



TREK 2000 INTERNATIONAL LTD (Registration Number 199905744N)

## Second Quarter and Half Yearly Financial Statements Announcement for the period ended 30 June 2018

### PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

#### UNAUDITED RESULTS FOR THE SECOND QUARTER AND FIRST HALF ENDED 30 JUNE 2018

##### (i) Consolidated Income Statement

	Second Quarter			First Half		
	2018	2017	Increase/ (Decrease)	2018	2017	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
<b>Revenue</b>	13,822	29,825	(53.66)	22,218	71,596	(68.97)
Cost of sales	(12,479)	(24,162)	(48.35)	(19,680)	(59,263)	(66.79)
<b>Gross profit</b>	1,343	5,663	(76.28)	2,538	12,333	(79.42)
<b>Other items of income:</b>						
Interest income	317	274	15.69	639	511	25.05
Other income	3	32	(90.63)	116	164	(29.27)
<b>Other items of expense:</b>						
Research and development	(236)	(782)	(69.82)	(517)	(1,302)	(60.29)
Marketing and distribution	(291)	(1,501)	(80.61)	(623)	(3,299)	(81.12)
General administration	(938)	(1,175)	(20.17)	(1,445)	(2,638)	(45.22)
Other expenses	(98)	–	N.M.	(15)	(1,814)	(99.17)
Finance costs	–	–	–	–	(18)	N.M.
<b>Profit before income tax [1]</b>	100	2,511	(96.02)	693	3,937	(82.40)
Income tax expense	(19)	(301)	(93.69)	(30)	(607)	(95.06)
<b>Profit for the period</b>	81	2,210	(96.33)	663	3,330	(80.09)
Profit for the period attributable to:						
Owners of the Company	77	2,059	(96.26)	629	3,305	(80.97)
Non-controlling interests	4	151	(97.35)	34	25	36.00
	81	2,210	(96.33)	663	3,330	(80.09)
Earnings per share attributable to owners of the Company (expressed in cents per share):						
– Basic	0.02	0.64		0.19	1.02	
– Diluted	0.02	0.64		0.19	1.02	

**(ii) Breakdown and Explanatory Notes to Consolidated Income Statement**

**[1]** Profit before income tax is stated after (charging)/crediting the following:

	Second Quarter			First Half		
	2018	2017	Increase/ (Decrease)	2018	2017	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Interest income from:						
– Short-term deposits	114	77	48.05	228	133	71.43
– Quoted investments	203	197	3.05	411	378	8.73
(Allowance)/Reversal for doubtful debts, net	–	(186)	N.M.	–	(516)	N.M.
Depreciation of property, plant and equipment	(63)	(69)	(8.70)	(128)	(253)	(49.41)
Amortisation of intangible assets	(22)	(223)	(90.13)	(42)	(445)	(90.56)
(Allowance)/Reversal for stock obsolescence	(21)	(185)	(88.65)	16	(409)	N.M.
Net foreign exchange gain/(loss)	(98)	26	N.M.	99	80	23.75
Interest expense on:						
– Hire purchase payables	–	–	–	–	(2)	N.M.
– Term loans and bank overdrafts	–	–	–	–	(16)	N.M.

PS: N.M. – Not Meaningful

**(iii) Statement of consolidated comprehensive income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial period**

	Group					
	US\$'000		%	US\$'000		%
	Q2FY2018	Q2FY2017	Increase/ (Decrease)	1HFY2018	1HFY2017	Increase/ (Decrease)
<b>Profit for the period</b>	<b>81</b>	<b>2,210</b>	<b>(96.33)</b>	<b>663</b>	<b>3,330</b>	<b>(80.09)</b>
<b>Other comprehensive income</b>						
<b>Items that may be reclassified subsequently to profit or loss</b>						
Fair value changes on quoted investments	(361)	257	N.M.	(826)	510	N.M.
Foreign currency translation	27	63	(57.14)	4	452	(98.67)
Other comprehensive income for the period, net of tax	(334)	320	N.M.	(822)	962	N.M.
Total comprehensive income for the period	(253)	2,530	N.M.	(159)	4,292	N.M.
attributable to:						
Owners of the Company	(257)	2,379	N.M.	(193)	4,248	N.M.
Non-controlling interests	4	151	(97.35)	34	44	(22.73)
	(253)	2,530	N.M.	(159)	4,292	N.M.

