

CREATIVE TECHNOLOGY LTD

FIRST HALF YEAR ENDED 31 DECEMBER 2021 FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

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UNAUDITED RESULTS FOR THE FIRST HALF YEAR ENDED 31 DECEMBER 2021

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	GROUP		
	Half year ended 31 December		
	2021	2020	% change
	US\$'000	US\$'000	+ / (-)
Sales, net	34,156	47,539	(28)
Cost of goods sold	(22,563)	(31,717)	(29)
Gross profit	11,593	15,822	(27)
Expenses:			
Selling, general and administrative	(11,889)	(12,663)	(6)
Research and development	(7,655)	(7,056)	8
Total expenses	(19,544)	(19,719)	(1)
Interest income	71	84	(15)
Other income	296	1,296	(77)
Other gains, net	9,740	2,846	n.m.
Interest expense on lease liabilities	(86)	(120)	(28)
Profit before income tax	2,070	209	n.m.
Income tax expense	(842)	(101)	n.m.
Net profit	1,228	108	n.m.
Attributable to:			
Equity holders of the Company	1,241	45	n.m.
Non-controlling interests	(13)	63	n.m.
Profit per share attributable to equity holders of the Company			
- Basic (US\$ per share)	0.02	-	100
- Diluted (US\$ per share)	0.02	-	100

n.m. - not meaningful

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP		
	Half year ended		
	31 December		
	2021	2020	% change
	US\$'000	US\$'000	+ / (-)
Net profit	1,228	108	n.m.
Other comprehensive (loss) income:			
Items that will not be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income ("Financial assets at FVOCI"):			
Fair value (loss) gain	(620)	657	n.m.
Total comprehensive income for the period	608	765	(21)
Attributable to:			
Shareholders of the Company	621	702	(12)
Non-controlling interests	(13)	63	n.m.
Total comprehensive income for the period	608	765	(21)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	31 December 2021 US\$'000	30 June 2021 US\$'000	31 December 2021 US\$'000	30 June 2021 US\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	87,186	86,202	77,613	79,198
Trade receivables	4,332	3,099	81	45
Amounts due from subsidiaries	-	-	24,241	15,349
Inventories	17,925	17,034	734	353
Property and equipment held for sale	-	563	-	-
Other current assets	2,534	2,394	278	211
	111,977	109,292	102,947	95,156
Non-current assets:				
Financial assets at fair value through profit or loss (FVPL)	920	933	-	-
Financial assets at fair value through other comprehensive income (FVOCI)	7,690	8,070	-	-
Amounts due from subsidiaries	-	-	7,242	7,228
Investments in subsidiaries	-	-	11,922	11,922
Property and equipment	213	268	29	41
Right-of-use assets (ROU)	3,237	3,601	2,501	3,334
Other non-current assets	153	155	-	-
	12,213	13,027	21,694	22,525
Total assets	124,190	122,319	124,641	117,681
LIABILITIES				
Current liabilities:				
Trade payables	7,148	5,847	17	194
Amounts due to subsidiaries	-	-	15,498	14,049
Other creditors, accrued liabilities and provisions	14,758	15,103	5,420	5,832
Contract liabilities	123	319	-	-
Lease liabilities	2,097	1,912	1,741	1,683
Current income tax liabilities	269	27	-	-
	24,395	23,208	22,676	21,758
Non-current liabilities:				
Amounts due to subsidiaries	-	-	46,712	36,332
Lease liabilities	1,388	1,806	1,036	1,774
Deferred income tax liabilities	9,271	9,271	-	-
	10,659	11,077	47,748	38,106
Total liabilities	35,054	34,285	70,424	59,864
NET ASSETS	89,136	88,034	54,217	57,817
EQUITY				
Share capital	49,040	49,040	49,040	49,040
Treasury shares	(16,035)	(16,035)	(16,035)	(16,035)
Fair value reserve	2,602	3,231	-	-
Other reserves	41,738	41,244	28,199	27,705
Retained earnings (accumulated losses)	11,431	10,181	(6,987)	(2,893)
	88,776	87,661	54,217	57,817
Non-controlling interests	360	373	-	-
Total equity	89,136	88,034	54,217	57,817

