



TREK 2000 INTERNATIONAL LTD (Registration Number 199905744N)

## Second Quarter and Half Yearly Financial Statements Announcement for the period ended 30 June 2019

### 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 2019

##### (i) Consolidated Income Statement

	Second Quarter			First Half		
	2019	2018	Increase/ (Decrease)	2019	2018	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
<b>Revenue</b>	3,383	13,822	(75.5)	7,676	22,218	(65.5)
Cost of sales	(3,344)	(12,479)	(73.2)	(7,434)	(19,680)	(62.2)
<b>Gross profit</b>	39	1,343	(97.1)	242	2,538	(90.5)
<b>Other items of income:</b>						
Interest income	249	317	(21.5)	479	639	(25.0)
Other income	597	3	19,800	1,062	116	815.5
<b>Other items of expense:</b>						
Research and development	(111)	(236)	(53.0)	(263)	(517)	(49.1)
Marketing and distribution	(376)	(291)	29.2	(721)	(623)	15.7
General administration	(357)	(938)	(61.9)	(647)	(1,445)	(55.2)
Other expenses	(30)	(98)	(69.4)	(30)	(15)	100.0
Profit before income tax [1]	11	100	(89.0)	122	693	(82.4)
Income tax expense	25	(19)	NM	25	(30)	NM
<b>Profit for the period</b>	36	81	(55.6)	147	663	(77.8)
Profit for the period attributable to:						
Owners of the Company	33	77	(57.1)	145	629	(76.9)
Non-controlling interests	3	4	(25.0)	2	34	(94.1)
	36	81	(55.6)	147	663	(77.8)
Earnings per share attributable to owners of the Company (expressed in cents per share):						
– Basic	0.01	0.02		0.05	0.19	
– Diluted	0.01	0.02		0.05	0.19	

**(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		
	2019	2018	Increase/ (Decrease)	2019	2018	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Interest income from:						
– Short-term deposits	148	114	29.8	268	228	17.5
– Quoted investments	101	203	(50.2)	211	411	(48.7)
Depreciation of property, plant and equipment	(45)	(63)	(28.6)	(90)	(128)	(29.7)
Amortisation of intangible assets	(9)	(22)	(59.1)	(18)	(42)	(57.1)
(Allowance)/Reversal for stock obsolescence	(124)	(21)	490.5	(206)	16	N.M.
Reversal for provision of diminution in value of inventory	537	–	100.0	1,022	–	100.0.
Net foreign exchange gain/(loss)	3	(98)	N.M.	57	99	(42.4)
Loss on disposal of quoted investment	(30)	–	100.0	(30)	(13)	130.8
Gain on fair value changes of financial assets designated as FVTPL	219	–	100.0	574	–	100.0.