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

BALANCE SHEETS as at	GROUP		COMPANY	
	30 Jun 2018 US\$'000	31 Dec 2017 US\$'000	30 Jun 2018 US\$'000	31 Dec 2017 US\$'000
<b>Non-current assets</b>				
Property, plant and equipment	1,432	1,540	6	9
Intangible assets	1,696	1,695	392	424
Investment in subsidiaries	–	–	1,603	1,603
Investment in associates	–	–	5	5
Quoted investments	16,077	16,435	16,077	16,435
Unquoted investments	–	–	–	–
	<b>19,205</b>	<b>19,670</b>	<b>18,083</b>	<b>18,476</b>
<b>Current assets</b>				
Inventories	2,449	1,057	–	–
Trade and other receivables	4,550	3,254	1,387	4,334
Prepayments	115	153	67	83
Short term deposits	17,976	25,684	9,505	8,433
Cash at banks and on hand	9,726	11,294	183	1,502
	<b>34,816</b>	<b>41,442</b>	<b>11,142</b>	<b>14,352</b>
<b>Total assets</b>	<b>54,021</b>	<b>61,112</b>	<b>29,225</b>	<b>32,828</b>
<b>Current liabilities</b>				
Trade payables and accruals	42	1,943	50	25
Other payables	5,835	7,514	3,762	3,729
Income tax payable	1,014	1,952	–	–
	<b>6,891</b>	<b>11,409</b>	<b>3,812</b>	<b>3,754</b>
<b>Net current assets</b>	<b>27,925</b>	<b>30,033</b>	<b>7,330</b>	<b>10,598</b>
<b>Non-current liabilities</b>				
Deferred taxation	45	42	–	–
	<b>45</b>	<b>42</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>	<b>6,936</b>	<b>11,451</b>	<b>3,812</b>	<b>3,754</b>
<b>Net assets</b>	<b>47,085</b>	<b>49,661</b>	<b>25,413</b>	<b>29,074</b>
<b>Equity attributable to the owners of the Company</b>				
Share capital	37,829	37,829	37,829	37,829
Treasury shares	(263)	(263)	(263)	(263)
Revenue reserve	4,338	6,126	(12,795)	(9,961)
Capital reserve	2,717	2,717	–	–
Asset revaluation reserve	1,056	1,056	–	–
Translation reserve	(580)	(584)	–	–
Other reserves	570	1,429	642	1,469
	<b>45,667</b>	<b>48,310</b>	<b>25,413</b>	<b>29,074</b>
Non-controlling interests	1,418	1,351	–	–
<b>Total equity</b>	<b>47,085</b>	<b>49,661</b>	<b>25,413</b>	<b>29,074</b>
<b>Total equity and liabilities</b>	<b>54,021</b>	<b>61,112</b>	<b>29,225</b>	<b>32,828</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

Amount repayable in one year or less, or on demand

As at 30 June 2018		As at 31 December 2017	
US\$'000		US\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 30 June 2018		As at 31 December 2017	
US\$'000		US\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