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	Half year ended 31 December	
	2021	2020
	US\$'000	US\$'000
Cash flows from operating activities:		
Net profit	1,228	108
Adjustments for:		
Income tax expense	842	101
Depreciation	1,207	1,187
Employee share-based expenses	494	80
Gain on disposal of property and equipment	(10,008)	-
Fair value loss on financial assets at FVPL	13	15
Currency translation loss (gain)	261	(2,409)
Interest income	(71)	(84)
Interest expense on lease liabilities	86	120
	(5,948)	(882)
 Changes in working capital, net of effects from acquisition and disposal of subsidiaries		
Trade receivables	(1,233)	(1,368)
Inventories	(891)	(4,211)
Other assets and receivables	(134)	(161)
Trade payables	1,301	4,254
Accrued liabilities and provisions	(345)	(597)
Contract liabilities	(196)	1,518
Cash used in operations	(7,446)	(1,447)
Interest received	67	87
Income tax paid	(599)	(22)
Net cash used in operating activities	(7,978)	(1,382)
 Cash flows from investing activities:		
Purchase of property and equipment	(77)	(111)
Proceeds from sale of property and equipment	10,571	-
Proceeds from sale of financial assets at FVOCI	14	695
Purchase of financial assets at FVOCI	(254)	-
Net cash provided by investing activities	10,254	584
 Cash flows from financing activities:		
Principal payment of lease liabilities	(934)	(1,023)
Interest paid on lease liabilities	(86)	(120)
Unclaimed dividends	-	2
Net cash used in financing activities	(1,020)	(1,141)
 Net increase (decrease) in cash and cash equivalents	1,256	(1,939)
Cash and cash equivalents at beginning of financial year	86,202	96,770
Effects of currency translation on cash and cash equivalents	(272)	2,670
Cash and cash equivalents at end of the period	87,186	97,501

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

Statements of Changes in Equity of the Group

	Share Capital US\$'000	Treasury Shares US\$'000	Fair Value Reserve US\$'000	Other Reserves US\$'000	Retained Earnings (Accumulated Losses) US\$'000	Total US\$'000	Non- controlling Interests US\$'000	Total Equity US\$'000
FY2022								
Balance at 1 July 2021	49,040	(16,035)	3,231	41,244	10,181	87,661	373	88,034
Profit for the period	-	-	-	-	1,241	1,241	(13)	1,228
Other comprehensive loss for the period	-	-	(620)	-	-	(620)	-	(620)
Total comprehensive income for the period	-	-	(620)	-	1,241	621	(13)	608
Employee share-based expense	-	-	-	494	-	494	-	494
Unclaimed dividends	-	-	-	-	-	-	-	-
Transfer upon disposal of investments	-	-	(9)	-	9	-	-	-
Total transactions with owners, recognised directly in equity	-	-	(9)	494	9	494	-	494
Balance at 31 December 2021	49,040	(16,035)	2,602	41,738	11,431	88,776	360	89,136
FY2021								
Balance at 1 July 2020	266,753	(16,035)	836	40,652	(200,164)	92,042	321	92,363
Profit for the period	-	-	-	-	45	45	63	108
Other comprehensive income for the period	-	-	657	-	-	657	-	657
Total comprehensive income for the period	-	-	657	-	45	702	63	765
Employee share-based expense	-	-	-	80	-	80	-	80
Unclaimed dividends	-	-	-	-	2	2	-	2
Transfer upon disposal of investments	-	-	(288)	-	288	-	-	-
Total transactions with owners, recognised directly in equity	-	-	(288)	80	290	82	-	82
Balance at 31 December 2020	266,753	(16,035)	1,205	40,732	(199,829)	92,826	384	93,210

Statements of Changes in Equity of the Company

	Share Capital US\$'000	Treasury Shares US\$'000	Other Reserves US\$'000	Accumulated Losses US\$'000	Total Equity US\$'000
FY2022					
Balance at 1 July 2021	49,040	(16,035)	27,705	(2,893)	57,817
Total comprehensive loss for the period	-	-	-	(4,094)	(4,094)
Employee share-based expense	-	-	494	-	494
Unclaimed dividends	-	-	-	-	-
Balance at 31 December 2021	49,040	(16,035)	28,199	(6,987)	54,217
FY2021					
Balance at 1 July 2020	266,753	(16,035)	27,113	(217,713)	60,118
Total comprehensive income for the period	-	-	-	205	205
Employee share-based expense	-	-	80	-	80
Unclaimed dividends	-	-	-	2	2
Balance at 31 December 2020	266,753	(16,035)	27,193	(217,506)	60,405

CHANGES IN THE COMPANY'S SHARE CAPITAL

Issued and paid up capital

As at 31 December 2021, the Company's issued and paid up capital excluding treasury shares comprises 70,396,649 (30 June 2021: 70,396,649) ordinary shares.