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		%
	Q2FY2019	Q2FY2018	Increase/ (Decrease)	1HFY2019	1HFY2018	Increase/ (Decrease)
<b>Profit for the period</b>	<b>36</b>	<b>81</b>	<b>(55.6)</b>	<b>147</b>	<b>663</b>	<b>(77.8)</b>
<b>Other comprehensive income</b>						
<b>Items that may be reclassified subsequently to profit or loss</b>						
Fair value changes on quoted investments	297	(361)	N.M.	775	(826)	N.M.
Foreign currency translation	10	27	(63.0)	(10)	4	N.M.
Other comprehensive income for the period, net of tax	307	(334)	N.M.	765	(822)	N.M.
Total comprehensive income for the period	343	(253)	N.M.	912	(159)	N.M.
attributable to:						
Owners of the Company	340	(257)	N.M.	911	(193)	N.M.
Non-controlling interests	3	4	(25.0)	1	34	(97.1)
	343	(253)	N.M.	912	(159)	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 2019 US\$'000	31 Dec 2018 US\$'000	30 Jun 2019 US\$'000	31 Dec 2018 US\$'000
<b>Non-current assets</b>				
Property, plant and equipment	1,236	1,309	2	3
Intangible assets	1,442	1,367	181	177
Investment in subsidiaries	–	–	1,583	1,583
Investment in associates	–	–	5	5
Quoted investments	13,506	10,571	13,506	10,571
Unquoted investments	4,030	–	4,030	–
	<b>20,214</b>	<b>13,247</b>	<b>19,307</b>	<b>12,339</b>
<b>Current assets</b>				
Inventories	4,961	3,396	–	–
Trade and other receivables	1,856	675	1,876	5,135
Prepayments	49	108	2	54
Quoted investments held for trading	6,300	5,812	6,300	5,812
Unquoted investments held for trading	684	618	684	618
Short term deposits	15,058	21,825	4,559	7,058
Cash at banks and on hand	1,156	3,864	8	414
	<b>30,064</b>	<b>36,298</b>	<b>13,429</b>	<b>19,091</b>
<b>Total assets</b>	<b>50,278</b>	<b>49,545</b>	<b>32,736</b>	<b>31,430</b>
<b>Current liabilities</b>				
Trade payables and accruals	22	25	14	21
Other payables	2,850	3,033	157	451
Income tax payable	1,469	832	–	–
	<b>4,341</b>	<b>3,890</b>	<b>171</b>	<b>472</b>
<b>Net current assets</b>	<b>25,723</b>	<b>32,408</b>	<b>13,258</b>	<b>18,619</b>
<b>Non-current liabilities</b>				
Deferred taxation	25	25	–	–
	<b>25</b>	<b>25</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>	<b>4,366</b>	<b>3,915</b>	<b>171</b>	<b>472</b>
<b>Net assets</b>	<b>45,912</b>	<b>45,630</b>	<b>32,565</b>	<b>30,958</b>
<b>Equity attributable to the owners of the Company</b>				
Share capital	37,829	37,829	37,829	37,829
Treasury shares	(468)	(322)	(468)	(322)
Revenue reserve	2,639	2,494	(6,100)	(7,078)
Capital reserve	2,717	2,717	–	–
Asset revaluation reserve	1,056	1,056	–	–
Translation reserve	61	70	–	–
Other reserves	1,216	490	1,304	529
	<b>45,050</b>	<b>44,334</b>	<b>32,565</b>	<b>30,958</b>
Non-controlling interests	862	1,296	–	–
<b>Total equity</b>	<b>45,912</b>	<b>45,630</b>	<b>32,565</b>	<b>30,958</b>
<b>Total equity and liabilities</b>	<b>50,278</b>	<b>49,545</b>	<b>32,736</b>	<b>31,430</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 2019		As at 31 December 2018	
US\$'000		US\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

**Amount repayable after one year**

As at 30 June 2019		As at 31 December 2018	
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**

	2QFY2019 US\$'000	2QFY2018 US\$'000	1HFY2019 US\$'000	1HFY2018 US\$'000
<b>Cash flow from operating activities:</b>				
Profit before income tax	36	100	122	693
Adjustments for:				
Amortisation of intangible assets	9	22	18	42
Depreciation of property, plant and equipment	45	63	90	128
Loss on disposal of quoted investments	30	–	30	13
Gain on fair value changes of financial assets designated as FVTPL	(219)	–	(574)	–
Allowance/(reversal) for stock obsolescence	124	21	206	(16)
Reversal of provision for diminution in value of inventory	(537)	–	(1,022)	–
Interest income	(249)	(317)	(479)	(639)
Unrealised foreign exchange loss/(gain)	9	27	(11)	5
<b>Operating (loss)/ profit before changes in working capital</b>	<b>(752)</b>	<b>(84)</b>	<b>(1,620)</b>	<b>226</b>
Decrease/(Increase) in trade and other receivables, and prepayments	244	(353)	(1,123)	(1,257)
(Increase)/Decrease in inventories	(126)	730	(748)	(1,376)
Decrease in trade and other payables	(655)	(5,390)	(185)	(3,580)
<b>Cash (used in)/generated from operating activities</b>	<b>(1,289)</b>	<b>(5,097)</b>	<b>(3,676)</b>	<b>(5,987)</b>
Income tax (paid)/received	(10)	(649)	662	(965)
Interest received	148	114	268	228
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,151)</b>	<b>(5,632)</b>	<b>(2,746)</b>	<b>(6,724)</b>
<b>Cash flow from investing activities</b>				
Proceeds from disposal of quoted investments	2,430	–	2,430	281
Purchase of property, plant and equipment	(13)	(2)	(17)	(21)
Purchase of quoted investments	(4,600)	–	(4,600)	(764)
Purchase of unquoted investments	–	–	(4,030)	–
Payment for patent and trademark registration expenses	(25)	(15)	(25)	(42)
Payment for development expenditures	(15)	–	(69)	–
Interest income from quoted investments	101	203	211	411
<b>Net cash used in investing activities</b>	<b>(2,122)</b>	<b>186</b>	<b>(6,100)</b>	<b>(135)</b>
<b>Cash flow from financing activities</b>				
Purchase of treasury shares	(87)	(2,417)	(146)	(2,417)
Repayment to non-controlling interest for capital reduction of subsidiary	(484)	–	(484)	–
<b>Net cash (used in)/generated from financing activities</b>	<b>(571)</b>	<b>(2,417)</b>	<b>(630)</b>	<b>(2,417)</b>
Net (decrease)/increase in cash and cash equivalents	(3,844)	(7,863)	(9,476)	(9,276)
Cash and cash equivalents at beginning of period	20,058	35,565	25,690	36,978
Effect of foreign exchange difference	–	–	–	–
<b>Cash and cash equivalents at end of period</b>	<b>16,214</b>	<b>27,702</b>	<b>16,214</b>	<b>27,702</b>

