



TREK 2000 INTERNATIONAL LTD (Registration Number 199905744N)

Third Quarter and 9 Months Financial Statements Announcement for the period ended 30 September 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 THIRD QUARTER AND 9 MONTHS ENDED 30 SEPTEMBER 2020

(i) Consolidated Income Statement

	Note	Third Quarter		Increase/ (Decrease) %	9 Months Ended		Increase/ (Decrease) %
		2020 US\$'000	2019 US\$'000		2020 US\$'000	2019 US\$'000	
Revenue	8	7,725	7,601	1.6	17,922	15,278	17.3
Cost of sales		(8,450)	(7,295)	15.8	(17,677)	(14,729)	20.0
Gross (loss)/profit	8	(725)	306	N.M.	245	549	(55.4)
Other items of income:							
Interest income		170	239	(28.9)	562	717	(21.6)
Other income		800	511	56.6	503	1,338	(62.4)
Other items of expense:							
Research and development		(149)	(147)	1.4	(475)	(405)	17.3
Marketing and distribution		(385)	(381)	1.0	(1,069)	(1,101)	(2.9)
General administration		(366)	(327)	11.9	(1,149)	(920)	24.9
Finance expenses		(3)	–	N.M.	(9)	–	N.M.
Other expenses		–	(188)	(100.0)	(410)	(43)	853.5
(Loss)/Profit before income tax [1]		(658)	13	N.M.	(1,802)	135	N.M.
Income tax income/(expense)		–	35	(100.0)	90	60	50.0
(Loss)/Profit for the period		(658)	48	N.M.	(1,712)	195	N.M.
(Loss)/Profit for the period attributable to:							
Owners of the Company		(700)	4	N.M.	(1,785)	149	N.M.
Non-controlling interests		42	44	(4.5)	73	46	58.7
		(658)	48	N.M.	(1,712)	195	N.M.
Earnings per share attributable to owners of the Company (expressed in cents per share):							
– Basic		(0.22)	0.001		(0.56)	0.05	
– Diluted		(0.22)	0.001		(0.56)	0.05	

(ii) Breakdown and Explanatory Notes to Consolidated Income Statement

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

	Third Quarter			9 Months		
	2020	2019	Increase/ (Decrease)	2020	2019	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Interest income from:						
– Short-term deposits	4	100	(96.0)	57	368	(84.5)
– Quoted investments	166	139	19.4	505	349	44.7
Interest expense	(3)	–	N.M.	(9)	–	N.M.
Net gain/(loss) on disposal of quoted investment	–	198	(100.0)	–	168	(100.0)
Gain/(loss) on fair value changes of financial assets designated as FVTPL	346	(89)	N.M.	(401)	486	N.M.
Reversal of impairment for property, plant and equipment	277	277	–	277	277	–
Reversal/(allowance) for stock obsolescence	1,534	199	670.9	1,252	(6)	N.M.
Reversal/(allowance) for product warranty and claims	110	200	(45.0)	110	200	(45.0)
Reversal for provision of diminution in value of inventory	–	–	–	–	1,022	(100.0)
Depreciation of property, plant and equipment	(40)	(45)	(11.1)	(108)	(135)	(20.0)
Depreciation of right-of-use assets	(39)	–	N.M.	(123)	–	N.M.
Amortisation of intangible assets	(20)	(9)	122.2	(41)	(27)	51.9
Net foreign exchange gain/(loss)	83	(99)	N.M.	(9)	(42)	(78.6)

