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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 2023

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 2023 together with comparative figures for the corresponding year in 2022 which are set out as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	4	1,935,876	1,837,386
Cost of sales		<u>(1,888,015)</u>	<u>(1,779,872)</u>
Gross profit		47,861	57,514
Other income		871	1,636
Other gains and losses, net	5	(859)	(683)
Selling and distribution expenses		(14,906)	(12,795)
Administrative expenses		(21,766)	(20,961)
Finance costs		<u>(194)</u>	<u>(303)</u>
Profit before tax	6	11,007	24,408
Income tax expense	7	<u>(1,997)</u>	<u>(2,956)</u>
Profit for the year		<u>9,010</u>	<u>21,452</u>
Other comprehensive income (expense)			
<i>Item that will not be reclassified to profit or loss</i>			
Fair value gain (loss) on equity instruments at fair value through other comprehensive income		<u>1,343</u>	<u>(264)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>10,353</u>	<u>21,188</u>

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Note</i>	2023 <i>HK Cents</i>	2022 <i>HK Cents</i>
Earnings per share			
– Basic	9	<u>3.22</u>	<u>7.66</u>
– Diluted	9	<u>3.22</u>	<u>7.66</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		857	1,500
Right-of-use assets		6,324	1,827
Equity instruments at fair value through other comprehensive income		12,070	10,727
Rental deposit		<u>418</u>	<u>-</u>
		<u>19,669</u>	<u>14,054</u>
Current Assets			
Inventories		43,398	29,879
Trade and other receivables, deposits and prepayments	10	56,383	72,035
Tax recoverable		2,114	3,885
Cash and cash equivalents		<u>110,498</u>	<u>86,122</u>
		<u>212,393</u>	<u>191,921</u>
Current Liabilities			
Trade payables, other payables and accruals	11	62,246	45,337
Contract liabilities		126	197
Lease liabilities		<u>2,183</u>	<u>1,878</u>
		<u>64,555</u>	<u>47,412</u>
Net Current Assets		<u>147,838</u>	<u>144,509</u>
Total Assets less Current Liabilities		<u>167,507</u>	<u>158,563</u>
Non-current Liability			
Lease liabilities		<u>4,191</u>	<u>-</u>
Net Assets		<u>163,316</u>	<u>158,563</u>
Capital and Reserves			
Share capital	12	28,000	28,000
Reserves		<u>135,316</u>	<u>130,563</u>
Equity attributable to owners of the Company and total equity		<u>163,316</u>	<u>158,563</u>

Notes:

1. GENERAL INFORMATION

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 "HKEX").

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

2. APPLICATION OF NEW AND AMENDMENTS TO 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 HKEX and by the Hong Kong Companies Ordinance.

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.

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years.

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

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 of the Group are provided to CODM, no segment information is presented other than entity-wide disclosures.

4. REVENUE

Revenue represents the amount received and receivable for goods sold arising from the distribution and retail sales of mobile phones and related products, net of discount.

5. OTHER GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Exchange loss, net	(723)	(796)
Impairment losses under expected credit loss model, net of reversal	(136)	113
	<u>(859)</u>	<u>(683)</u>

6. PROFIT BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories recognised as an expense (including write-down of inventories of HK\$165,000 (2022: HK\$91,000))	1,888,015	1,779,872
Depreciation of property, plant and equipment	781	777
Depreciation of right-of-use assets	2,402	2,436
Dividend income from equity instruments at fair value through other comprehensive income	(466)	(365)
Government subsidy income from Employment Support Scheme provided by the HKSAR Government	-	(1,047)
Interest income from bank deposits	(332)	(6)
	<u> </u>	<u> </u>

7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong		
Current year	1,908	2,980
Under (over) provision in prior year	89	(24)
	<u> </u>	<u> </u>
	<u>1,997</u>	<u>2,956</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

8. DIVIDEND

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
2022 Final - 2 HK cents (2022: nil) per share	5,600	-
	<u> </u>	<u> </u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of 1.5 HK cents per ordinary share, in an aggregate amount of HK\$4,200,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK\$9,010,000 (2022: HK\$21,452,000) and the number of ordinary shares of 280,000,000 (2022: 280,000,000).

The computation of the diluted earnings 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.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$26,128,000 (2022: HK\$18,674,000). The following is an analysis of trade receivables by age, net of allowance for credit losses of HK\$238,000 (2022: HK\$119,000), presented based on the invoice date for trade receivables at the end of the reporting period.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	16,892	15,400
31 to 60 days	7,040	2,919
61 to 90 days	1,875	355
Over 90 days	321	-
Total trade receivables	<u>26,128</u>	<u>18,674</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.

