

CREATIVE TECHNOLOGY LTD

SECOND HALF YEAR AND FINANCIAL YEAR ENDED 30 JUNE 2021 FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

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UNAUDITED RESULTS FOR THE SECOND HALF YEAR AND FINANCIAL YEAR ENDED 30 JUNE 2021

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	GROUP			GROUP		
	Six months ended			Financial year ended		
	30 June			30 June		
2021	2020	% change	2021	2020	% change	
US\$'000	US\$'000	+ / (-)	US\$'000	US\$'000	+ / (-)	
Sales, net	36,928	29,945	23	84,467	61,155	38
Cost of goods sold	(24,668)	(21,565)	14	(56,385)	(44,059)	28
Gross profit	12,260	8,380	46	28,082	17,096	64
Expenses:						
Selling, general and administrative	(11,476)	(11,579)	(1)	(24,139)	(22,826)	6
Research and development	(7,467)	(6,804)	10	(14,523)	(13,340)	9
Total expenses	(18,943)	(18,383)	3	(38,662)	(36,166)	7
Interest income	53	499	(89)	137	1,215	(89)
Other income	876	1,624	(46)	2,172	1,624	34
Other (losses) gains, net	(1,891)	(1,098)	72	955	(1,066)	n.m.
Interest expense on lease liabilities	(102)	(139)	(27)	(222)	(288)	(23)
Loss before income tax	(7,747)	(9,117)	(15)	(7,538)	(17,585)	(57)
Income tax credit (expense)	21	11	91	(80)	16	n.m.
Net loss	(7,726)	(9,106)	(15)	(7,618)	(17,569)	(57)
Attributable to:						
Equity holders of the Company	(7,715)	(9,103)	(15)	(7,670)	(17,572)	(56)
Non-controlling interests	(11)	(3)	n.m.	52	3	n.m.
Loss per share attributable to equity holders of the Company						
- Basic (US\$ per share)	(0.11)	(0.13)	(15)	(0.11)	(0.25)	(56)
- Diluted (US\$ per share)	(0.11)	(0.13)	(15)	(0.11)	(0.25)	(56)

n.m. - not meaningful

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP			GROUP		
	Six months ended			Financial year ended		
	30 June			30 June		
	2021	2020	% change	2021	2020	% change
US\$'000	US\$'000	+ / (-)	US\$'000	US\$'000	+ / (-)	
Net loss	(7,726)	(9,106)	(15)	(7,618)	(17,569)	(57)
Other comprehensive income (loss):						
Items that will not be reclassified subsequently to profit or loss:						
Financial assets at fair value through other comprehensive income ("Financial assets at FVOCI"):						
Fair value gain (loss)	2,038	(264)	n.m.	2,695	(128)	n.m.
Total comprehensive loss for the period/year	(5,688)	(9,370)	(39)	(4,923)	(17,697)	(72)
Attributable to:						
Shareholders of the Company	(5,677)	(9,367)	(39)	(4,975)	(17,700)	(72)
Non-controlling interests	(11)	(3)	n.m.	52	3	n.m.
Total comprehensive loss for the period/year	(5,688)	(9,370)	(39)	(4,923)	(17,697)	(72)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	86,202	96,770	79,198	93,706
Trade receivables	3,099	5,215	45	158
Amounts due from subsidiaries	-	-	15,349	3,313
Inventories	17,034	12,328	353	409
Property and equipment held for sale	563	-	-	-
Other current assets	2,394	2,712	211	525
	109,292	117,025	95,156	98,111
Non-current assets:				
Financial assets at fair value through profit or loss (FVPL)	933	918	-	-
Financial assets at fair value through other comprehensive income (FVOCI)	8,070	6,085	-	-
Amounts due from subsidiaries	-	-	7,228	6,921
Investments in subsidiaries	-	-	11,922	12,222
Property and equipment	268	877	41	73
Right-of-use assets (ROU)	3,601	5,403	3,334	5,001
Other non-current assets	155	156	-	-
	13,027	13,439	22,525	24,217
Total assets	122,319	130,464	117,681	122,328
<u>LIABILITIES</u>				
Current liabilities:				
Trade payables	5,847	6,427	194	285
Amounts due to subsidiaries	-	-	14,049	13,028
Other creditors, accrued liabilities and provisions	15,103	17,212	5,832	7,343
Contract liabilities	319	97	-	-
Lease liabilities	1,912	2,103	1,683	1,775
Current income tax liabilities	27	1	-	-
	23,208	25,840	21,758	22,431
Non-current liabilities:				
Amounts due to subsidiaries	-	-	36,332	36,421
Lease liabilities	1,806	3,435	1,774	3,358
Deferred income tax liabilities	9,271	8,826	-	-
	11,077	12,261	38,106	39,779
Total liabilities	34,285	38,101	59,864	62,210
NET ASSETS	88,034	92,363	57,817	60,118
<u>EQUITY</u>				
Share capital	49,040	266,753	49,040	266,753
Treasury shares	(16,035)	(16,035)	(16,035)	(16,035)
Fair value reserve	3,231	836	-	-
Other reserves	41,244	40,652	27,705	27,113
Retained earnings (accumulated losses)	10,181	(200,164)	(2,893)	(217,713)
	87,661	92,042	57,817	60,118
Non-controlling interests	373	321	-	-
Total equity	88,034	92,363	57,817	60,118