PS: N.M. – Not Meaningful

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					
	Third Quarter FY2020	Third Quarter FY2019	Increase/ (Decrease)	9 Months FY2020	9 Months FY2019	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
(Loss)/Profit for the period	(658)	48	N.M.	(1,712)	195	N.M.
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Quoted debt investments at fair value through other comprehensive income – net change in fair value	(375)	(146)	156.8	(135)	629	N.M.
Foreign currency translation	(57)	57	N.M.	(40)	47	N.M.
Other comprehensive income for the period, net of tax	(432)	(89)	385.4	(175)	676	N.M.
Total comprehensive income for the period	(1,090)	(41)	2,558.5	(1,887)	871	N.M.
Attributable to:						
Owners of the Company	(1,132)	(85)	1,231.8	(1,960)	826	N.M.
Non-controlling interests	42	44	(4.5)	73	45	62.2
	(1,090)	(41)	2,558.5	(1,887)	871	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 Sep 2020 US\$'000	31 Dec 2019 US\$'000	30 Sep 2020 US\$'000	31 Dec 2019 US\$'000
Non-current assets				
Property, plant and equipment	1,405	1,234	1	1
Right-of-use assets	162	254	–	–
Intangible assets	660	633	157	173
Investment in subsidiaries	–	–	1,583	1,583
Investment in associates	–	–	5	5
Quoted investments	11,304	7,943	11,304	7,943
Unquoted investments	1,323	1,323	1,323	1,323
	14,854	11,387	14,373	11,028
Current assets				
Inventories	2,334	3,998	–	–
Trade and other receivables	1,547	1,226	258	128
Prepayments	54	46	10	4
Quoted investments held for trading	17,230	16,290	17,230	16,290
Unquoted investments held for trading	621	629	621	629
Short term deposits	4,660	15,011	1,483	10,825
Cash at banks and on hand	4,714	1,667	35	1,008
	31,160	38,867	19,637	28,884
Total assets	46,014	50,254	34,010	39,912
Current liabilities				
Trade payables and accruals	2,404	4,505	3,821	9,135
Other payables	2,199	2,282	162	177
Lease liability	20	115	–	–
Income tax payable	1,453	1,548	–	–
	6,076	8,450	3,983	9,312
Net current assets	25,084	30,417	15,654	19,572
Non-current liabilities				
Lease liability	123	103	–	–
Deferred taxation	44	43	–	–
	167	146	–	–
Total liabilities	6,243	8,596	3,983	9,312
Net assets	39,771	41,658	30,027	30,600
Equity attributable to the owners of the Company				
Share capital	37,829	37,829	37,829	37,829
Treasury shares	(507)	(507)	(507)	(507)
Revenue reserve	(435)	1,336	(5,490)	(5,066)
Capital reserve	2,717	2,717	–	–
Asset revaluation reserve	1,056	1,056	–	–
Translation reserve	70	110	–	–
Other reserves	(1,894)	(1,745)	(1,805)	(1,656)
	38,836	40,796	30,027	30,600
Non-controlling interests	935	862	–	–
Total equity	39,771	41,658	30,027	30,600
Total equity and liabilities	46,014	50,254	34,010	39,912

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 September 2020		As at 31 December 2019	
US\$'000		US\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 30 September 2020		As at 31 December 2019	
US\$'000		US\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

The Group's borrowings presented above did not include Banker's Guarantees of US\$ 3.0 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\$6,222 paid by him. 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.

For avoidance of doubt, other than the reimbursements mentioned above, Mr Tan did not receive any cash or benefits-in-kind. Mr Tan also did not benefit personally, financially or otherwise from the Company and its subsidiaries. These transactions were done on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

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 September

	Third Quarter FY2020 US\$'000	Third Quarter FY2019 US\$'000	9 Months FY2020 US\$'000	9 Months FY2019 US\$'000
Cash flow from operating activities:				
(Loss)/profit before income tax	(658)	13	(1,802)	135
Adjustments for:				
Amortisation of intangible assets	20	9	41	27
Depreciation of property, plant and equipment	40	45	108	135
Depreciation of right-of-use assets	39	–	123	–
Reversal of impairment for property, plant and equipment	(277)	(277)	(277)	(277)
Gain on disposal of quoted investments	–	(198)	–	(168)
(Gain)/loss on fair value changes of financial assets designated as FVTPL	(346)	89	401	(486)
Reversal of provision for product warranty and claims	(110)	(200)	(110)	(200)
Reversal of provision for diminution in value of inventory	–	–	–	(1,022)
(Reversal)/allowance for stock obsolescence	(1,534)	(199)	(1,252)	6
Interest income	(170)	(239)	(562)	(717)
Interest expense	3	–	9	–
Unrealised foreign exchange loss/(gain)	(58)	58	(39)	50
Operating loss before changes in working capital	(3,051)	(899)	(3,360)	(2,517)
Decrease /(increase) in trade and other receivables, and prepayments	(1,170)	427	(330)	(696)
Decrease/(increase) in inventories	6,084	388	2,916	(360)
Increase/(decrease) in trade and other payables	2,339	2,977	(2,074)	2,791
Cash generated from/(used in) operating activities	4,202	2,893	(2,848)	(782)
Income tax (paid)/refund	–	–	(3)	662
Interest received	3	100	57	368
Net cash generated from/(used in) operating activities	4,205	2,993	(2,794)	248
Cash flow from investing activities				
Proceeds from disposal of property, plant and equipment	–	12	–	12
Proceeds from disposal of quoted investments	–	4,191	–	6,621
Purchase of property, plant and equipment	(1)	(52)	(3)	(69)
Purchase of quoted investments	(1,609)	(10,005)	(4,830)	(14,605)
Purchase of unquoted investments	–	–	–	(4,030)
Payment for patent and trademark registration expenses	(20)	(10)	(46)	(36)
Payment for development expenditures	(1)	(42)	(22)	(109)
Interest income from quoted investments	167	139	505	349
Net cash used in investing activities	(1,464)	(5,767)	(4,396)	(11,867)
Cash flow from financing activities				
Interest paid for lease liabilities	(3)	–	(9)	–
Payment of lease liability	(33)	–	(105)	–
Purchase of treasury shares	–	(39)	–	(185)
Repayment to non-controlling interest for capital reduction of subsidiary	–	–	–	(485)
Net cash used in financing activities	(36)	(39)	(114)	(670)
Net (decrease)/increase in cash and cash equivalents	2,705	(2,813)	(7,304)	(12,289)
Cash and cash equivalents at beginning of period	6,669	16,214	16,678	25,690
Effect of foreign exchange difference	–	–	–	–
Cash and cash equivalents at end of period	9,374	13,401	9,374	13,401