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$46,639,000 (2022: HK\$28,523,000). 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 each reporting period.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	40,448	22,355
31 to 90 days	41	222
91 to 120 days	148	1
Over 120 days	6,002	5,945
Total trade payables	<u>46,639</u>	<u>28,523</u>

12. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value <i>HK\$'000</i>
Authorised		
At 1 January 2022, 31 December 2022 and 2023	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid		
At 1 January 2022, 31 December 2022 and 2023	<u>280,000,000</u>	<u>28,000</u>

FINAL DIVIDEND

To reward loyal shareholders, the directors recommend a final dividend of 1.5 HK cents per share amounting to HK\$4,200,000 for the year ended 31 December 2023, payable to shareholders on the register of members on 4 July 2024. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable in cash on 12 July 2024.

CLOSE OF REGISTER OF MEMBERS

The register of members will be closed on 3 July and 4 July 2024, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year ended 31 December 2023, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:00 p.m. on 2 July 2024.

BUSINESS AND FINANCIAL REVIEW, PROSPECT AND ANALYSIS,

The financial year of 2023 proved to be a period of unprecedented challenges for our Group, coinciding with the global transition into the COVID endemic phase and Hong Kong contending with persistent uncertainties.

Business and Financial Review

Despite achieving a moderate increase in revenue to HK\$1,935,876,000 from HK\$1,837,386,000, the net profit for the year ended 31 December, 2023, declined to HK\$9,010,000. This challenging period was characterized by heightened operating costs, a sluggish recovery of the Hong Kong economy, lower demand for smartphones, and intense market competition, all contributing to the impact on our financial results. We are actively monitoring these challenges and remain committed to improving our business, costs, and operational efficiency.

The business landscape in Hong Kong in 2023 proved more difficult than anticipated. Despite initial expectations for a tourism-driven economic recovery, factors such as high inflation, geopolitical tensions, elevated living costs, and rising interest rates significantly influenced consumers' sentiments.

Prospect

In the face of ongoing volatility, our Group is resiliently navigating these hurdles by diversifying our product portfolio and expanding our product range. A particularly noteworthy breakthrough is the innovative integration of satellite technology and artificial intelligence into our mobile devices. This strategic move is poised to create new demand and markets for our mobile products, and we eagerly anticipate its transformative impact. Bolstered by robust fundamentals and a sturdy balance sheet, we are well positioned for considerable progress. Our dedication extends beyond overcoming present obstacles; we are unwavering in our commitment to refining strategies, including the adoption of specific initiatives to enhance our online presence, and exploring emerging markets. Through collaborative efforts in adaptation, management, and adjustment, we are confident in overcoming challenges and delivering enhanced value to our shareholders.

Liquidity and Financial Resources

As at 31 December 2023, the Group had total assets of HK\$232,062,000 which were financed by total equity of HK\$163,316,000 and total liabilities of HK\$68,746,000. The Group had current ratio of approximately 3.3 at 31 December 2023 compared to that of approximately 4.0 last year.

As at 31 December 2023 the Group had HK\$110,498,000 (31 December 2022: HK\$86,122,000) cash and cash equivalents. The Group's working capital requirements were mainly financed by internal resources and borrowings. As at 31 December 2023 and 2022, the Group did not have any borrowings.

At the end of December 2023, the Group had net cash surplus of HK\$110,498,000 (31 December 2022: HK\$86,122,000).

Charges on Group Assets

There was no pledged asset as at 31 December 2023 (31 December 2022: Nil).

Significant Investments

The listed securities held by the Group are held for long term investment purpose and have an 12.5% increase during the year ended 31 December 2023, as a result of market improvement in USA stock market. The fair value gain HK\$1,343,000 (2022: loss HK\$264,000) was accounted for in other comprehensive expense. There was no investment in an investee company with a value of 5% or more of the Group's total assets as at the year end date. The Group received dividend income of HK\$466,000 (2022: HK\$365,000).

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

The number of staff of the Group as at 31 December 2023 was 65 (31 December 2022: 48) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments, amounted to HK\$18,817,000 (31 December 2022: HK\$17,200,000). In addition to the mandatory 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. 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 payables, 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 2023, the Group did not have any contingent liabilities or guarantees (31 December 2022: Nil).

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.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix C1 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 C3 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 consolidated financial statements for the year ended 31 December 2023, 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 2023 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 2023.

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 2023 annual report of the Company will be dispatched to shareholders of the Company and published on the above-mentioned websites within April 2024.

APPRECIATION

As we reflect on the past year, I extend my deepest gratitude for your continuous support during these challenging times. I want to express profound appreciation to our committed staff, esteemed customers, valued vendors, and strategic partners who have demonstrated exceptional dedication. Their efforts, combined with the guidance of our management team, have empowered us to not only navigate adversity but thrive and grow stronger.

In closing, I appreciate our shareholders for your steadfast support. Your trust propels our determination to persevere, even in the face of subtle growth. As we continue to navigate through uncertain waters, I remain confident that our measured approach will steer us toward a better future and sustainable growth.

Thank you for your continued trust and support.

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

Hong Kong, 20 March 2024

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. Doe Julianne Pearl and Mr. Cheng Tak Chung as independent non-executive directors.