

CREATIVE TECHNOLOGY LTD

FIRST HALF YEAR ENDED 31 DECEMBER 2020 FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

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UNAUDITED RESULTS FOR THE FIRST HALF ENDED 31 DECEMBER 2020

1 CONSOLIDATED INCOME STATEMENT

	GROUP		
	Half year ended 31 December		
	2020	2019	% change
	US\$'000	US\$'000	+ / (-)
Sales, net	47,539	31,210	52
Cost of goods sold	(31,717)	(22,494)	41
Gross profit	15,822	8,716	82
Expenses:			
Selling, general and administrative	(12,663)	(11,247)	13
Research and development	(7,056)	(6,536)	8
Total expenses	(19,719)	(17,783)	11
Other income	1,380	716	93
Other gains, net	2,846	32	n.m.
Interest expense on lease liabilities	(120)	(149)	(19)
Profit (loss) before income tax	209	(8,468)	n.m.
Income tax (expense) credit	(101)	5	n.m.
Net profit (loss)	108	(8,463)	n.m.
Attributable to:			
Equity holders of the Company	45	(8,469)	n.m.
Non-controlling interests	63	6	n.m.
Loss per share attributable to equity holders of the Company			
- Basic (US\$ per share)	-	(0.12)	(100)
- Diluted (US\$ per share)	-	(0.12)	(100)

n.m. - not meaningful

1(a) Net profit (loss) is arrived at after accounting for:

	GROUP		
	Half year ended		
	31 December		
	2020	2019	% change
	US\$'000	US\$'000	+ / (-)
Write-off/write-down for inventory obsolescence	(565)	(1,047)	(46)
Write-back provision for bad debts	175	620	(72)
Depreciation	(1,187)	(979)	21
Fair value (loss) gain on financial assets at FVPL	(15)	355	n.m.
Foreign exchange gain (loss)	2,805	(389)	n.m.
Interest income	84	716	(88)

2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP		
	Half year ended		
	31 December		
	2020	2019	% change
	US\$'000	US\$'000	+ / (-)
Net profit (loss)	108	(8,463)	n.m.
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income ("Financial assets at FVOCI"):			
Fair value gains	657	136	n.m.
Total comprehensive income (loss) for the period	765	(8,327)	
Attributable to:			
Shareholders of the Company	702	(8,333)	n.m.
Non-controlling interests	63	6	n.m.
Total comprehensive income (loss) for the period	765	(8,327)	n.m.

3 BALANCE SHEETS

	Group		Company	
	31 December 2020 US\$'000	30 June 2020 US\$'000	31 December 2020 US\$'000	30 June 2020 US\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	97,501	96,770	86,654	93,706
Trade receivables	6,583	5,215	98	158
Amounts due from subsidiaries	-	-	11,652	3,313
Inventories	16,539	12,328	241	409
Other current assets	2,868	2,712	346	525
	123,491	117,025	98,991	98,111
Non-current assets:				
Financial assets at fair value through profit or loss (FVPL)	903	918	-	-
Financial assets at fair value through other comprehensive income (FVOCI)	6,047	6,085	-	-
Amounts due from subsidiaries	-	-	7,154	6,921
Investments in subsidiaries	-	-	12,222	12,222
Property and equipment	845	877	55	73
Right-of-use assets	4,487	5,403	4,168	5,001
Other non-current assets	158	156	-	-
	12,440	13,439	23,599	24,217
Total assets	135,931	130,464	122,590	122,328
LIABILITIES				
Current liabilities:				
Trade payables	10,681	6,427	407	285
Amounts due to subsidiaries	-	-	13,795	13,028
Accrued liabilities and provisions	14,610	15,207	6,793	7,343
Contract liabilities	3,620	2,102	-	-
Lease liabilities	2,018	2,103	1,736	1,775
Current income tax liabilities	80	1	-	-
	31,009	25,840	22,731	22,431
Non-current liabilities:				
Amounts due to subsidiaries	-	-	36,619	36,421
Lease liabilities	2,886	3,435	2,835	3,358
Deferred income tax liabilities	8,826	8,826	-	-
	11,712	12,261	39,454	39,779
Total liabilities	42,721	38,101	62,185	62,210
NET ASSETS	93,210	92,363	60,405	60,118
EQUITY				
Share capital	266,753	266,753	266,753	266,753
Treasury shares	(16,035)	(16,035)	(16,035)	(16,035)
Fair value reserve	1,205	836	-	-
Other reserves	40,732	40,652	27,193	27,113
Accumulated losses	(199,829)	(200,164)	(217,506)	(217,713)
	92,826	92,042	60,405	60,118
Non-controlling interests	384	321	-	-
Total equity	93,210	92,363	60,405	60,118