As at 31 December 2021, the Company's issued and paid up share capital was US\$49.04 million (30 June 2021: US\$49.04 million).

Employee share options plan

The Company did not issue any treasury shares under the Creative Share Option Scheme (2019) in the first half year of FY2022 (first half year of FY2021: Nil).

As at 31 December 2021, there were 1,550,000 unissued ordinary shares under the options granted to eligible employees and directors (31 December 2020: 1,610,000).

Treasury shares

As at 31 December 2021, the Company held 4,603,351 (31 December 2020: 4,603,351) treasury shares against 70,396,649 (31 December 2020: 70,396,649) issued ordinary shares excluding treasury shares.

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

	Half year ended	
	31 December	
	2021	2020
Balance at beginning of period	4,603,351	4,603,351
Issued for employee share options plan	-	-
Balance at end of period	<u>4,603,351</u>	<u>4,603,351</u>

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 30 June 2021.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the most recent audited financial statements as at 30 June 2021, except for the mandatory adoption of new standards effective as of 1 July 2021. The adoption of the new standards has no significant impact on the financial statements.

2. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after accounting for:

	GROUP	
	Six months ended	
	31 December	
	2021	2020
	US\$'000	US\$'000
<u>Income</u>		
Grant income	296	1,296
<u>Expenses</u>		
Write-off/write-down for inventory obsolescence	(286)	(565)
Write-back for provision for bad debts	-	175
Depreciation	(1,207)	(1,187)
Foreign exchange (loss) gain	(355)	2,805
Gain on disposal of property and equipment	10,008	-

3. INCOME TAX

Tax expense attributable to profit is made up of:

	GROUP	
	Six months ended	
	31 December	
	2021	2020
	US\$'000	US\$'000
Current income tax	(842)	(101)
Deferred income tax	-	-
	(842)	(101)

4. DIVIDENDS

No dividends have been recommended in the first half year of FY2022 and no dividends were recommended or declared for the same period last year.

5. NET ASSETS VALUE

	GROUP		COMPANY	
	31 December 2021 US\$	30 June 2021 US\$	31 December 2021 US\$	30 June 2021 US\$
Net asset value per ordinary share	1.27	1.25	0.77	0.82

6. FAIR VALUE MEASUREMENTS

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Group	US\$'000			
	Level 1	Level 2	Level 3	Total
31 December 2021				
Financial assets at FVPL	-	-	920	920
Financial assets at FVOCI	2,036	5,554	100	7,690
	<u>2,036</u>	<u>5,554</u>	<u>1,020</u>	<u>8,610</u>
30 June 2021				
Financial assets at FVPL	-	-	933	933
Financial assets at FVOCI	2,670	5,300	100	8,070
	<u>2,670</u>	<u>5,300</u>	<u>1,033</u>	<u>9,003</u>

Fair values for listed equity securities are determined using quoted market prices at the balance sheet date. These instruments are included in Level 1.

Fair values for unlisted equity securities determined by reference to the last transacted price are included in Level 2.

Fair values for unlisted equity securities and fund investments determined using net asset values which approximate the fair value of the investments are included in Level 3.

7. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amount of the different categories of financial instruments are as follows:

	GROUP	
	31 December 2021 US\$'000	30 June 2021 US\$'000
Financial assets, at FVPL	920	933
Financial assets, at FVOCI	7,690	8,070
Financial assets, at amortised cost	92,279	90,173
Financial liabilities, at amortised cost	24,797	23,775

8. GROUP BORROWINGS

	GROUP	
	31 December 2021 US\$'000	30 June 2021 US\$'000
Amount repayable:		
<u>In one year or less, or on demand</u>		
Secured	2,097	1,912
Unsecured	-	-
	<u>2,097</u>	<u>1,912</u>
<u>After one year</u>		
Secured	1,388	1,806
Unsecured	-	-
	<u>1,388</u>	<u>1,806</u>
Total	<u>3,485</u>	<u>3,718</u>

Secured borrowings relate to lease liabilities which are secured over right-of-use assets.