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

	30 June 2019 US\$'000	30 June 2018 US\$'000
Cash at banks and on hand	1,156	9,726
Short-term deposits	15,058	17,976
	<u>16,214</u>	<u>27,702</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 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>	<b>37,829</b>	<b>(263)</b>	<b>6,678</b>	<b>2,717</b>	<b>1,056</b>	<b>(607)</b>	<b>964</b>	<b>48,374</b>	<b>1,381</b>	<b>49,755</b>
Dividend payment	–	–	(2,417)	–	–	–	–	(2,417)	–	(2,417)
Adjustment to non- controlling interests	–	–	–	–	–	–	(33)	(33)	33	–
Total comprehensive income for the period	–	–	77	–	–	27	(361)	(257)	4	(253)
<b>Balance as at 30 June 2018</b>	<b>37,829</b>	<b>(263)</b>	<b>4,338</b>	<b>2,717</b>	<b>1,056</b>	<b>(580)</b>	<b>570</b>	<b>45,667</b>	<b>1,418</b>	<b>47,085</b>
<b>Balance as at 1 January 2019</b>	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
<b>Balance as at 31 March 2019</b>	<b>37,829</b>	<b>(381)</b>	<b>2,606</b>	<b>2,717</b>	<b>1,056</b>	<b>51</b>	<b>919</b>	<b>44,797</b>	<b>1,343</b>	<b>46,140</b>
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
<b>Balance as at 30 June 2019</b>	<b>37,829</b>	<b>(468)</b>	<b>2,639</b>	<b>2,717</b>	<b>1,056</b>	<b>61</b>	<b>1,216</b>	<b>45,050</b>	<b>862</b>	<b>45,912</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 (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 2018</b>	37,829	(263)	(9,961)	–	–	–	1,470	29,075
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>1,003</b>	28,589
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>643</b>	<b>25,414</b>
<b>Balance as at 1 January 2019</b>	37,829	(322)	(7,078)	–	–	–	529	30,958
Purchase of treasury shares	–	(59)	–	–	–	–	–	(59)
Total comprehensive income for the period	–	–	525	–	–	–	478	1,003
<b>Balance as at 31 March 2019</b>	<b>37,829</b>	<b>(381)</b>	<b>(6,553)</b>	–	–	–	<b>1,007</b>	31,902
Purchase of treasury shares	–	(87)	–	–	–	–	–	(87)
Total comprehensive income for the period	–	–	453	–	–	–	297	750
<b>Balance as at 30 June 2019</b>	<b>37,829</b>	<b>(468)</b>	<b>(6,100)</b>	–	–	–	<b>1,304</b>	<b>32,565</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 2019 ("2QFY2019"), 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	
	FY2019 No. of share options	FY2018 No. of share options
<b>Unexercised share options</b>		
Balance as at 1 January	3,830,000	3,880,000
Share options lapsed during the period	(40,000)	-
<b>Balance as at 30 June</b>	<b>3,790,000</b>	<b>3,880,000</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 2019, 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 2019	322,026,825	37,507,055
Movement in ordinary shares during the period	(2,011,800)	(146,215)
<b>Balance as at 30 June 2019</b>	<b>320,015,025</b>	<b>37,360,840</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, 2,011,800 shares (1HFY2018: Nil) were acquired by the Company 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 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>

	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
Purchase of shares held as Treasury Shares	-	-	-	-
<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>

**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 2018.

**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 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s.



**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 (cont'd)**

The following are the new or amended SFRS(I)s and SFRS(I) Interpretations that are relevant to the Group:

- SFRS(I) 16 *Leases*; and
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*.