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	Financial year ended 30 June	
	2021	2020
	US\$'000	US\$'000
Cash flows from operating activities:		
Net loss	(7,618)	(17,569)
Adjustments for:		
Income tax expense (credit)	80	(16)
Depreciation	2,359	2,240
Employee share-based expense	592	-
Loss on disposal of property and equipment	1	1
Fair value (gain) loss on financial assets at FVPL	(15)	889
Currency translation (gain) loss	(486)	560
Interest income	(137)	(1,215)
Interest expense on lease liabilities	222	288
	(5,002)	(14,822)
Changes in working capital		
Trade receivables	2,116	(774)
Inventories	(4,706)	2,951
Other assets and receivables	321	(1,453)
Trade payables	(580)	2,519
Accrued liabilities and provisions	(2,109)	2,259
Contract liabilities	222	90
Cash used in operations	(9,738)	(9,230)
Interest received	135	1,272
Income tax (paid) received	(34)	11
Net cash used in operating activities	(9,637)	(7,947)
Cash flows from investing activities:		
Purchase of property and equipment	(224)	(418)
Proceeds from sale of financial assets at FVPL	-	40
Proceeds from sale of financial assets at FVOCI	710	-
Net cash provided by (used in) investing activities	486	(378)
Cash flows from financing activities:		
Unclaimed dividends	2	5
Repayment of lease liabilities	(2,286)	(1,655)
Interest paid on lease liabilities	(222)	(288)
Net cash used in financing activities	(2,506)	(1,938)
Net decrease in cash and cash equivalents	(11,657)	(10,263)
Cash and cash equivalents at beginning of financial year	96,770	107,766
Effects of currency translation on cash and cash equivalents	1,089	(733)
Cash and cash equivalents at end of the period	86,202	96,770

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
FY2021								
Balance at 1 July 2020	266,753	(16,035)	836	40,652	(200,164)	92,042	321	92,363
Loss for the year	-	-	-	-	(7,670)	(7,670)	52	(7,618)
Other comprehensive income for the year	-	-	2,695	-	-	2,695	-	2,695
Total comprehensive income (loss) for the year	-	-	2,695	-	(7,670)	(4,975)	52	(4,923)
Employee share-based expense	-	-	-	592	-	592	-	592
Unclaimed dividends	-	-	-	-	2	2	-	2
Transfer upon disposal of investments	-	-	(300)	-	300	-	-	-
Cancellation of share capital	(217,713)	-	-	-	217,713	-	-	-
Total transactions with owners, recognised directly in equity	(217,713)	-	(300)	592	218,015	594	-	594
Balance at 30 June 2021	49,040	(16,035)	3,231	41,244	10,181	87,661	373	88,034
FY2020								
Balance at 1 July 2019	266,753	(16,035)	964	45,628	(187,573)	109,737	318	110,055
Loss for the year	-	-	-	-	(17,572)	(17,572)	3	(17,569)
Other comprehensive loss for the year	-	-	(128)	-	-	(128)	-	(128)
Total comprehensive loss for the year	-	-	(128)	-	(17,572)	(17,700)	3	(17,697)
Unclaimed dividends	-	-	-	-	5	5	-	5
Transfer of other reserves upon liquidation of subsidiary companies	-	-	-	(4,976)	4,976	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	(4,976)	4,981	5	-	5
Balance at 30 June 2020	266,753	(16,035)	836	40,652	(200,164)	92,042	321	92,363