4 CONSOLIDATED STATEMENTS OF CASH FLOWS

	GROUP	
	Half year ended 31 December	
	2020	2019
	US\$'000	US\$'000
Cash flows from operating activities:		
Net profit (loss)	108	(8,463)
Adjustments for:		
Income tax expense (credit)	101	(5)
Depreciation	1,187	979
Employee share-based expenses	80	-
Fair value loss (gain) on financial assets at FVPL	15	(355)
Currency translation (gain) loss	(2,409)	410
Interest income	(84)	(716)
Interest expense on lease liabilities	120	149
	<u>(882)</u>	<u>(8,001)</u>
Changes in working capital, net of effects from acquisition and disposal of subsidiaries		
Trade receivables	(1,368)	(619)
Inventories	(4,211)	655
Other assets and receivables	(161)	(274)
Trade payables	4,254	1,388
Accrued liabilities and provisions	(597)	(52)
Contract liabilities	1,518	484
Cash used in operations	<u>(1,447)</u>	<u>(6,419)</u>
Interest received	87	732
Income tax paid	(22)	-
Net cash used in operating activities	<u>(1,382)</u>	<u>(5,687)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(111)	(107)
Proceeds from sale of financial assets at FVOCI	695	40
Net cash provided by (used in) investing activities	<u>584</u>	<u>(67)</u>
Cash flows from financing activities:		
Payment of lease liabilities	(1,023)	(670)
Interest paid on lease liabilities	(120)	(149)
Unclaimed dividends	2	5
Net cash used in financing activities	<u>(1,141)</u>	<u>(814)</u>
Net decrease in cash and cash equivalents	<u>(1,939)</u>	<u>(6,568)</u>
Cash and cash equivalents at beginning of financial year	96,770	107,766
Effects of currency translation on cash and cash equivalents	2,670	(412)
Cash and cash equivalents at end of the period	<u>97,501</u>	<u>100,786</u>

5 STATEMENTS OF CHANGES IN EQUITY

5(a) Statements of Changes in Equity for the Group

	Share Capital US\$'000	Treasury Shares US\$'000	Fair Value Reserve US\$'000	Other Reserves US\$'000	Accumulated Losses US\$'000	Total US\$'000	Non- controlling Interests US\$'000	Total Equity US\$'000
FY2021								
Balance at 1 July 2020	266,753	(16,035)	836	40,652	(200,164)	92,042	321	92,363
Profit for the period	-	-	-	-	45	45	63	108
Other comprehensive income for the period	-	-	657	-	-	657	-	657
Total comprehensive income for the period	-	-	657	-	45	702	63	765
Employee share-based expense	-	-	-	80	-	80	-	80
Unclaimed dividends	-	-	-	-	2	2	-	2
Transfer upon disposal of investments	-	-	(288)	-	288	-	-	-
Total transactions with owners, recognised directly in equity	-	-	(288)	80	290	82	-	82
Balance at 31 December 2020	266,753	(16,035)	1,205	40,732	(199,829)	92,826	384	93,210
FY2020								
Balance at 1 July 2019	266,753	(16,035)	964	45,628	(187,573)	109,737	318	110,055
Loss for the period	-	-	-	-	(8,469)	(8,469)	6	(8,463)
Other comprehensive income for the period	-	-	136	-	-	136	-	136
Total comprehensive loss for the period	-	-	136	-	(8,469)	(8,333)	6	(8,327)
Employee share-based expense	-	-	-	-	-	-	-	-
Unclaimed dividends	-	-	-	-	5	5	-	5
Total transactions with owners, recognised directly in equity	-	-	-	-	5	5	-	5
Balance at 31 December 2019	266,753	(16,035)	1,100	45,628	(196,037)	101,409	324	101,733