The adoption of the above SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

**SFRS(I) 16**

SFRS (I) 16 replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 *Leases* that are no longer considered fit for purpose and is a major revision of the way in which companies where it is required lessees to recognize most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. SFRS(I) 16 will be effective for accounting periods beginning on or after 1 January 2019.

The Group enters into commercial leases on certain motor vehicles, office equipment and rental of office spaces. These leases have an average tenure of between three and six years with no renewal option or contingent rent provision included in the contracts. These operating leases are recognized as “Right of Use” (“ROU”) assets with corresponding lease liabilities in the statement of financial position. SFS(I) 16 is applied retrospectively with the cumulative effect recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group has assessed the impact to opening balance and current year financial results to be immaterial.

**SFRS(I) INT 23**

The interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

**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**

<b>THE GROUP</b>	Second Quarter Ended		First Half Ended	
	FY2019	FY2018	FY2019	FY2018
Profit net of tax attributable to ordinary equity holders of the Company used in computation of basic earnings per share (US\$'000)	33	77	145	629
Weighted average number of ordinary shares for basic earnings per share computation (in '000)	321,099	322,888	321,251	322,888
Weighted average number of ordinary shares for diluted earnings per share computation (in '000)	321,099	325,950	321,251	325,950
<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)	0.01	0.02	0.05	0.19
(ii) Diluted earnings per share (in cents)	0.01	0.02	0.05	0.19

**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 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Number of ordinary shares (in '000)	320,015	322,027	320,015	322,027
<b>(Amount in USD cents)</b>				
Net asset value per ordinary share based on issued share capital at the end of the period	14.08	13.77	10.18	9.61

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 2QFY2019, the Group reported a 75.5% quarter on quarter ("qoq") decrease in revenue from US\$ 13.8 million for 2QFY2018 to US\$ 3.4 million in 2QFY2019. Gross profit decreased by 97.1% from US\$ 1.3 million in 2QFY2018 to US\$ 39,000 in 2QFY2019, while gross profit margin decreased from 9.7% to 1.2%. The Group reported a decrease in net profit after tax attributable to owners of the Company of 57.1% from US\$ 77,000 in 2QFY2018 to US\$ 33,000 in 2QFY2019.

In the first half of FY2019 ("1H FY2019"), the Group reported a half-year on half-year ("hoh") decrease of 65.5% in revenue from US\$ 22.2 million for 1H FY2018 to US\$ 7.7 million for 1H FY2019. Gross profit decreased by 90.5% from US\$ 2.5 million in 1H FY2018 to US\$ 242,000 in 1H FY2019, while net profit after tax attributable to owners of the Company decreased by 76.9% from US\$ 629,000 in 1H FY2018 to US\$ 145,000 in 1H FY2019.

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

**Revenue**

The decrease in revenue of 75.5% in 2QFY2019 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 79.3% of the overall revenue in 2QFY2019.

**Profitability**

Gross profit margin decreased from 9.7% to 1.2% qoq in 2QFY2019, 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 21.5% qoq in 2QFY2019 as the funds in the fixed deposits were used to invest in quoted and unquoted investments of the company.
- Other income increased from US\$ 3,000 in 2QFY2018 to US\$ 597,000 in 2QFY2019 mainly due to the gain on fair value changes of financial assets designed as FVTPL as marked to market.

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)**

### **Expenses**

The Group's total expenses amounted to US\$ 874,000 in 2QFY2019 (2QFY2018: US\$ 1.6 million) representing a decrease of 44.1% qoq. The factors contributing to the decreases are as follow:

- Research and development expenses reported a decrease of 53.0% qoq to US\$ 111,000 in 2QFY2019 (2QFY2018: US\$ 236,000). The decrease was mainly due to decrease in amortisation expenses, staff costs, and R&D related expenses.
- Marketing and distribution expenses increased by 29.2% qoq to US\$ 376,000 in 2QFY2019 (2QFY2018: US\$ 291,000). This was mainly due to increase in marketing and staff costs in 2QFY2019.
- General administrative expenses decreased from US\$ 938,000 in 2QFY2018 to US\$ 357,000 in 2QFY2019. This was due mainly to the lower professional fees and staff costs incurred.
- Other expenses amounted to US\$ 30,000 in 2QFY2019 (2QFY2018: US\$ 98,000) and this was for the loss on disposal of quoted investments. There was no foreign exchange loss incurred in 2QFY2019 (2QFY2018: US\$ 98,000).