9. SHARE CAPITAL AND TREASURY SHARES

	Number of ordinary shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital US\$'000	Treasury shares US\$'000
<u>Group and Company</u>				
31 December 2021				
Beginning and end of period	75,000	(4,603)	49,040	(16,035)
30 June 2021				
Beginning of period	75,000	(4,603)	266,753	(16,035)
Cancellation of share capital	-	-	(217,713)	-
End of period	<u>75,000</u>	<u>(4,603)</u>	<u>49,040</u>	<u>(16,035)</u>

During an extraordinary general meeting held in May 2021, the shareholders have approved the capital reduction exercise to reduce the share capital of the Company by cancellation of the share capital of the Company that has been lost or is unrepresented by available assets to the extent of the amount of the accumulated losses of the Company as at 30 June 2020 of US\$217,713,000. The capital reduction exercise was completed in June 2021.

10. SEGMENTAL REPORTING

	ASIA PACIFIC US\$'000	THE AMERICAS US\$'000	EUROPE US\$'000	TOTAL US\$'000
GROUP				
1 July 2021 to 31 December 2021				
Sales	13,724	8,695	11,737	34,156
(Loss) profit after total expenses	(8,586)	578	57	(7,951)
Interest income	71	-	-	71
Other income	296	-	-	296
Other (losses) gains, net	(171)	10,007	(96)	9,740
Interest expense on lease liabilities	(81)	(4)	(1)	(86)
(Loss) profit before income tax	(8,471)	10,581	(40)	2,070
Income tax (expense) credit	-	(872)	30	(842)
Net (loss) profit	(8,471)	9,709	(10)	1,228
Other segment items				
Additions to property and equipment	75	2	-	77
Additions to ROU assets	425	286	-	711
Depreciation	(1,098)	(56)	(53)	(1,207)
Fair value loss on financial assets at FVPL	(13)	-	-	(13)
Segment assets	108,580	6,567	9,043	124,190
Segment liabilities	19,773	1,834	13,447	35,054
GROUP				
1 July 2020 to 31 December 2020				
Sales	18,335	14,359	14,845	47,539
(Loss) profit after total expenses	(6,919)	1,866	1,156	(3,897)
Interest income	83	1	-	84
Other income	1,296	-	-	1,296
Other gains, net	2,569	-	277	2,846
Interest expense on lease liabilities	(118)	(2)	-	(120)
(Loss) profit before income tax	(3,089)	1,865	1,433	209
Income tax expense	(14)	(87)	-	(101)
Net (loss) profit	(3,103)	1,778	1,433	108
Other segment items				
Additions to property and equipment	111	-	-	111
Additions to ROU assets	-	128	-	128
Depreciation	(1,105)	(32)	(50)	(1,187)
Fair value loss on financial assets at FVPL	(15)	-	-	(15)
Segment assets	118,170	8,862	8,899	135,931
Segment liabilities	28,034	1,720	12,967	42,721

Summary of net sales by country:

	GROUP	
	31 December 2021	31 December 2020
	US\$'000	US\$'000
Singapore	9,213	13,135
United States of America	8,695	14,359
Ireland	11,737	14,845
Other countries	4,511	5,200
	<u>34,156</u>	<u>47,539</u>

Summary of net sales by product category:

	GROUP	
	31 December 2021	31 December 2020
	US\$'000	US\$'000
Audio, speakers and headphones	32,589	42,575
Personal digital entertainment	1,337	4,885
Other products	230	79
	<u>34,156</u>	<u>47,539</u>

Summary of property and equipment by country:

	GROUP	
	31 December 2021	31 December 2020
	US\$'000	US\$'000
Singapore	201	274
United States of America	2	563
Other countries	10	8
	<u>213</u>	<u>845</u>

Summary of ROU assets by country:

	GROUP	
	31 December 2021	31 December 2020
	US\$'000	US\$'000
Singapore	2,501	4,168
Other countries	736	319
	<u>3,237</u>	<u>4,487</u>

OTHER INFORMATION

11. AUDIT

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

12. AUDITORS' REPORT

Not applicable.

13. REVIEW OF GROUP PERFORMANCE

CONSOLIDATED INCOME STATEMENT

Net Sales

Net sales for the first half year of FY2022 decreased by 28% compared to the first half year of FY2021. For the first half year of FY2022, net sales of the Group was affected by the global shortages of semiconductors and delays in shipping schedules. During this period, the Group had faced shortages of certain products due to components unavailability and shipping disruptions. For the first half year of FY2021, work from home arrangements, home-based learning and other COVID-19 restrictive measures had contributed to higher sales of the Group's products during that period.