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 Sep 2020 US\$'000	30 Sep 2019 US\$'000
Cash at banks and on hand	4,714	820
Short-term deposits	4,660	12,581
	<u>9,374</u>	<u>13,401</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							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			Total 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
Purchase of treasury shares	–	(39)	–	–	–	–	–	(39)	–	(39)
Total comprehensive income for the period	–	–	4	–	–	57	(146)	(85)	44	(41)
Balance as at 30 September 2019	<u>37,829</u>	<u>(507)</u>	<u>2,643</u>	<u>2,717</u>	<u>1,056</u>	<u>118</u>	<u>1,070</u>	<u>44,926</u>	<u>906</u>	<u>45,832</u>
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	<u>37,829</u>	<u>(507)</u>	<u>230</u>	<u>2,717</u>	<u>1,056</u>	<u>76</u>	<u>(1,908)</u>	<u>39,493</u>	<u>889</u>	<u>40,382</u>
Total comprehensive income for the period	–	–	35	–	–	51	389	475	4	479
Balance as at 30 June 2020	<u>37,829</u>	<u>(507)</u>	<u>265</u>	<u>2,717</u>	<u>1,056</u>	<u>127</u>	<u>(1,519)</u>	<u>39,968</u>	<u>893</u>	<u>40,861</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)

	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			
THE GROUP										
Balance as at 30 June 2020	37,829	(507)	265	2,717	1,056	127	(1,519)	39,968	893	40,861
Total comprehensive income for the period	–	–	(700)	–	–	(57)	(375)	(1,132)	42	(1,090)
Balance as at 30 September 2020	37,829	(507)	(435)	2,717	1,056	70	(1,894)	38,836	935	39,771
THE COMPANY										
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	37,829	(381)	(6,553)	–	–	–	1,007	31,902		
Purchase of treasury shares	–	(87)	–	–	–	–	–	(87)		
Total comprehensive income for the period	–	–	453	–	–	–	297	750		
Balance as at 30 June 2019	37,829	(468)	(6,100)	–	–	–	1,304	32,565		
Purchase of treasury shares	–	(39)	–	–	–	–	–	(39)		
Total comprehensive income for the period	–	–	264	–	–	–	(146)	118		
Balance as at 30 September 2019	37,829	(507)	(5,836)	–	–	–	1,158	32,644		
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	37,829	(507)	(6,281)	–	–	–	(1,818)	29,223		
Total comprehensive income for the period	–	–	435	–	–	–	388	823		
Balance as at 30 June 2019	37,829	(507)	(5,846)	–	–	–	(1,430)	30,046		
Total comprehensive income for the period	–	–	356	–	–	–	(375)	(19)		
Balance as at 30 September 2019	37,829	(507)	(5,490)	–	–	–	(1,805)	30,027		

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 third quarter ended 30 September 2020 ("3QFY2020"), 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:

	Third Quarter Ended	
	FY2020	FY2019
Unexercised share options	No. of share options	No. of share options
Balance as at 1 January	3,790,000	3,830,000
Share options forfeited during the period	(90,000)	(40,000)
Balance as at 30 September	3,700,000	3,790,000

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 September 2020, the share capital of the Company (excluding treasury shares) was as follows:

Ordinary shares issued and fully paid	No. of shares	US\$
Balance as at 1 January 2020	319,453,425	37,322,391
Movement in ordinary shares during the period	–	–
Balance as at 30 September 2020	319,453,425	37,322,391

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 (9MFY2019: 2,573,400) was 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 2020	4,663,500	506,550	4,663,500	506,550
Purchase of shares held as Treasury Shares	–	–	–	–
Balance as at 30 September 2020	4,663,500	506,550	4,663,500	506,550
	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	2,573,400	184,664	2,573,400	184,664
Balance as at 30 September 2019	4,663,500	506,550	4,663,500	506,550

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	Third Quarter Ended		9 Months Ended	
	FY2020	FY2019	FY2020	FY2019
(Loss)/profit net of tax attributable to ordinary equity holders of the Company used in computation of basic earnings per share (US\$'000)	(700)	4	(1,785)	149
Weighted average number of ordinary shares for basic earnings per share computation (in '000)	321,340	319,926	321,340	321,110
Weighted average number of ordinary shares for diluted earnings per share computation (in '000)	321,340	319,926	321,340	321,110
(Amount in USD cents)				
Earnings per ordinary share for the period after deducting any provision for preference dividends:-				
(i) Basic earnings per share (in cents)	(0.22)	0.001	(0.56)	0.05
(ii) Diluted earnings per share (in cents)	(0.22)	0.001	(0.56)	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 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
Number of ordinary shares (in '000)	319,453	319,453	319,453	319,453
(Amount in USD cents)				
Net asset value per ordinary share based on issued share capital at the end of the period	12.16	12.77	9.40	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 3QFY2020, the Group reported a 1.6% quarter on quarter ("qoq") increase in revenue from US\$ 7.6 million for 3QFY2019 to US\$ 7.7 million in 3QFY2020. Gross loss of US\$725,000 was incurred in 3QFY2020 as compared to gross profit of US\$ 306,000 in 3QFY2019. The Group reported a net loss after tax attributable to owners of the Company of US\$ 700,000 in 3QFY2020 as compared to a net profit of US\$ 4,000 in 3QFY2019.

For the nine months ended 30 September 2020 ("9MFY2020"), the Group reported a year-on-year ("yoy") increase of 17.3% in revenue from US\$ 15.3 million for 9MFY2019 to US\$ 17.9 million in 9MFY2020. Gross profit decreased by 55.4% from US\$ 549,000 in 9MFY2019 to US\$ 245,000 in 9MFY2020, while gross profit margin decreased from 3.6% to 1.4%. The Group achieved a net loss after tax attributable to owners of the Company of US\$1.8 million in 9MFY2020 as compared to a net profit of US\$ 149,000 in 9MFY2019.

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

Revenue

Revenue increased by 1.6% qoq to US\$7.7 million in 3QFY2020 (3QFY2019: US\$7.6 million). The Group's ICS division continued to be a key revenue generator, accounting for 79.4% of the overall revenue in 3QFY2020.

Profitability

The Group incurred a gross loss of 9.4% in 3QFY2020 as compared to a gross profit margin of 4.0% in 3QFY2019. The gross loss was due mainly to the write-down of the inventory cost during the current COVID-19 pandemic environment.

Other Items of Income

- Interest income decreased by 28.9% qoq in 3QFY2020 due to falling interest rates, and the Group reducing its fixed deposit and placing more funds in quoted investments for higher investment income.
- Other income increased from US\$ 511,000 in 3QFY2019 to US\$800,000 in 3QFY2020 mainly due to foreign exchange gain, gain on fair value of quoted investments and writeback of provisions no longer required by the Group.

Expenses

The Group's total expenses amounted to US\$ 903,000 in 3QFY2020 (3QFY2019: US\$ 1.0 million) representing a decrease of 13.4% qoq. The factors contributing to the decreases were as follow:

- Research and development expenses reported an increase of 1.4% qoq to US\$149,000 in 3QFY2020 (3QFY2019: US\$ 147,000). The increase was mainly due to increase in amortisation expenses as additional products are completed and capitalized during this period.

