



TREK 2000 INTERNATIONAL LTD (Registration Number 199905744N)

## Second Quarter and Half Yearly Financial Statements Announcement for the period ended 30 June 2020

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

THIS QUARTERLY REPORTING ANNOUNCEMENT IS MANDATORY MADE PURSUANT TO LISTING RULE 705(2C) OF THE SINGAPORE EXCHANGE REGULATION

#### 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 2020

##### (i) Consolidated Income Statement

	Second Quarter			First Half		
	2020	2019	Increase/ (Decrease)	2020	2019	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
<b>Revenue</b>	1,661	3,383	(50.9)	10,197	7,676	32.8
<b>Cost of sales</b>	(1,644)	(3,344)	(50.8)	(9,227)	(7,434)	24.1
<b>Gross profit</b>	17	39	(56.4)	970	242	300.8
<b>Other items of income:</b>						
Interest income	173	249	(30.5)	392	479	(18.2)
Other income	726	597	21.6	164	1,062	(84.6)
<b>Other items of expense:</b>						
Research and development	(174)	(111)	56.8	(357)	(263)	35.7
Marketing and distribution	(307)	(376)	(18.4)	(672)	(721)	(6.8)
General administration	(410)	(357)	14.8	(795)	(647)	22.9
Finance expenses	(3)	–	N.M	(6)	–	N.M
Other expenses	(73)	(30)	143.3	(841)	(30)	2,703.3
(Loss)/profit before income tax [1]	(51)	11	N.M	(1,145)	122	N.M
Income tax expense	90	25	260.0	90	25	260.0
<b>Profit/(loss) for the period</b>	<b>39</b>	<b>36</b>	<b>8.3</b>	<b>(1,055)</b>	<b>147</b>	<b>N.M.</b>
Profit/(loss) for the period attributable to:						
Owners of the Company	35	33	6.1	(1,086)	145	N.M
Non-controlling interests	4	3	33.3	31	2	1,450.0
	<b>39</b>	<b>36</b>	<b>8.3</b>	<b>(1,055)</b>	<b>147</b>	<b>N.M.</b>
Earnings per share attributable to owners of the Company (expressed in cents per share):						
– Basic	0.01	0.01		(0.34)	0.05	
– Diluted	0.01	0.01		(0.34)	0.05	

**(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		
	2020	2019	Increase/ (Decrease)	2020	2019	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Interest income from:						
– Short-term deposits	10	148	(93.2)	54	268	(79.9)
– Quoted investments	163	101	61.4	338	211	60.2
Depreciation of property, plant and equipment	(76)	(45)	68.9	(153)	(90)	70.0
Amortisation of intangible assets	(11)	(9)	22.2	(22)	(18)	22.2
(Allowance)/Reversal for stock obsolescence	(114)	(124)	(8.1)	(282)	(206)	36.9
Reversal for provision of diminution in value of inventory	–	537	(100.0)	–	1,022	(100.0)
Net foreign exchange gain/(loss)	(73)	3	N.M.	(92)	57	N.M.
Loss on disposal of quoted investment	–	(30)	(100.0)	–	(30)	(100.0)
Gain/(loss) on fair value changes of financial assets designated as FVTPL	596	219	172.1	(747)	574	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	
	Q2FY2020	Q2FY2019	Increase/ (Decrease)	1HFY2020	1HFY2019
<b>Profit/(loss) for the period</b>	<b>39</b>	<b>36</b>	<b>8.3</b>	<b>(1,055)</b>	<b>147</b>
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Fair value changes on quoted investments	389	297	31.0	240	775
Foreign currency translation	51	10	410.0	17	(10)
Other comprehensive income for the period, net of tax	440	307	43.3	257	765
<b>Total comprehensive income for the period</b>	<b>479</b>	<b>343</b>	<b>39.7</b>	<b>(798)</b>	<b>912</b>
attributable to:					
Owners of the Company	475	340	39.7	(829)	911
Non-controlling interests	4	3	33.3	31	1
	<b>479</b>	<b>343</b>	<b>39.7</b>	<b>(798)</b>	<b>912</b>