5(b) Statements of Changes in Equity of the Company

	Share Capital US\$'000	Treasury Shares US\$'000	Other Reserves US\$'000	Retained Earnings US\$'000	Total Equity US\$'000
FY2021					
Balance at 1 July 2020	266,753	(16,035)	27,113	(217,713)	60,118
Total comprehensive income for the period	-	-	-	205	205
Employee share-based expense	-	-	80	-	80
Unclaimed dividend	-	-	-	2	2
Balance at 31 December 2020	266,753	(16,035)	27,193	(217,506)	60,405
FY2020					
Balance at 1 July 2019	266,753	(16,035)	32,089	(210,728)	72,079
Total comprehensive loss for the period	-	-	-	(3,546)	(3,546)
Employee share-based expense	-	-	-	-	-
Unclaimed dividend	-	-	-	5	5
Balance at 31 December 2019	266,753	(16,035)	32,089	(214,269)	68,538

5(c) CHANGES IN THE COMPANY'S SHARE CAPITAL

Issued and paid up capital

As at 31 December 2020, the Company's issued and paid up capital excluding treasury shares comprises 70,396,649 (30 June 2020: 70,396,649) ordinary shares.

As at 31 December 2020, the Company's issued and paid up share capital was US\$266.8 million (30 June 2020: US\$266.8 million).

Employee share options plan

In December 2020, 1,610,000 share options were granted under the Creative Share Option Scheme (2019) (the "2019 Scheme").

As at 31 December 2020, there were 1,610,000 unissued ordinary shares under the options granted to eligible employees and directors under the 2019 Scheme (31 December 2019: nil).

Employee performance share plan

The Employee Performance Share Plan has expired on 29 October 2019 and there were no outstanding awards under the plan.

Treasury shares

As at 31 December 2020, the Company held 4,603,351 (31 December 2019: 4,603,351) treasury shares against 70,396,649 (31 December 2019: 70,396,649) issued ordinary shares excluding treasury shares.

The movement of treasury shares for the period is as follows:

	Half year ended 31 December	
	2020	2019
Balance at beginning of period	4,603,351	4,603,351
Issued for Employee Performance Share Plan	-	-
Balance at end of period	<u>4,603,351</u>	<u>4,603,351</u>

6 GROUP BORROWINGS

	GROUP	
	31 December 2020 US\$'000	30 June 2020 US\$'000
Amount repayable:		
<u>In one year or less, or on demand</u>		
Secured	2,018	2,103
Unsecured	-	-
	<u>2,018</u>	<u>2,103</u>
<u>After one year</u>		
Secured	2,886	3,435
Unsecured	-	-
	<u>2,886</u>	<u>3,435</u>
Total	<u>4,904</u>	<u>5,538</u>

Secured borrowings relate to lease liabilities on adoption of SFRS(I) 16 *Leases*, secured over right-of-use assets.

7 NET ASSET VALUE

	GROUP		COMPANY	
	31 December 2020 US\$	30 June 2020 US\$	31 December 2020 US\$	30 June 2020 US\$
Net asset value per ordinary share based on issued capital at the end of the period / financial year	1.32	1.31	0.86	0.85

8 AUDIT

The figures have not been audited or reviewed by our auditors.

9 AUDITORS' REPORT

Not applicable.

10 ACCOUNTING POLICIES

Except as disclosed in Item 11 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 30 June 2020.

11 CHANGES IN ACCOUNTING POLICIES

None.

12 REVIEW OF GROUP PERFORMANCE

CONSOLIDATED INCOME STATEMENT

Net Sales

Net sales for the first half year of FY2021 increased by 52% compared to the first half year of FY2020. The increase was due mainly to revenue from new products launched in the current and previous financial years. In addition, the on-going work from home arrangements, home-based learning and other COVID-19 restrictive measures have continued to contribute to the increase in sales of the Group's products.