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 (cont'd)

- Marketing and distribution expenses increased by 1.0% qoq to US\$ 385,000 in 3QFY2020 (3QFY2019: US\$ 381,000). This was mainly due to increase in marketing and staff costs in 3QFY2020.
- General administrative expenses increased from US\$ 327,000 in 3QFY2019 to US\$ 366,000 in 3QFY2020. This was mainly due to higher professional fees incurred.
- Finance expenses was US\$ 3,000 in 3QFY2020 (3QFY2019: Nil) and this was the recognition of lease interest on lease commitments in 3QFY2020.
- Other expenses was Nil in 3QFY2020 (3QFY2019: US\$ 188,000) as no foreign exchange loss and loss on fair value of quoted investment was incurred in 3QFY2020.

Net (loss)/profit after tax attributable to owners of the Company

The Group reported a net loss attributable to owners of the Company of US\$ 700,000 in 3QFY2020 (3QFY2019: net profit of US\$ 4,000) and US\$ 1.8 million in 9MFY2020 (9MFY2019: net profit of US\$149,000). This loss was mainly due to the decrease in market price of products in the face of increased competition during the current COVID-19 pandemic environment.

Other Financial Highlights

- **Property, plant and equipment** – The increase in the Group's property, plant and equipment of US\$ 171,000 in 9MFY2020 was mainly due to the writeback of provisions for impairment of fixed asset no longer required by the Group amounting to US\$ 277,000, and investments in plant and equipment amounting to US\$ 3,000. This was partly offset by depreciation of US\$ 108,000 incurred during the period.
- **Right-of-use assets** – These assets comprised of lease commitments entered into by the Group. The leased assets in 9MFY2020 decreased mainly due to the depreciation expenses amounting to USD 123,000. 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\$ 68,000), and this was partly offset by amortisation costs (US\$ 41,000) incurred during the period.
- **Quoted investments** – The Group's investment in quoted investments in non-current asset and current assets increased by US\$ 3.4 million and US\$ 940,000 respectively to US\$ 11.3 million and US\$ 17.2 million as at 30 September 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 financial assets (USD 4.5 million), coupon and interest income of US\$ 505,000 and a loss on fair value on quoted shares of US\$ 536,000 in 9MFY2020.
- **Unquoted investments** – The Group's investment in unquoted investments decreased in 9MFY2020 due to the loss on fair value of an unquoted fund amounting to US\$ 8,000. Total investments in unquoted investment as at 30 September 2020 were US\$ 2.0 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\$ 621,000 (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\$ 2.3 million as at 30 September 2020, a decrease of US\$ 1.7 million from 31 December 2019 (US\$ 4.0 million). Inventory turnover days as at 30 September 2020 were 36 days (31 December 2019: 44 days).
- **Trade and other receivables** – The Group's trade and other receivables amounted to US\$ 1.5 million as at 30 September 2020 as compared to US\$ 1.2 million as at 31 December 2019. Trade receivable turnover days as at 30 September 2020 were 8 days (31 December 2019: 11 days).
- **Trade payables and accruals** – The Group's trade payables and accruals amounted to US\$ 2.4 million as at 30 September 2020 as compared to US\$ 4.5 million as at 31 December 2019. Trade payable turnover days as at 30 September 2020 were 34 days (31 December 2019: 49 days).

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 September 2020 amounted to US\$ 9.4 million as compared to US\$ 16.7 million as at 31 December 2019, a decrease of US\$ 7.3 million. The main decrease in the cash position in 9MFY2020 was mainly due to the cash outflow in investing activities of US\$ 4.4 million (which was mainly in quoted and unquoted investments) and cash deficit from operating activities of US\$ 2.8 million.

The cash outflow in operating activities of US\$ 2.8 million in 9MFY2020 arose mainly from the cash outflow in operations amounting to US\$ 3.4 million and tax payment of US\$ 3,000. This was partly offset by surplus cash from movements of working capital of US\$ 512,000 and interest income of US\$ 57,000.

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.

As the current pandemic situation is not expected to improve, the Group foresees our market to continue to be adversely affected. We expect 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. 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.

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

4 November 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 to the unaudited financial statements for the period ended 30 September 2020 to be false and misleading in any material aspect.

On behalf of the Directors

Signed

TAN JOON YONG WAYNE

Director

4 November 2020