**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 2020 US\$'000	31 Dec 2019 US\$'000	30 Jun 2020 US\$'000	31 Dec 2019 US\$'000
<b>Non-current assets</b>				
Property, plant and equipment	1,166	1,234	1	1
Right-of-use assets	201	254	—	—
Intangible assets	659	633	163	173
Investment in subsidiaries	—	—	1,583	1,583
Investment in associates	—	—	5	5
Quoted investments	10,164	7,943	10,163	7,943
Unquoted investments	1,323	1,323	1,323	1,323
	13,513	11,387	13,238	11,028
<b>Current assets</b>				
Inventories	6,884	3,998	—	—
Trade and other receivables	385	1,226	106	128
Prepayments	47	46	1	4
Quoted investments held for trading	16,874	16,290	16,874	16,290
Unquoted investments held for trading	538	629	538	629
Short term deposits	5,449	15,011	1,775	10,825
Cash at banks and on hand	1,220	1,667	361	1,008
	31,397	38,867	19,655	28,884
<b>Total assets</b>	<b>44,910</b>	<b>50,254</b>	<b>32,893</b>	<b>39,912</b>
<b>Current liabilities</b>				
Trade payables and accruals	38	4,505	2,593	9,135
Other payables	2,337	2,282	254	177
Lease liability	53	115	—	—
Income tax payable	1,454	1,548	—	—
	3,882	8,450	2,847	9,312
<b>Net current assets</b>	<b>27,515</b>	<b>30,417</b>	<b>16,808</b>	<b>19,572</b>
<b>Non-current liabilities</b>				
Lease liability	123	103	—	—
Deferred taxation	44	43	—	—
	167	146	—	—
<b>Total liabilities</b>	<b>4,049</b>	<b>8,596</b>	<b>2,847</b>	<b>9,312</b>
<b>Net assets</b>	<b>40,861</b>	<b>41,658</b>	<b>30,046</b>	<b>30,600</b>
<b>Equity attributable to the owners of the Company</b>				
Share capital	37,829	37,829	37,829	37,829
Treasury shares	(507)	(507)	(507)	(507)
Revenue reserve	265	1,336	(5,846)	(5,066)
Capital reserve	2,717	2,717	—	—
Asset revaluation reserve	1,056	1,056	—	—
Translation reserve	127	110	—	—
Other reserves	(1,519)	(1,745)	(1,430)	(1,656)
	39,968	40,796	30,046	30,600
Non-controlling interests	893	862	—	—
<b>Total equity</b>	<b>40,861</b>	<b>41,658</b>	<b>30,046</b>	<b>30,600</b>
<b>Total equity and liabilities</b>	<b>44,910</b>	<b>50,254</b>	<b>32,893</b>	<b>39,912</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 2020 US\$'000		As at 31 December 2019 US\$'000	
Secured	Unsecured	Secured	Unsecured
–	–	–	–

**Amount repayable after one year**

As at 30 June 2020 US\$'000		As at 31 December 2019 US\$'000	
Secured	Unsecured	Secured	Unsecured
–	–	–	–

The Group's borrowings presented above did not include Banker's Guarantees of US\$ 4.5 million issued by a bank to a supplier for credit terms granted to a subsidiary of the Company. These Banker's Guarantees were secured by a personal guarantee from the Controlling Shareholder of the Company, Mr Henn Tan, to the bank. The Company reimbursed Mr Tan for the bank commissions of US\$20,619 paid by him in FY2019. As the value of the interested person transaction in relation to the reimbursement of bank commissions to Mr Tan was below S\$100,000, disclosure was not required under Rule 907 of the SGX Rulebook.