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

The Group reported a net profit attributable to owners of the Company of US\$ 33,000 in 2QFY2019 (2QFY2018: US\$ 77,000) and US\$ 145,000 in 1HFY2019 (1HFY2018: US\$ 629,000) despite the challenging environment.

### **Other Financial Highlights**

- **Property, plant and equipment** – The decrease in the Group's property, plant and equipment of US\$ 73,000 in 1HFY2019 was mainly due to depreciation of US\$ 90,000 incurred during the period. This was partly offset by investments in plant and equipment amounting to US\$ 17,000.
- **Intangible assets** – The increase in Group's intangible assets was mainly due to capitalisation of development costs and patent expenses (US\$ 94,000), and this was partly offset by amortisation costs (US\$ 18,000) incurred during the period.
- **Quoted investments** – The Group's investment in quoted investments in non-current asset and current assets increased by US\$ 2.9 million and US\$ 488,000 respectively to US\$ 13.5 million and US\$ 6.3 million as at 30 June 2019 (31 December 2018: non-current asset of US\$ 10.6 million and current asset of US\$ 5.8 million). The increase was mainly due to new investments in higher yield financial assets and a higher valuation of our investments attributable to a favourable bond and equity markets in 1HFY2019
- **Unquoted investments** – The Group's investment in unquoted investments increased in 1HFY2019 as the Group invested in new unquoted investments of US\$ 4.0 million in 1HFY2019 and achieved a higher valuation for its existing investments. Total investments in unquoted investment as at 30 June 2019 were US\$ 4.7 million (31 December 2018: US\$ 618,000), comprising of US\$ 4.0 million (31 December 2018: Nil) in non-current assets and US\$ 684,000 (31 December 2018: US\$ 618,000) in current assets for an unquoted fund that was held for trading.
- **Inventories** – The Group's inventories amounted to US\$ 5.0 million as at 30 June 2019, an increase of US\$ 1.6 million from 31 December 2018 (US\$ 3.4 million). Inventory turnover days in 1HFY2019 were 120 days (31 December 2018: 57 days).
- **Trade and other receivables** – The Group's trade and other receivables amounted to US\$ 1.9 million as at 30 June 2019 as compared to US\$ 675,000 as at 31 December 2018. Trade receivable turnover days in 1HFY2019 were 39 days (31 December 2018: 11 days).
- **Trade payables and accruals** – The Group's trade payables and accruals amounted to US\$ 22,000 as at 30 June 2019 as compared to US\$ 25,000 as at 31 December 2018.

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)**

**Cashflow**

The Group's cash and cash equivalent as at 30 June 2019 amounted to US\$ 16.2 million as compared to US\$ 25.7 million as at 31 December 2018, a decrease of US\$ 9.5 million. The main decrease in the cash position in 1HFY2019 was mainly due to the cash outflow in investing activities (which was mainly in quoted and unquoted investments) of US\$ 6.1 million, cash deficit from operating activities of US\$ 2.7 million, repayment to non-controlling interest in a subsidiary for capital reduction exercise of US\$ 484,000 and purchase of Company's treasury shares under the share buy-back mandate of US\$ 146,000.

The cash outflow in operating activities of US\$ 2.7 million in 1HFY2019 arose mainly from the cash outflow in operations amounting to US\$ 1.6 and investments in working capital of US\$ 2.1 million, and these were partly offset by the tax refund of US\$ 662,000 and interest income of US\$ 268,000.

**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 15.

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 as the current market situation is expected to continue. In this difficult period, the Group will be selective in exercising priority on projects based on their profitability, and dealing with customers.

Despite these challenges, the management is committed to exploring strategic partnerships to ensure the long-term sustainability of the Group's operations and continuing to penetrate the Internet of Things ("IoT") market in consumer wearable, medical and cloud technologies. The Group also continues to invest in R&D to stay relevant and sustainable in the dynamic market.

**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 15.

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. In addition, the Company is actively exploring opportunities for business expansion.

**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 15.

**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 2019

---

**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 2019 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 2019

## 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 adjustment 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.