**CONSOLIDATED CASH FLOW STATEMENT for the periods ended 30 June**

	2QFY2018	2QFY2017	1HFY2018	1HFY2017
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cash flow from operating activities:</b>				
Profit before income tax	100	2,511	693	3,937
Adjustments for:				
Amortisation of intangible assets	22	223	42	445
Depreciation of property, plant and equipment	63	69	128	253
Impairment of property, plant and equipment	–	277	–	277
Loss on disposal of a subsidiary	–	–	–	1,303
Loss on disposal of quoted investments	–	–	13	–
Allowance for doubtful debts, net	–	186	–	516
Allowance/(reversal) for stock obsolescence	21	185	(16)	409
Share based payment	–	5	–	10
Interest income	(317)	(274)	(639)	(511)
Interest expense	–	–	–	18
Unrealised foreign exchange loss/(gain)	27	61	5	(70)
<b>Operating (loss)/ profit before changes in working capital</b>	<b>(84)</b>	<b>3,243</b>	<b>226</b>	<b>6,587</b>
(Increase)/Decrease in trade and other receivables, and prepayments	(353)	(1,659)	(1,257)	5,944
Decrease/(Increase) in inventories	730	(122)	(1,376)	(3,558)
Decrease in trade and other payables	(5,390)	(4,880)	(3,580)	(2,055)
<b>Cash (used in)/generated from operating activities</b>	<b>(5,097)</b>	<b>(3,418)</b>	<b>(5,987)</b>	<b>6,918</b>
Income tax paid	(649)	(247)	(965)	(272)
Interest received	114	77	228	133
Interest paid	–	–	–	(18)
<b>Net cash (used in)/generated from operating activities</b>	<b>(5,632)</b>	<b>(3,588)</b>	<b>(6,724)</b>	<b>6,761</b>
<b>Cash flow from investing activities</b>				
Proceeds from disposal of property, plant and equipment	–	–	–	42
Proceeds from disposal of quoted investments	–	–	281	–
Purchase of property, plant and equipment	(2)	(10)	(21)	(23)
Purchase of quoted investments	–	(2,090)	(764)	(3,114)
Net cash outflow from disposal of a subsidiary	–	–	–	(3,672)
Payment for patent and trademark registration expenses	(15)	–	(42)	–
Payment for development expenditures	–	–	–	(1)
Interest income from quoted investments	203	197	411	378
<b>Net cash used in investing activities</b>	<b>186</b>	<b>(1,903)</b>	<b>(135)</b>	<b>(6,390)</b>
<b>Cash flow from financing activities</b>				
Payment of dividends	(2,417)	–	(2,417)	–
Repayment of hire purchase instalments	–	–	–	(30)
Repayment of term loans	–	–	–	(20)
<b>Net cash (used in)/generated from financing activities</b>	<b>(2,417)</b>	<b>–</b>	<b>(2,417)</b>	<b>(50)</b>
Net (decrease)/increase in cash and cash equivalents	(7,863)	(5,491)	(9,276)	321
Cash and cash equivalents at beginning of period	35,565	34,279	36,978	28,423
Effect of foreign exchange difference	–	–	–	44
<b>Cash and cash equivalents at end of period</b>	<b>27,702</b>	<b>28,788</b>	<b>27,702</b>	<b>28,788</b>

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)**

The Group's cash and cash equivalents in the consolidated statement of cash flow consist of the following:

	30 June 2018 US\$'000	30 June 2017 US\$'000
Cash at banks and on hand	9,726	5,307
Short-term deposits	17,976	23,481
	<u>27,702</u>	<u>28,788</u>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Attributable to owners of the Company							Total US\$'000	Non- Controlling Interests US\$'000	Total Equity US\$'000
	Share Capital US\$'000	Treasury Shares US\$'000	Revenue Reserve US\$'000	Capital Reserve US\$'000	Asset Revaluation Reserve US\$'000	Translation Reserve US\$'000	Other Reserves US\$'000			
<b>THE GROUP</b>										
<b>Balance as at 1 January 2017</b>	37,829	(299)	3,648	2,717	2,029	(1,003)	(2,749)	42,172	16,997	59,169
Disposal of a subsidiary	–	36	(2,738)	–	(794)	–	3,532	36	(15,499)	(15,463)
Grant of equity- settled share options to employees	–	–	–	–	–	–	5	5	–	5
Total comprehensive income for the period	–	–	1,246	–	–	370	253	1,869	(107)	1,762
<b>Balance as at 31 March 2017</b>	<u>37,829</u>	<u>(263)</u>	<u>2,156</u>	<u>2,717</u>	<u>1,235</u>	<u>(633)</u>	<u>1,041</u>	<u>44,082</u>	<u>1,391</u>	<u>45,473</u>
Grant of equity- settled share options to employees	–	–	–	–	–	–	5	5	–	5
Total comprehensive income for the period	–	–	2,059	–	–	63	257	2,379	151	2,530
<b>Balance as at 30 June 2017</b>	<u>37,829</u>	<u>(263)</u>	<u>4,215</u>	<u>2,717</u>	<u>1,235</u>	<u>(570)</u>	<u>1,303</u>	<u>46,466</u>	<u>1,542</u>	<u>48,008</u>
<b>Balance as at 1 January 2018</b>	37,829	(263)	6,126	2,717	1,056	(584)	1,429	48,310	1,351	49,661
Total comprehensive income for the period	–	–	552	–	–	(23)	(465)	64	30	94
<b>Balance as at 31 March 2018</b>	<u>37,829</u>	<u>(263)</u>	<u>6,678</u>	<u>2,717</u>	<u>1,056</u>	<u>(607)</u>	<u>964</u>	<u>48,374</u>	<u>1,381</u>	<u>49,755</u>
Dividend payment	–	–	(2,417)	–	–	–	–	(2,417)	–	(2,417)
Adjustment to NCI	–	–	–	–	–	–	(33)	(33)	33	–
Total comprehensive income for the period	–	–	77	–	–	27	(361)	(257)	4	(253)
<b>Balance as at 30 June 2018</b>	<u>37,829</u>	<u>(263)</u>	<u>4,338</u>	<u>2,717</u>	<u>1,056</u>	<u>(580)</u>	<u>570</u>	<u>45,667</u>	<u>1,418</u>	<u>47,085</u>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)**

	Share Capital US\$'000	Treasury Shares US\$'000	Revenue Reserve US\$'000	Capital Reserve US\$'000	Asset Revaluation Reserve US\$'000	Translation Reserve US\$'000	Other Reserves US\$'000	Total Equity US\$'000
<b>THE COMPANY</b>								
<b>Balance as at 1 January 2017</b>	37,829	(263)	(12,473)	–	–	–	785	25,878
Grant of equity-settled share options to employees	–	–	–	–	–	–	5	5
Total comprehensive income for the period	–	–	(471)	–	–	–	253	(218)
<b>Balance as at 31 March 2017</b>	37,829	(263)	(12,944)	–	–	–	1,043	25,665
Grant of equity-settled share options to employees	–	–	–	–	–	–	5	5
Total comprehensive income for the period	–	–	(745)	–	–	–	257	(488)
<b>Balance as at 30 June 2017</b>	<b>37,829</b>	<b>(263)</b>	<b>(13,689)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,305</b>	<b>25,182</b>
<b>Balance as at 1 January 2018</b>	37,829	(263)	(9,961)	–	–	–	1,469	29,074
Total comprehensive income for the period	–	–	(19)	–	–	–	(467)	(486)
<b>Balance as at 31 March 2018</b>	<b>37,829</b>	<b>(263)</b>	<b>(9,980)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,002</b>	<b>28,588</b>
Dividend payment	–	–	(2,417)	–	–	–	–	(2,417)
Total Comprehensive income for the period	–	–	(398)	–	–	–	(360)	(758)
<b>Balance as at 30 June 2018</b>	<b>37,829</b>	<b>(263)</b>	<b>(12,795)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>642</b>	<b>25,413</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the issued and paid-up capital of the Company, since the previous period reported on.

During the second quarter ended 30 June 2018 ("2QFY2018"), no share options were granted under the Trek 2000 International Share Options Scheme 2011.

The outstanding share options under Trek 2000 International Share Options Scheme is as follows:

	Second Quarter Ended	
	FY2018 No. of share options	FY2017 No. of share options
<b>Unexercised share options</b>		
Balance as at 1 January	3,880,000	4,982,500
Share options forfeited during the period	–	(820,000)
<b>Balance as at 30 June</b>	<b>3,880,000</b>	<b>4,162,500</b>

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 30 June 2018, the share capital of the Company (excluding treasury shares) is as follows:

<b>Ordinary shares issued and fully paid</b>	No. of shares	US\$
Balance as at 1 January 2018	322,887,925	37,566,186
Movement in ordinary shares during the period	-	-
<b>Balance as at 30 June 2018</b>	<b>322,887,925</b>	<b>37,566,186</b>

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

During the period under review, no new treasury shares were acquired by the Company to acquire shares pursuant to the Share Purchase Mandate to be held as "Treasury Shares".