**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**

	2QFY2020 US\$'000	2QFY2019 US\$'000	1HFY2020 US\$'000	1HFY2019 US\$'000
<b>Cash flow from operating activities:</b>				
(Loss)/profit before income tax	(51)	36	(1,145)	122
Adjustments for:				
Amortisation of intangible assets	10	9	22	18
Depreciation of property, plant and equipment	76	45	153	90
Loss on disposal of quoted investments	—	30	—	30
(Gain)/loss on fair value changes of financial assets designated as FVTPL	(596)	(219)	747	(574)
Allowance for stock obsolescence	114	124	282	206
Reversal of provision for diminution in value of inventory	—	(537)	—	(1,022)
Interest income	(173)	(249)	(392)	(479)
Interest expense	2	—	6	—
Unrealised foreign exchange loss/(gain)	51	9	14	(11)
<b>Operating (loss)/ profit before changes in working capital</b>	<b>(567)</b>	<b>(752)</b>	<b>(313)</b>	<b>(1,620)</b>
Decrease/(Increase) in trade and other receivables, and prepayments	829	244	840	(1,123)
Decrease/(Increase) in inventories	592	(126)	(3,168)	(748)
Decrease in trade and other payables	(4,163)	(655)	(4,412)	(185)
<b>Cash (used in)/generated from operating activities</b>	<b>(3,309)</b>	<b>(1,289)</b>	<b>(7,053)</b>	<b>(3,676)</b>
Income tax received/(paid)	92	(10)	—	662
Interest received	10	148	54	268
<b>Net cash (used in)/generated from operating activities</b>	<b>(3,207)</b>	<b>(1,151)</b>	<b>(6,999)</b>	<b>(2,746)</b>
<b>Cash flow from investing activities</b>				
Proceeds from disposal of quoted investments	—	2,430	—	2,430
Purchase of property, plant and equipment	—	(13)	(1)	(17)
Purchase of quoted investments	(3,119)	(4,600)	(3,221)	(4,600)
Purchase of unquoted investments	—	—	—	(4,030)
Payment for patent and trademark registration expenses	(18)	(25)	(27)	(25)
Payment for development expenditures	(11)	(15)	(21)	(69)
Interest income from quoted investments	163	101	338	211
<b>Net cash used in investing activities</b>	<b>(2,985)</b>	<b>(2,122)</b>	<b>(2,932)</b>	<b>(6,100)</b>
<b>Cash flow from financing activities</b>				
Interest paid for lease liabilities	(3)	—	(6)	—
Payment for lease liabilities	(36)	—	(72)	—
Purchase of treasury shares	—	(87)	—	(146)
Repayment to non-controlling interest for capital reduction of subsidiary	—	(484)	—	(484)
<b>Net cash (used in)/generated from financing activities</b>	<b>(39)</b>	<b>(571)</b>	<b>(78)</b>	<b>(630)</b>
Net (decrease)/increase in cash and cash equivalents	(6,231)	(3,844)	(10,009)	(9,476)
Cash and cash equivalents at beginning of period	12,900	20,058	16,678	25,690
Effect of foreign exchange difference	—	—	—	—
<b>Cash and cash equivalents at end of period</b>	<b>6,669</b>	<b>16,214</b>	<b>6,669</b>	<b>16,214</b>

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

	30 June 2020 US\$'000	30 June 2019 US\$'000
Cash at banks and on hand	1,220	1,156
Short-term deposits	5,449	15,058
	<b>6,669</b>	<b>16,214</b>

**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									
	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 US\$'000	Non-Controlling Interests US\$'000	Total Equity US\$'000
THE GROUP										
Balance as at 1 January 2019	37,829	(322)	2,494	2,717	1,056	70	490	44,334	1,296	45,630
Purchase of treasury shares	—	(59)	—	—	—	—	—	(59)	—	(59)
Adjustments to non-controlling interests	—	—	—	—	—	—	(49)	(49)	49	—
Total comprehensive income for the period	—	—	112	—	—	(19)	478	571	(2)	569
Balance as at 31 March 2019	37,829	(381)	2,606	2,717	1,056	51	919	44,797	1,343	46,140
Purchase of treasury shares	—	(87)	—	—	—	—	—	(87)	—	(87)
Repayment to non-controlling interests for share reduction of subsidiary	—	—	—	—	—	—	—	—	(484)	(484)
Total comprehensive income for the period	—	—	33	—	—	10	297	340	3	343
Balance as at 30 June 2019	37,829	(468)	2,639	2,717	1,056	61	1,216	45,050	862	45,912
Balance as at 1 January 2020	37,829	(507)	1,336	2,717	1,056	110	(1,745)	40,796	862	41,658
Total comprehensive income for the period	—	—	(1,120)	—	—	(34)	(149)	(1,303)	27	(1,276)
Share options lapsed	—	—	14	—	—	—	(14)	—	—	—
Balance as at 31 March 2020	37,829	(507)	230	2,717	1,056	76	(1,908)	39,493	889	40,382
Total comprehensive income for the period	—	—	35	—	—	51	389	475	4	479
Balance as at 30 June 2020	37,829	(507)	265	2,717	1,056	127	(1,519)	39,968	893	40,861