Gross Profit

Gross profit margin for the first half year of FY2021 was higher at 33% compared to 28% for the first half year of FY2020. The higher gross profit margin was in line with the product mix with higher margin products making up a larger proportion of sales.

Net Profit (Loss)

Net profit for the first half year of FY2021 was US\$0.1 million compared to net loss of US\$8.5 million in the first half year of FY2020. Net profit for the first half year of FY2021 includes depreciation of US\$1.1 million on right-of-use assets, other income of US\$1.4 million and other gains (net) of US\$2.8 million. Net loss for the first half year of FY2020 includes depreciation of \$0.9 million on right-of-use assets and other income of US\$0.7 million.

Selling, general and administrative expenses in the first half year of FY2021 increased by 13% compared to the first half year of FY2020. The increase was due mainly to the higher level of sales.

Research and development expenses in the first half year of FY2021 remained at about the same level compared to the first half year of FY2020.

Other income of US\$1.4 million in the first half year of FY2021 relates mainly to grant income pertaining to COVID-19 relief packages. Other income of US\$0.7 million in the first half year of FY2020 relates to interest income.

Other gains (net) of US\$2.8 million in the first half year of FY2021 relates mainly to foreign exchange gain. Other gains (net) of US\$0.03 million in the first half year of FY2020 includes US\$0.4 million fair value gain on financial assets at FVPL and US\$0.4 million foreign exchange loss.

The functional currency of the Company and its subsidiaries is predominantly the US dollar and accordingly, gains and losses resulting from the translation of monetary assets and liabilities denominated in currencies other than the US dollar are reflected in the determination of net income (loss). The exchange differences were due mainly to the cash and cash equivalent balances held by the Group. Cash and cash equivalents were held mainly in US dollar, with the balance mainly in Singapore dollar, Euro, British Pound and Japanese Yen. The exchange gain in the first half year of FY2021 was due mainly to the appreciation of these currencies against the US dollar. The exchange loss in first half year of FY2020 was due mainly to the depreciation of Singapore dollar, Euro and British Pound against the US dollar in the first quarter of FY2020, offset partially by the appreciation of these currencies against the US dollar in the second quarter of FY2020.

BALANCE SHEETS

The higher trade receivables, inventories, trade payables and contract liabilities as at 31 December 2020 compared to 30 June 2020 were in line with the higher level of sales.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Net cash used in operating activities of US\$1.4 million in the first half year of FY2021 (first half year of FY2020: US\$5.7 million) was due mainly to operating loss for the period.

Net cash provided by investing activities of US\$0.6 million in the first half year of FY2021 (first half year of FY2020: not material) was mainly proceeds from sale of financial assets at FVOCI.

Net cash used in financing activities of US\$1.1 million in the first half year of FY2021 (first half year of FY2020: US\$0.8 million) was due mainly to payment of lease and interest on lease liabilities.

13 VARIANCE FROM PROSPECT STATEMENT

There is no significant variance in operating performance of the Group from the previous prospect statement.

14 PROSPECTS

The pace of economic recovery from the COVID-19 pandemic and the outlook of the global economy remain uncertain. For second half year of FY2021, the Group is targeting to maintain revenue at current level and improve operating results.

15 DIVIDEND

No dividends have been recommended in the first half year of FY2021 and no dividends were recommended or declared for the same period last year.

16 INTERESTED PERSON TRANSACTIONS

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

17 CONFIRMATION OF DIRECTORS AND EXECUTIVE OFFICERS' PURSUANT TO LISTING RULE 720(1)

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

BY ORDER OF THE BOARD

NG KEH LONG
COMPANY SECRETARY
4 FEBRUARY 2021

CONFIRMATION BY THE BOARD

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the interim financial information for the first half year ended 31 December 2020 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Sim Wong Hoo
Chairman

Lee Kheng Nam
Director