	Group		Company	
	No. of shares	US\$	No. of shares	US\$
Balance as at 1 January 2018	1,229,000	262,755	1,229,000	262,755
Disposal of a subsidiary	-	-	-	-
<b>Balance as at 30 June 2018</b>	<b>1,229,000</b>	<b>262,755</b>	<b>1,229,000</b>	<b>262,755</b>

	Group		Company	
	No. of shares	US\$	No. of shares	US\$
Balance as at 1 January 2017	1,522,000	298,272	1,229,000	262,755
Disposal of a subsidiary	(293,000)	(35,517)	-	-
<b>Balance as at 30 June 2017</b>	<b>1,229,000</b>	<b>262,755</b>	<b>1,229,000</b>	<b>262,755</b>

As a result of the disposal of Racer Technology Pte Ltd and its subsidiaries ("Racer Group") in 1QFY2017, Racer Group's investment in the Company is no longer deemed as treasury shares.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagement to Review Financial Statements), or an equivalent standard or practice.**

The above figures have not been audited or reviewed by its auditors, Moore Stephens LLP.

**3. Whether the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 31 December 2017.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable.



**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

THE GROUP	Second Quarter Ended		First Half Ended	
	FY2018	FY2017	FY2018	FY2017
Profit net of tax attributable to ordinary equity holders of the Company used in computation of basic earnings per share (US\$'000)	77	2,059	629	3,305
Weighted average number of ordinary shares for basic earnings per share computation (in '000)	322,888	324,117	322,888	324,117
Weighted average number of ordinary shares for diluted earnings per share computation (in '000)	325,950	324,117	325,950	324,117
<b>(Amount in USD cents)</b>				
Earnings per ordinary share for the period after deducting any provision for preference dividends:-				
(i) Basic earnings per share (in cents)	0.02	0.64	0.19	1.02
(ii) Diluted earnings per share (in cents)	0.02	0.64	0.19	1.02

**Note:**

Basic earnings per share amounts are calculated by dividing profit for the period that is attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share amounts are calculated by dividing profit for the period that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

NET ASSET VALUE	GROUP		COMPANY	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Number of ordinary shares (in '000)	322,888	322,888	322,888	322,888
<b>(Amount in USD cents)</b>				
Net asset value per ordinary share based on issued share capital at the end of the period	14.14	14.96	7.87	9.00

Net asset value represents total assets less total liabilities and non-controlling interests.

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

For 2QFY2018, the Group reported a 53.7% quarter on quarter ("qoq") decrease in revenue from US\$29.8 million for 2QFY2017 to US\$13.8 million. Gross profit decreased by 76.3% from US\$5.7 million in 2QFY2017 to US\$1.3 million in 2QFY2018, while gross profit margin decreased from 19.0% to 9.7%. The Group reported a decrease in net profit after tax attributable to owners of the Company of 96.3% from US\$2.1 million in 2QFY2017 to US\$77,000 in 2QFY2018.

In the first half of FY2018 ("1HFY2018"), the Group reported a half-year on half-year ("hoh") decrease of 69.0% in revenue from US\$71.6 million for 1HFY2017 to US\$22.2 million for 1HFY2018. Gross profit decreased by 79.4% from US\$12.3 million in 1HFY2017 to US\$2.5 million in 1HFY2018, while gross profit margin decreased from 17.2% to 11.4%. The Group reported a decrease in net profit after tax attributable to owners of the Company of 81.0% from US\$3.3 million in 1HFY2017 to US\$629,000 million in 1HFY2018.

The Group's performance is attributable to the following factors:

**Revenue**

The decrease in revenue of 53.7% in 2QFY2018 was mainly due to the uncertain market conditions and effect on the ongoing global trade war. The Group's Interactive Consumer Solution ("ICS") division continues to be a key revenue generator, accounting for 96.3% of the overall revenue in 2QFY2018.