**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>								
Balance as at 1 January 2019	37,829	(322)	(7,078)	—	—	—	529	30,958
Purchase of treasury shares	—	(59)	—	—	—	—	—	(59)
Total comprehensive income for the period	—	—	525	—	—	—	478	1,003
Balance as at 31 March 2019	<b>37,829</b>	<b>(381)</b>	<b>(6,553)</b>	—	—	—	<b>1,007</b>	<b>31,902</b>
Purchase of treasury shares	—	(87)	—	—	—	—	—	(87)
Total comprehensive income for the period	—	—	453	—	—	—	297	750
Balance as at 30 June 2019	<b>37,829</b>	<b>(468)</b>	<b>(6,100)</b>	—	—	—	<b>1,304</b>	<b>32,565</b>
Balance as at 1 January 2020	37,829	(507)	(5,066)	—	—	—	(1,656)	30,600
Total comprehensive income for the period	—	—	(1,229)	—	—	—	(148)	(1,377)
Share options lapsed	—	—	14	—	—	—	(14)	—
Balance as at 31 March 2020	<b>37,829</b>	<b>(507)</b>	<b>(6,281)</b>	—	—	—	<b>(1,818)</b>	<b>29,223</b>
Total comprehensive income for the period	—	—	435	—	—	—	388	823
Balance as at 30 June 2020	<b>37,829</b>	<b>(507)</b>	<b>(5,846)</b>	—	—	—	<b>(1,430)</b>	<b>30,046</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 2020 ("2QFY2020"), 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	
	FY2020 No. of share options	FY2019 No. of share options
<b>Unexercised share options</b>		
Balance as at 1 January	3,790,000	3,830,000
Share options lapsed during the period	(90,000)	(40,000)
<b>Balance as at 30 June</b>	<b>3,700,000</b>	<b>3,790,000</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 2020, the share capital of the Company (excluding treasury shares) is as follows:

<b>Ordinary shares issued and fully paid</b>	<b>No. of shares</b>	<b>US\$</b>
Balance as at 1 January 2020	319,453,425	37,322,391
Movement in ordinary shares during the period	–	–
<b>Balance as at 30 June 2020</b>	<b>319,453,425</b>	<b>37,322,391</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, Nil shares (1HFY2019: 2,011,800 shares) were acquired by the Company pursuant to the Share Purchase Mandate to be held as "Treasury Shares"

	<b>Group</b>		<b>Company</b>	
	<b>No. of shares</b>	<b>US\$</b>	<b>No. of shares</b>	<b>US\$</b>
Balance as at 1 January 2020	4,663,500	506,550	4,663,500	506,550
Purchase of shares held as Treasury Shares	–	–	–	–
<b>Balance as at 30 June 2020</b>	<b>4,663,500</b>	<b>506,550</b>	<b>4,663,500</b>	<b>506,550</b>

	<b>Group</b>		<b>Company</b>	
	<b>No. of shares</b>	<b>US\$</b>	<b>No. of shares</b>	<b>US\$</b>
Balance as at 1 January 2019	2,090,100	321,886	2,090,100	321,886
Purchase of shares held as Treasury Shares	2,011,800	146,215	2,011,800	146,215
<b>Balance as at 30 June 2019</b>	<b>4,101,900</b>	<b>468,101</b>	<b>4,101,900</b>	<b>468,101</b>

**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.

**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.**

Except as disclosed in paragraph 5 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 as compared to the audited financial statements for the year ended 31 December 2019.

**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.**

The Group has adopted the new/revised SFRS(I)s that are effective for annual periods beginning on or after 1 January 2020. The adoption of these SFRS(I)s, interpretations and amendments did not have any significant effect on the financial statements of the Group and the Company.