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
FY2021					
Balance at 1 July 2020	266,753	(16,035)	27,113	(217,713)	60,118
Total comprehensive loss for the year	-	-	-	(2,895)	(2,895)
Employee share-based expense	-	-	592	-	592
Unclaimed dividends	-	-	-	2	2
Cancellation of share capital	(217,713)	-	-	217,713	-
Balance at 30 June 2021	49,040	(16,035)	27,705	(2,893)	57,817
FY2020					
Balance at 1 July 2019	266,753	(16,035)	32,089	(210,728)	72,079
Total comprehensive loss for the year	-	-	-	(11,966)	(11,966)
Unclaimed dividends	-	-	-	5	5
Transfer of other reserves upon liquidation of subsidiary companies	-	-	(4,976)	4,976	-
Balance at 30 June 2020	266,753	(16,035)	27,113	(217,713)	60,118

CHANGES IN THE COMPANY'S SHARE CAPITAL

Issued and paid up capital

As at 30 June 2021, the Company's issued and paid up capital excluding treasury shares comprises 70,396,649 (30 June 2020: 70,396,649) ordinary shares.

As at 30 June 2021, the Company's issued and paid up share capital was US\$49.04 million (31 December 2020: US\$266.75 million).

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\$217.71 million. The proposed capital reduction exercise was completed in June 2021.

Employee share options plan

In December 2020, 1,610,000 share options were granted under the Creative Share Option Scheme (2019) (the "2019 Scheme"). The Company did not issue any treasury shares under the 2019 Scheme in the second half year of FY2021.

As at 30 June 2021, there were 1,577,000 unissued ordinary shares under the options granted to eligible employees and directors (30 June 2020: nil).

Employee performance share plan

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

Treasury shares

As at 30 June 2021, the Company held 4,603,351 (30 June 2020: 4,603,351) treasury shares against 70,396,649 (30 June 2020: 70,396,649) issued ordinary shares excluding treasury shares.

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

	Half year ended 30 June	
	2021	2020
Balance at beginning of period	4,603,351	4,603,351
Issued for Employee Performance Share Plan	-	-
Balance at end of period	4,603,351	4,603,351

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed interim financial statements for the six months ended 30 June 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 interim financial statements for the period ended 31 December 2020.

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 2020, except for the mandatory adoption of new standards effective as of 1 July 2020. The adoption of the new standards has no significant impact on the financial statements.

2. BREAKDOWN OF SALES

	GROUP		
	Financial year ended 30 June 2021 US\$'000	Financial year ended 30 June 2020 US\$'000	% change + / (-)
<u>First Half Year</u>			
(a) Sales	47,539	31,210	52
(b) Net profit (loss)	108	(8,463)	n.m.
<u>Second Half Year</u>			
(a) Sales	36,928	29,945	23
(b) Net loss	(7,726)	(9,106)	(15)

3. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after accounting for:

	GROUP			
	Six months ended 30 June		Financial year ended 30 June	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Income</u>				
Grant income	876	1,624	2,172	1,624
<u>Expenses</u>				
Write-off/write-down for inventory obsolescence	(950)	(688)	(1,515)	(1,735)
Write-back (allowance made) for provision for bad debts	2	(178)	177	442
Depreciation	(1,172)	(1,261)	(2,359)	(2,240)
Fair value gain (loss) on financial assets at FVPL	30	(1,244)	15	(889)
Foreign exchange (loss) gain	(1,993)	67	812	(322)