**Profitability**

Gross profit margin decreased from 19.0% to 9.7% qoq in 2QFY2018, and this was mainly attributed to the lower sales and gross profit margin. Price pressures from the market continues to affect the industry resulting in the Group reducing the profit margin to meet competition.

**Expenses**

The Group's total expenses amounted to US\$1.6 million in 2QFY2018 (2QFY2017: US\$3.5 million) representing a decrease of 54.7% qoq. The factors contributing to the decreases are as follow:

- Research and development expenses reported a decrease of 69.9% qoq to US\$ 236,000 in 2QFY2018 (2QFY2017: US\$ 782,000). The decrease was mainly due to decrease in amortisation expenses, staff costs, and R&D related expenses.
- Marketing and distribution expenses decreased by 80.6% qoq to US\$ 291,000 in 2QFY2018 (2QFY2017: US\$1.5 million). This was mainly due to decrease in advertisement expenses, exhibition expenses, entertainment expenses and professional fees.
- General administrative expenses decreased from US\$1.18 million in 2QFY2017 to US\$ 938,000 in 2QFY2018. This was due mainly to the lower legal fees and staff costs incurred.
- Other expenses amounted to USD 98,000 in 2QFY2018 (2QFY2017: Nil) and this was for the foreign exchange loss incurred in 2QFY2018.

**Net profit after tax attributable to owners of the Company**

The Group reported a net profit attributable to owners of the Company of US\$77,000 in 2QFY2018 (2QFY2017: US\$2.1 million) and US\$629,000 in 1HFY2018 (1HFY2017: US\$3.3 million) despite the challenging environment.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (cont'd)**

**Other Financial Highlights**

- **Property, plant and equipment** – The decrease of USD 107,000 in the Group's property, plant and equipment in 1HFY2018 was mainly due to the depreciation of USD 128,000. This was partially offset by fixed assets purchases amounting to USD 21,000 in the same period.
- **Intangible assets** – The Group's intangible assets increased by US\$1,000 in 1HFY2018 and this was due mainly to the payments of patent and trademark registration (US\$ 42,000). The increase in intangible assets was partially offset by amortisation expenses of US\$ 41,000 during this period.
- **Quoted investments** – The Group's investment in quoted investment decreased by US\$ 358,000 to US\$16.1 million as at 30 June 2018 (31 December 2017: US\$16.4 million). This decrease was due mainly to the revaluation of quoted investments to market value resulting in a loss of US\$ 828,000. During this period, quoted investments of US\$294,000 were disposed to minimize the loss and additional investments of US\$764,000 were purchased.
- **Inventories** – The Group's inventories amounted to US\$2.4 million as at 30 June 2018, an increase of US\$1.3 million from US\$1.1 million as at 31 December 2017. Inventory turnover days was 23 days in 1HFY2018 as compared to 29 days in 1HFY2017.
- **Trade and other receivables** – The Group's trade receivables and other receivables amounted to US\$4.6 million as at 30 June 2018 as compared to US\$3.3 million as at 31 December 2017. This was due mainly to a slight delay in the cash received from certain customers. DSO days was 9 days in 1HFY2018 as compared to 8 days in 1HFY2017.
- **Trade payables and accruals** – The Group's trade payables and accruals amounted to US\$42,000 as at 30 June 2018 as compared to US\$1.9 million as at 31 December 2017. The decrease was due mainly to the withdrawal of credit terms by one of the Group's major suppliers in 2QFY2018.

**Cashflow**

The Group's cash and cash equivalent for 1HFY2018 decreased by US\$9.3 million from US\$37.0 million as at 31 December 2017 to US\$27.7 as at 30 June 2018. This decrease was due to the cash outflow of US\$6.7 million used in operating activities, dividend payment of US\$2.4 million and US\$135,000 from net investment in quoted investments, plant, property and equipment in 1HFY2018.