**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	
	FY2020	FY2019	FY2020	FY2019
Profit/(loss) net of tax attributable to ordinary equity holders of the Company used in computation of basic earnings per share (US\$'000)	35	33	(1,086)	145
Weighted average number of ordinary shares for basic earnings per share computation (in '000)	321,340	321,099	321,340	321,251
Weighted average number of ordinary shares for diluted earnings per share computation (in '000)	321,340	321,099	321,340	321,251
<b>(Amount in USD cents)</b>				
Earnings/(loss) per ordinary share for the period after deducting any provision for preference dividends:-				
(i) Basic earnings per share (in cents)	0.01	0.01	(0.34)	0.05
(ii) Diluted earnings per share (in cents)	0.01	0.01	(0.34)	0.05

**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 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Number of ordinary shares (in '000)	319,453	319,453	319,453	319,453
<b>(Amount in USD cents)</b>				
Net asset value per ordinary share based on issued share capital at the end of the period	12.51	12.77	9.41	9.58

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 2QFY2020, the Group reported a 50.9% quarter on quarter ("qoq") decrease in revenue from US\$ 3.4 million for 2QFY2019 to US\$ 1.7 million in 2QFY2020. Gross profit decreased by 56.4% from US\$ 39,000 in 2QFY2019 to US\$ 17,000 in 2QFY2020, while gross profit margin decreased from 1.2% to 1.0%. The Group reported an increase in net profit after tax attributable to owners of the Company of 6.1% from US\$ 33,000 in 2QFY2019 to US\$ 35,000 in 2QFY2020.

**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).**

In the first half of FY2020 ("1HFY2020"), the Group reported a half-year on half-year ("hoh") increase of 32.8% in revenue from US\$ 7.7 million for 1HFY2019 to US\$ 10.2 million for 1HFY2020. Gross profit increased by 300.8% from US\$ 242,000 in 1HFY2019 to US\$ 970,000 in 1HFY2020, while net loss after tax attributable to owners of the Company in 1HFY2020 was US\$1.1 million in contrast to the net profit after tax attributable to owners of US\$ 145,000 in 1HFY2019.

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

**Revenue**

The decrease in revenue of 50.9% in 2QFY2020 was mainly due to the current weak economic situation in the global market. The Group's Interactive Consumer Solution ("ICS") division continues to be a key revenue generator, accounting for 88.5% of the overall revenue in 2QFY2020.

**Profitability**

Gross profit margin decreased from 1.2% to 1.0% qoq in 2QFY2020, 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.

**Other Items of Income**

- Interest income decreased by 30.5% qoq in 2QFY2020 as the funds in the fixed deposits were used to invest in quoted and unquoted investments of the company.
- Other income increased from US\$ 597,000 in 2QFY2019 to US\$ 726,000 in 2QFY2020 mainly due to the gain on fair value changes of financial assets designed as FVTPL as marked to market and, the grants and subsidies received from the government in view of the COVID-19 pandemic in 2QFY2020.

**Expenses**

The Group's total expenses amounted to US\$ 967,000 in 2QFY2020 (2QFY2019: US\$ 874,000) representing an increase of 10.6% qoq. The factors contributing to the decreases are as follow:

- Research and development expenses reported an increase of 56.8% qoq to US\$ 174,000 in 2QFY2020 (2QFY2019: US\$ 111,000). The increase was mainly due to the increase in staff costs and R&D related expenses.
- Marketing and distribution expenses decreased by 18.4% qoq to US\$ 307,000 in 2QFY2020 (2QFY2019: US\$ 376,000). This was mainly due to decrease in staff costs, and marketing expenses in 2QFY2020.
- General administrative expenses increased from US\$ 357,000 in 2QFY2019 to US\$ 410,000 in 2QFY2020. This was due mainly to the higher professional fees incurred.
- Finance expenses was US\$3,000 in 2QFY2020 (2QFY2019: Nil) and this was the recognition of lease interest on lease commitments in 2QFY2020.
- Other expenses amounted to US\$ 73,000 in 2QFY2020 (2QFY2019: US\$ 30,000) and this was for the foreign exchange loss incurred in 2QFY2020 (2QFY2019: foreign exchange gain of USD 3,000).

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

The Group reported a net profit attributable to owners of the Company of US\$ 35,000 in 2QFY2020 (2QFY2019: US\$ 33,000) and net loss attributable to owners of the Company of US\$ 1.1 million in 1HFY2020 (1HFY2019: net gain of US\$ 145,000). The net gain in 2QFY2020 was due to the performance in 2QFY2020 as explained above and the net loss in 1HFY2020 was due to the loss on fair value changes of financial asset designed as FVTPL of USD 1.3 million incurred in 1QFY2020, as previously announced for 1QFY2020.