4. INCOME TAX

Tax credit (expense) attributable to profit (loss) is made up of:

	GROUP			
	Six months ended		Financial year ended	
	30 June		30 June	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Current income tax	41	11	(60)	16
Deferred income tax	(20)	-	(20)	-
	<u>21</u>	<u>11</u>	<u>(80)</u>	<u>16</u>

5. DIVIDENDS

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

6. NET ASSETS VALUE

	GROUP		COMPANY	
	30 June	30 June	30 June	30 June
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Net asset value per ordinary share	1.25	1.31	0.82	0.85

7. 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).

	US\$'000			
	Level 1	Level 2	Level 3	Total
Group				
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>
30 June 2020				
Financial assets at FVPL	-	-	918	918
Financial assets at FVOCI	2,185	3,800	100	6,085
	<u>2,185</u>	<u>3,800</u>	<u>1,018</u>	<u>7,003</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.

8. GROUP BORROWINGS

	GROUP	
	30 June 2021 US\$'000	30 June 2020 US\$'000
Amount repayable:		
<u>In one year or less, or on demand</u>		
Secured	1,912	2,103
Unsecured	-	-
	<u>1,912</u>	<u>2,103</u>
<u>After one year</u>		
Secured	1,806	3,435
Unsecured	-	-
	<u>1,806</u>	<u>3,435</u>
Total	<u><u>3,718</u></u>	<u><u>5,538</u></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>				
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 proposed capital reduction exercise was completed in June 2021.

10. SUBSEQUENT EVENT

Subsequent to the financial year ended 30 June 2021, a wholly-owned subsidiary has sold its property located in the United States of America to an unrelated party at net sales proceeds of US\$11,130,000. The carrying amount of the property as at 30 June 2021 has been reclassified to property and equipment held for sale.

11. SEGMENTAL REPORTING

	ASIA PACIFIC US\$'000	THE AMERICAS US\$'000	EUROPE US\$'000	TOTAL US\$'000
GROUP				
2021				
Sales	31,893	24,684	27,890	84,467
Loss after total expenses	(7,880)	(698)	(2,002)	(10,580)
Interest income	137	-	-	137
Other income	2,172	-	-	2,172
Other gains (losses), net	1,178	-	(223)	955
Interest expense on lease liabilities	(214)	(4)	(4)	(222)
Loss before income tax	(4,607)	(702)	(2,229)	(7,538)
Income tax expense	(53)	(7)	(20)	(80)
Net loss	(4,660)	(709)	(2,249)	(7,618)
Other segment items				
Additions to property and equipment	224	-	-	224
Additions to ROU assets	-	128	160	288
Depreciation	(2,193)	(64)	(102)	(2,359)
Fair value gain on financial assets at FVPL	15	-	-	15
Segment assets	107,690	6,663	7,966	122,319
Segment liabilities	19,870	1,380	13,035	34,285
	ASIA PACIFIC US\$'000	THE AMERICAS US\$'000	EUROPE US\$'000	TOTAL US\$'000
GROUP				
2020				
Sales	26,839	15,063	19,253	61,155
(Loss) profit after total expenses	(20,402)	706	626	(19,070)
Interest income	1,212	3	-	1,215
Other income	1,624	-	-	1,624
Other losses, net	(1,011)	-	(55)	(1,066)
Interest expense on lease liabilities	(281)	(2)	(5)	(288)
(Loss) profit before income tax	(18,858)	707	566	(17,585)
Income tax (expense) credit	(26)	(3)	45	16
Net (loss) profit	(18,884)	704	611	(17,569)
Other segment items				
Additions to property and equipment	416	-	2	418
Additions to ROU assets	768	-	-	768
Depreciation	(2,071)	(68)	(101)	(2,240)
Fair value loss on financial assets at FVPL	(889)	-	-	(889)
Segment assets	119,497	5,317	5,650	130,464
Segment liabilities	24,517	1,439	12,145	38,101

