(Reversal on) impairment of inventories	(713)	1,728
Depreciation of property, plant and equipment	1,321	1,051
Loss on disposal of property, plant and equipment	-	1
Exchange gain, net	<u>(348)</u>	<u>(831)</u>

7. INCOME TAX EXPENSE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong		
Current	2,056	5,119
Under(over) provision in prior years	<u>418</u>	<u>(414)</u>
Income tax expense	<u>2,474</u>	<u>4,705</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the Group's loss attributable to owners of the Company of HK\$15,775,000 (2013: profit HK\$33,491,000) and the weighted average number of ordinary shares of 235,200,000 shares (2013: 235,200,000 shares). The calculation of the weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2014 and 2013 has taken into account the shares issued during the year upon the Group Reorganisation and adjust for the capitalisation issue on 15 January 2015.

Diluted earnings per share is not presented as there is no potential ordinary shares outstanding during both years.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$24,056,000 (2013: HK\$45,322,000). The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	11,742	31,799
31 to 60 days	8,658	13,503
61 to 90 days	3,646	3
91 to 120 days	-	9
121 days and above	<u>10</u>	<u>8</u>
Total trade receivables	<u>24,056</u>	<u>45,322</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\$45,919,000 (2013: HK\$60,335,000). The average credit period on purchase of goods is 15 to 45 days. Trade payables that are denominated in US\$, currency other than the functional currencies of the Group amounted to HK\$25,634,000 (2013: HK\$3,428,000). The following is an aged analysis of the trade payables based on the invoice date, at the end of the reporting period.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	31,490	56,851
31 to 90 days	14,107	3,246
91 to 120 days	79	-
Over 120 days	243	238
	<u>45,919</u>	<u>60,335</u>
Total trade payables	<u>45,919</u>	<u>60,335</u>

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	2014	2013	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Authorised				
At date of incorporation	3,800,000	-	380	-
- 4 July 2014				
Increase on 16 December 2014	496,200,000	-	49,620	-
At end of year	<u>500,000,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Issued and fully paid				
At date of incorporation	1	-	-*	-
- 4 July 2014				
Issue of shares on 10 October 2014	9,999	-	1	-
At end of year	<u>10,000</u>	<u>-</u>	<u>1</u>	<u>-</u>

* Represent HK\$0.1

The Company was incorporated on 4 July 2014 and upon incorporation, 1 ordinary share was allotted and issued to the immediate holding company at par.

On 10 October 2014, the Company issued 9,999 ordinary shares to SiS Distribution Limited, a fellow subsidiary of the Company, pursuant to the Group Reorganisation in exchange for the entire equity interest in the companies comprising the Group as mentioned in note 2.

On 16 December 2014, the Company increased the authorised share capital from HK\$380,000 divided into 3,800,000 ordinary shares to HK\$50,000,000 divided into 500,000,000 ordinary shares by the creation of additional 496,200,000 new ordinary shares which shall, when issued and paid, rank pari passu in all respects with the existing issued ordinary shares.

12. EVENT AFTER THE REPORTING PERIOD

Simultaneous with the 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\$0.1 each; and
- (b) 44,800,000 ordinary shares of HK\$0.1 each were issued at HK\$0.82 per share to the public for a total gross proceeds of HK\$36,736,000.

DIVIDEND

Directors do not recommend payment of dividend for the year ended 31 December 2014.

BUSINESS REVIEW

The Company has been listed successfully on the Main Board of the Stock Exchange of Hong Kong Limited since 15 January 2015 which enhanced the Group's reputation, strengthened the corporate governance and compliance management, as well as established a good foundation for its further expansion.

Mobile phone has become an important communication device in all walks of life with increasing prevalence of its use as the mobile phones technology progresses in terms of functions and design. Hong Kong, being our market focus, is one of the cities with the highest mobile phone penetration rate in the world. The constant introduction of new models of mobile phones and the local consumer culture have driven the increase of retail sales of mobile phones and have provided mobile phones distributors with substantial business opportunities.

2014 is a year full of difficulties and challenges.

The advancements in mobile applications have also been driving the demand for smart devices. The increasing popularity of consumer-centric mobile applications such as mobile payment, healthcare and other customized mobile services raises the demand for smart devices and establishes a strong foothold for substantial growth in the market. Our revenue in 2014 was increased by 11% to HK\$1,412 million compared with HK\$1,275 million 2013.

The mobile telecommunications industry is characterised by rapid changes. The mobile phones brands that we distribute are subject to intense competition from other existing mobile phone brands and new entrants to the local market. Also, we experienced a higher demand for mid to low end smartphones during the reporting period. Stock turnover date improved from 30 days to 13 days. Due to the decrease in our gross profit margin, the one-off listing fee and higher rental expenses, the Group reported a loss of HK\$16 million in 2014 when compared with net profit of HK\$33 million in 2013.

PROSPECT

As the smartphone growth focus is shifting, demand for mid to low end smartphones is expected to continue to grow in 2015. It makes the manufactures more rely on the distributors to distribute their products.

With the intensifying competition in mobile phone market, the key to success lies in distribution swift response to new trends and our ability to capture the opportunities in the fast changing market. The Group will continue to strengthen our existing relationship with the leading manufacturer. We also look for further cooperation opportunities with other leading brands which will further enhance the shareholders' value. Since we have been in the related mobile phone industry for decades, and the potential for mobile phone related business development is surely enormous and sustainable.

The internet is no longer predominantly accessed by PCs and smartphones. More non-PC internet connected devices are being created. The internet of things is composed of a brand range of products with unique users. The demand for the wearable technology products and the smart home related products will have explosive growth. The Company is looking for further increase the investment at this aspect.

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 31 December 2014, the Group had total assets of HK\$153,448,000 which were financed by total equity of HK\$70,277,000 and total liabilities of HK\$83,171,000. The Group had current ratio of approximately 1.8 compared to that of approximately 1.6 at 31 December 2013.

As at 31 December 2014 the Group had HK\$51,674,000 (2013: HK\$30,301,000) bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and bank loans. As at 31 December 2014, the Group had short term borrowings of total HK\$5,000,000 (2013: HK\$37,500,000). All borrowings were denominated in Hong Kong Dollars and were charged by banks at floating interest rate.

The Group continued to maintain a healthy liquidity position. At the end of December 2014, the Group had a net cash surplus (bank balances and cash less borrowings) of HK\$46,674,000 compared to net cash deficit HK\$7,199,000 as at 31 December 2013.

Gearing ratio, as defined by total borrowings to total equity as at 31 December 2014 was 7% (2013: 44%).

Charges on Group Assets

There was no pledged asset as at the end of the two financial years ended 31 December 2014 and 2013.

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

The number of staff of the Group as at 31 December 2014 was 49 (2013: 53) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$14,140,000 (2013: HK\$13,843,000). 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 option was granted since the Listing Date up to the date of this report. 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 foreign currency forward contracts or derivatives financial instrument outstanding as at the year ended 31 December 2014 (2013: Outstanding foreign currency forward contracts of principal amount US\$10,000,000).

Contingent Liabilities

At 31 December 2014 the Group did not have any material contingent liabilities or guarantees.

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 date of this announcement, 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 consolidated financial statements for the year ended 31 December 2014, including the accounting principles and practices adopted by the Company, in conjunction with the Company's auditors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The shares of the Company were listed on the Main Board of the Stock Exchange on 15 January 2015, subsequent to the end of the reporting year. Thus, neither the Company nor any subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

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 2014 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 2015.

APPRECIATION

We would like to thank our committed staff for their contributions, our customers, business partners, shareholders and directors for their support in SiS. 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, 24 March 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.