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 in the Group's property, plant and equipment of US\$ 68,000 in 1HFY2020 was mainly due to depreciation of US\$ 69,000 incurred during the period. This was partly offset by investments in plant and equipment amounting to US\$ 1,000.
- **Right-of-use assets** – These assets comprised of lease commitments entered into by the Group. The leased assets in 1HFY2020 decreased mainly due to the depreciation expenses amounting to USD 84,000. This was partly offset by recognition of additional right-of-use assets amounting to US\$31,000.
- **Intangible assets** – The increase in Group's intangible assets was mainly due to capitalisation of development costs and patent expenses (US\$ 48,000), and this was partly offset by amortisation costs (US\$ 22,000) incurred during the period.
- **Quoted investments** – The Group's investment in quoted investments in non-current asset and current assets increased by US\$ 2.2 million and US\$ 584,000 respectively to US\$ 10.2 million and US\$ 16.9 million as at 30 June 2020 (31 December 2019: non-current asset of US\$ 7.9 million and current asset of US\$ 16.3 million). The increase was mainly due to new investments in higher yield financial assets (USD 3.2 million) and a loss on fair value on quoted shares of USD 417,000 in 1HFY2020.
- **Unquoted investments** – The Group's investment in unquoted investments decreased in 1HFY2020 due to the loss on fair value of an unquoted fund amounting to US\$ 91,000. Total investments in unquoted investment as at 30 June 2020 were US\$ 1.9 million (31 December 2019: US\$ 2.0 million), comprising of US\$ 1.3 million (31 December 2019: US\$ 1.3 million) in non-current assets and US\$ 538,000 (31 December 2019: US\$ 629,000) in current assets for an unquoted fund that was held for trading.
- **Inventories** – The Group's inventories amounted to US\$ 6.9 million as at 30 June 2020, an increase of US\$ 2.9 million from 31 December 2019 (US\$ 4.0 million). Inventory turnover days as at 30 June 2020 were 134 days (31 December 2019: 44 days).
- **Trade and other receivables** – The Group's trade and other receivables amounted to US\$ 385,000 as at 30 June 2020 as compared to US\$ 1.2 million as at 31 December 2019. Trade receivable turnover days as at 30 June 2020 were 16 days (31 December 2019: 11 days).
- **Trade payables and accruals** – The Group's trade payables and accruals amounted to US\$ 38,000 as at 30 June 2020 as compared to US\$ 4.5 million as at 31 December 2019. Trade receivable turnover days as at 30 June 2020 were 5 days (31 December 2019: 49 days).

**Cashflow**

The Group's cash and cash equivalent as at 30 June 2020 amounted to US\$ 6.7 million as compared to US\$ 16.7 million as at 31 December 2019, a decrease of US\$ 10.0 million. The main decrease in the cash position in 1HFY2020 was mainly due to the cash outflow in investing activities of US\$ 2.9 million (which was mainly in quoted and unquoted investments) and cash deficit from operating activities of US\$ 7.0 million.

The cash outflow in operating activities of US\$ 7.0 million in 1HFY2020 arose mainly from the cash outflow in operations amounting to US\$ 313,000 and investments in working capital of US\$ 6.7 million, and these were partly offset by interest income of US\$ 54,000.

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 COVID-19 pandemic situation that arose since early this year had adversely affected the global business economy. Despite the easing of containment and lockdown measures in many countries, measures to combat this pandemic are expected to be still in place. Many of these measures have an adverse effect on economic and social situation in the global market, and disrupt the global supply chain. The semiconductor industry, which the Group is in, is also adversely affected.

We foresee that with the continued implementation of containment measures expected in our markets in the region, it is uncertain as to when the global economy will recover and the global supply chain will stabilize.

As a result, our Group foresees the industry to remain challenging in the next 12 months. In this challenging period, the Group will be selective in exercising priority on projects and exercise prudence in our financial management.

To stay relevant and sustainable in this dynamic market, the Group continues to invest in R&D and coming up with innovative solutions to meet the demand of the 5G technology market.

**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.**

The Company will not be declaring dividend as the Company continues to invest in research and development on the latest technology in the market.

**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.

**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

5 August 2020

**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 the unaudited financial statements for the period ended 30 June 2019 to be false and misleading in any material aspect.

On behalf of the Directors

Signed

**TAN JOON YONG WAYNE**

Executive Director

5 August 2020