Summary of net sales by country:

	GROUP	
	30 June 2021 US\$'000	30 June 2020 US\$'000
Singapore	21,495	17,939
United States of America	24,684	15,063
Ireland	27,890	19,253
Other countries	10,398	8,900
	<u>84,467</u>	<u>61,155</u>

Summary of net sales by product category:

	GROUP	
	30 June 2021 US\$'000	30 June 2020 US\$'000
Audio, speakers and headphones	76,826	59,923
Personal digital entertainment	7,508	958
Other products	133	274
	<u>84,467</u>	<u>61,155</u>

Summary of property and equipment by country:

	GROUP	
	30 June 2021 US\$'000	30 June 2020 US\$'000
Singapore	257	307
United States of America	-	563
Other countries	11	7
	<u>268</u>	<u>877</u>

Summary of ROU assets by country:

	GROUP	
	30 June 2021 US\$'000	30 June 2020 US\$'000
Singapore	3,334	5,001
Other countries	267	402
	<u>3,601</u>	<u>5,403</u>

OTHER INFORMATION

12. AUDIT

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

13. AUDITORS' REPORT

Not applicable.

14. REVIEW OF GROUP PERFORMANCE

CONSOLIDATED INCOME STATEMENT

Net Sales

Net sales for FY2021 increased by 38% compared to FY2020. Net sales for the second half year of FY2021 increased by 23% compared to the second half year of FY2020. The increase was due mainly to revenue from new products launched in the current and previous financial year. In addition, the on-going work from home arrangements, home-based learning and other COVID-19 restrictive measures have also continued to contribute to the increase in sales of the Group's products.

Growth in revenue in FY2021 was across all regions. Sales in the Americas, Europe and Asia Pacific regions increased by 64%, 45% and 19% respectively, compared to FY2020.

Gross Profit

Gross profit margin at 33% in the second half year and full year of FY2021 was higher compared to 28% in the second half year and full year of FY2020. Gross profit margin in the second half year and full year of FY2021 was in line with the sales mix with higher margin products making up a larger proportion of sales.

Net Loss

Net loss for the second half year of FY2021 was US\$7.7 million compared to US\$9.1 million in the second half year of FY2020. Net loss for the second half year of FY2021 includes other income of US\$0.9 million and other losses (net) of US\$1.9 million. Net loss for the second half year of FY2020 includes interest income of US\$0.5 million, other income of US\$1.6 million and other losses (net) of US\$1.1 million.

Net loss in FY2021 was US\$7.6 million compared to US\$17.6 million in FY2020. Net loss in FY2021 includes interest income of US\$0.1 million, other income of US\$2.2 million and other gains (net) of US\$1.0 million. Net loss in FY2020 includes interest income of US\$1.2 million, other income of US\$1.6 million and other losses (net) of US\$1.1 million.

Selling, general and administrative expenses for FY2021 increased by 6% compared to FY2020 and for the second half year of FY2021, selling, general and administrative expenses were comparable to the second half year of FY2020. The increase in selling, general and administrative expenses was due mainly to higher sales and marketing expenses with the higher level of sales.

Research and development expenses in the second half year and full year of FY2021 increased by 10% and 9% respectively, compared to the same periods in the corresponding year due mainly to an increase in spending on product development.

Other income of US\$0.9 million and US\$2.2 million in the second half year and full year of FY2021, and US\$1.6 million in the second half year and full year of FY2020, relates to grant income pertaining to COVID-19 relief packages.

Other losses (net) of US\$1.9 million in the second half year of FY2021 were due mainly to exchange loss of US\$2.0 million. Other losses (net) of US\$1.1 million in the second half year of FY2020 were due mainly to fair value loss on financial assets at FVPL of US\$1.2 million.