Gross Profit

Gross profit margin for the first half year of FY2022 was slightly higher at 34% compared to 33% in the first half of FY2021. Gross profit margin for the first half year of FY2022 was affected by significant increase in freight costs and spike in prices of some semiconductor components. Despite the increase in freight costs and components prices, the Group was able to achieve a slightly higher gross profit margin for the first half year of FY2022 compared to the first half year of FY2021 due mainly to better sales mix of products with higher margins.

Net Loss

Net profit for the first half year of FY2022 was US\$1.2 million compared to US\$0.1 million in the first half year of FY2021. Net profit for the first half year of FY2022 includes other income of US\$0.3 million and other gains (net) of US\$9.7 million. Net profit for the first half year of FY2021 includes other income of US\$1.3 million and other gains (net) of US\$2.8 million.

Selling, general and administrative expenses in the first half year of FY2022 decreased by 6% compared to the first half year of FY2021. The decrease was due mainly to reduction of certain variable selling expenses in line with lower sales.

Research and development expenses in the first half year of FY2022 increased by 8% compared to the first half year of FY2021 due mainly to general increase in payroll and related expenses.

Other income of US\$0.3 million in the first half year of FY2022 and US\$1.3 million in the first half year of FY2021 relates to grant income.

Other gains (net) of US\$9.7 million in the first half year of FY2022 were due mainly to US\$10.0 million gain on disposal of a property located in the United States of America by a wholly-owned subsidiary, partially offset by a foreign exchange loss of US\$0.3 million. Other gains (net) of US\$2.8 million in the first half year of FY2021 relates mainly to foreign exchange gain.

The functional currency of the Company and its subsidiaries is predominantly the US dollar and accordingly, gains and losses resulting from the translation of monetary assets and liabilities denominated in currencies other than the US dollar are reflected in the determination of net income (loss). The exchange differences were due mainly to the cash and cash equivalent balances held by the Group. Cash and cash equivalents were held mainly in US dollar and Singapore dollar, with the balance mainly in Euro, British Pound and Japanese Yen. The exchange loss in the first half year of FY2022 was due mainly to the depreciation of Euro, British Pound and Japanese Yen against the US

dollar. The exchange gain in the first half year of FY2021 was due mainly to the appreciation Singapore dollar, Euro, British Pound and Japanese Yen against the US dollar.

Income tax expense of US\$0.8 million in the first half year of FY2022 was mainly relating to tax payable on the gain on disposal of the property located in the United States of America.

BALANCE SHEETS

The property and equipment held for sale as at 30 June 2021 relates to the property located in the United States of America sold in the first half year of FY2022. The increase in trade receivables and trade payables was due mainly to higher level of operating activities towards the end of the first half year of FY2022, due to holiday season, compared to the end of second half year of FY2021

CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash used in operating activities of US\$8.0 million in the first half year of FY2022 was due mainly to operating loss for the period and an increase in trade receivables, offset partially by an increase in trade payables. Net cash used in operating activities of US\$1.4 million in the first half year of FY2021 was due mainly to operating loss for the period.

Net cash provided by investing activities of US\$10.3 million in the first half year of FY2022 (first half year of FY2021: US\$0.6 million) was due mainly to net proceeds US\$10.5 million from sale of the property located in the United States of America.

Net cash used in financing activities of US\$1.0 million in the first half year of FY2022 (first half year of FY2021: US\$1.1 million) was due mainly to payment of lease and interest on lease liabilities.

14. VARIANCE FROM PROSPECT STATEMENT

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

15. PROSPECTS

The pace of economic recovery from the COVID-19 pandemic and the outlook for the global economy remain uncertain. The spread of the Omicron variant of COVID-19 in many countries around the world has increased the level of uncertainty. In addition, the on-going global supply chain disruptions have continued to affect the Group's operating performance. The Group continues to face shortages of certain products due to components unavailability, shipping disruptions, and increase in freight costs and prices of certain components. For the second half year of FY2022, the Group is targeting to maintain revenue at the current level and expects to report an operating loss.

16. INTERESTED PERSON TRANSACTIONS

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

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

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

BY ORDER OF THE BOARD

NG KEH LONG
COMPANY SECRETARY
9 February 2022

CONFIRMATION BY THE BOARD

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 31 December 2021 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Sim Wong Hoo
Chairman

Lee Kheng Nam
Director