The cash outflow in operating activities of US\$6.7 million in 1HFY2018 arose mainly from the investments in working capital caused by the decrease in accounts payables (US\$3.6 million) and increase in accounts receivables (US\$1.4 million) and inventory balance (US\$1.3 million). In addition, tax payment of US\$965,000 was made in 1HFY2018.

For the cash outflow used in investing activities amounting to US\$135,000 in 1HFY018, the major investments made were for quoted investments (US\$ 764,000), fixed assets (US\$21,000) and payments for patents & trademarks (US\$42,000). These investments were made for the long-term benefits of the business. The cash outflow was partially offset by the cash inflow from interest income of quoted investments (US\$411,000) and sales proceeds from disposal of quoted investments (US\$281,000).

**IPT inquiry and other matters**

Apart from the above, shareholders and investors are advised to refer to the cautionary statement set out in the Appendix on page 14.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not Applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The Group foresees the industry to remain challenging in the next 12 months. With the ongoing global trade war, most of our clients are feeling the effect of the business slowdown. The Group also faces price pressure from the uncertain market conditions mainly attributable to the unfavourable foreign exchange rate in China, our main market, as a result of the devaluation of CNY against USD.

Despite these challenges, the management is committed to penetrate the Internet of Things (“IoT”) market in consumer wearable, medical and cloud technologies, and exploring strategic partnerships to ensure the long-term sustainability of the Group’s operations.

The Group’s financial position remained healthy with net cash and cash equivalents and quoted investments maintained at US\$27.7 million and US\$16.1 million respectively as at 30 June 2018. This stable financial position will act as an impetus for the Group to execute its growth strategies.

**IPT inquiry and other matters**

Apart from the above, shareholders and investors are advised to refer to the cautionary statement set out in the Appendix on page 14.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend recommended for the current financial period reported on? **NO**

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial period? **NO**

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/(recommended), a statement to that effect**

No interim dividend has been declared/(recommended) for the current period under review.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect**

The Company does not have any general mandate from shareholders pursuant to Rule 920.

**IPT inquiry and other matters**

Shareholders and investors are advised to refer to the cautionary statement set out in the Appendix on page 14.

**14. If the case of an announcement of interim financial statement (quarterly or half-yearly), the issuer’s directors must confirm that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial results to be false or misleading, in any material aspect. Please confirm that such a statement has been made.**

The Company has not issued any interim financial statements which may render the interim financial statements to be false or misleading, in any material aspect pursuant to Rule 705(5).

**15. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7 under Rule 720(1)).**

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors and executive officers.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Not applicable.

**17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

**18. A breakdown of sales**

Not applicable.

**19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Not applicable.

BY ORDER OF THE BOARD

**TAN JOON YONG WAYNE**

Executive Director

7 August 2018

**CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL**

The directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render to the unaudited financial statements for the period ended 30 June 2018 to be false and misleading in any material aspect.

On behalf of the Directors

Signed

TAN JOON YONG WAYNE

Director

Signed

KUAN MUN KWONG

Director

7 August 2018

## Appendix

### CAUTIONARY STATEMENT

As previously announced, the Company is co-operating with the CAD in its on-going investigations relating to document deficiencies. RSM Corporate Advisory Pte Ltd, the firm appointed to review and carry out the necessary inquiry on the IPT transactions, had issued its Forensic Accountant's Report on 23 April 2018. The SGX had on 26 April 2018 also issued a Notice of Compliance that the Company is in the process of taking actions to comply. In view of the foregoing and subject to the results of the CAD investigations, the company may make adjustments to FY2015 and FY2016 financial statements, if required.

Further information can be found in the announcements dated 25 February 2016, 1 March 2016, 14 March 2016, 17 March 2016, 7 April 2016, 26 April 2016, 25 May 2016, 1 June 2016, 8 June 2016, 18 July 2017, 8 September 2017, 23 April 2018 and 26 April 2018.

Pending the outcome of the CAD investigations, shareholders and investors are advised to carefully monitor and refer to further announcements released by the Company for updates, and to consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take. They are therefore cautioned against placing undue reliance on the same.