Other gains (net) of US\$1.0 million in FY2021 were due mainly to foreign exchange gain of US\$0.8 million. Other losses (net) of US\$1.1 million in FY2020 were due mainly to US\$0.9 million of fair value loss on financial assets at FVPL and foreign exchange loss of US\$0.3 million.

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 second half year of FY2021 was due mainly to the depreciation of Singapore dollar, Japanese Yen and Euro against the US dollar. The exchange gain in FY2021 was due mainly to the appreciation of Singapore dollar, British Pound and Euro against the US dollar during the first half year of FY2021. The exchange difference in the second half year of FY2020 was not material. The exchange loss in FY2020 was due mainly to depreciation of Singapore dollar, Euro and British Pound against the US dollar.

BALANCE SHEETS

The decrease in cash and cash equivalents was due to net cash used in operating activities (see below). The increase in financial assets at FVOCI was due mainly to fair value gain on revaluation. The decrease in property and equipment was due mainly to land and building, which was sold subsequent to FY2021, being reclassified to property and equipment held for sale. The decrease in right-of-use assets was due mainly to depreciation expense for the year. The lower trade receivables were in line with the higher contributions from online sales towards the end of FY2021. The higher inventory balance in FY2021 is in line with the increased level of sales during the year. As at 30 June 2020, the lower inventory balance compared to FY2021 was due to higher level of sales towards the end of that year. The decrease in other creditors, accrued liabilities and provisions was due mainly to decrease in deferred grant income pertaining to the COVID-19 relief packages and decrease in legal claims and fees. The decrease in lease liabilities was due mainly to lease repayment during the year. The decrease in share capital by US\$217.7 million as at 30 June 2021 compared to 30 June 2020 was due to 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash used in operating activities of US\$9.6 million in FY2021 was due to operating loss for the period, increase in inventory and decrease in accrued liabilities and provisions, offset partially by decrease in trade receivables. Net cash used in operating activities was US\$7.9 million in FY2020 due mainly to operating loss, offset partially by decrease in inventory and increase in trade payables and accrued liabilities and provisions.

Net cash provided by investing activities of US\$0.5 million in FY2021 (FY2020: US\$0.4 million net cash used) was due mainly to proceeds from sale of financial assets at FVOCI.

Net cash used in financing activities of US\$2.5 million in FY2021 (FY2020: US\$1.9 million) was due mainly to repayment of lease and interest on lease liabilities.

15. VARIANCE FROM PROSPECT STATEMENT

The Company has provided a financial update on the revenue and operating results for the second half year and full year of FY2021 on 2 July 2021. There is no significant variance in the revenue and operating results of the Group in the second half year of FY2021 as compared to the financial update announced on 2 July 2021.

16. PROSPECTS

The pace of economic recovery from the COVID-19 pandemic and the outlook for the global economy remain uncertain. The spread of the Delta variant of COVID-19 in many countries around the world has increased the level of uncertainty. In addition, market conditions have become more challenging in light of the supply chain disruptions caused by the global shortages of semiconductors, delay in shipping schedules due to port congestions and shortage of containers, and the skyrocketing increases in freight costs. The Group has begun to face shortages of certain products due to component unavailability, with spike in prices of some components, and has also experienced more frequent shipping disruptions. These are expected to have an impact on the Group's results in the current financial year. For the first half year and second half year of FY2022, the Group is targeting to maintain revenue at the current level and expects to report an operating loss.

In July 2021, a wholly-owned subsidiary in the United States has sold its property to an unrelated party for net proceeds of US\$11.13 million. Net profit after tax from sale of the property of approximately US\$9.1 million will be recognized by the Group in the first half year of FY2022.

17. INTERESTED PERSON TRANSACTIONS

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

18. 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).

19. REPORT OF PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO A DIRECTOR, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDER

Pursuant to Rule 704(13) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Company confirms that, to the best of our knowledge to date, there is no person occupying a managerial position in the Company, or in any of its principal subsidiaries, who is a relative of a Director or the Chief Executive Officer or a Substantial Shareholder of the Company.

BY ORDER OF THE BOARD

NG KEH LONG
COMPANY SECRETARY
26 August 2021