

# CREATIVE TECHNOLOGY LTD

## SECOND HALF YEAR AND FINANCIAL YEAR ENDED 30 JUNE 2022 FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

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**UNAUDITED RESULTS FOR THE SECOND HALF YEAR AND FINANCIAL YEAR ENDED 30 JUNE 2022**

**CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT**

	GROUP			GROUP		
	Six months ended			Financial year ended		
	30 June			30 June		
	2022	2021	% change	2022	2021	% change
	US\$'000	US\$'000	+ / (-)	US\$'000	US\$'000	+ / (-)
Sales, net	27,168	36,928	(26)	61,324	84,467	(27)
Cost of goods sold	(19,264)	(24,668)	(22)	(41,827)	(56,385)	(26)
<b>Gross profit</b>	<b>7,904</b>	<b>12,260</b>	(36)	<b>19,497</b>	<b>28,082</b>	(31)
Expenses:						
Selling, general and administrative	(11,000)	(11,476)	(4)	(22,889)	(24,139)	(5)
Research and development	(7,394)	(7,467)	(1)	(15,049)	(14,523)	4
<b>Total expenses</b>	<b>(18,394)</b>	<b>(18,943)</b>	(3)	<b>(37,938)</b>	<b>(38,662)</b>	(2)
Interest income	135	53	155	206	137	50
Other income	242	876	(72)	538	2,172	(75)
Other (losses) gains, net	(2,089)	(1,891)	10	7,651	955	n.m.
Interest expense on lease liabilities	(69)	(102)	(32)	(155)	(222)	(30)
<b>Loss before income tax</b>	<b>(12,271)</b>	<b>(7,747)</b>	58	<b>(10,201)</b>	<b>(7,538)</b>	35
Income tax credit (expense)	57	21	n.m.	(785)	(80)	n.m.
<b>Net loss</b>	<b>(12,214)</b>	<b>(7,726)</b>	58	<b>(10,986)</b>	<b>(7,618)</b>	44
<b>Attributable to:</b>						
Equity holders of the Company	(12,219)	(7,715)	58	(10,978)	(7,670)	43
Non-controlling interests	5	(11)	n.m.	(8)	52	n.m.
Loss per share attributable to equity holders of the Company						
- Basic (US\$ per share)	(0.17)	(0.11)	55	(0.16)	(0.11)	45
- Diluted (US\$ per share)	(0.17)	(0.11)	55	(0.16)	(0.11)	45

n.m. - not meaningful

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>GROUP</b>			<b>GROUP</b>		
	<b>Six months ended</b>			<b>Financial year ended</b>		
	<b>30 June</b>			<b>30 June</b>		
	<b>2022</b>	<b>2021</b>	<b>% change</b>	<b>2022</b>	<b>2021</b>	<b>% change</b>
<b>US\$'000</b>	<b>US\$'000</b>	<b>+ / (-)</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>+ / (-)</b>	
Net loss	(12,214)	(7,726)	58	(10,986)	(7,618)	44
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	(359)	2,038	n.m.	(979)	2,695	n.m.
Total comprehensive loss for the period/year	<u>(12,573)</u>	<u>(5,688)</u>	n.m.	<u>(11,965)</u>	<u>(4,923)</u>	n.m.
Attributable to:						
Shareholders of the Company	(12,578)	(5,677)	n.m.	(11,957)	(4,975)	n.m.
Non-controlling interests	5	(11)	n.m.	(8)	52	n.m.
Total comprehensive loss for the period/year	<u>(12,573)</u>	<u>(5,688)</u>	n.m.	<u>(11,965)</u>	<u>(4,923)</u>	n.m.

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	US\$'000	US\$'000	US\$'000	US\$'000
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	71,294	86,202	62,530	79,198
Trade receivables	2,814	3,099	47	45
Amounts due from subsidiaries	-	-	22,500	15,349
Inventories	20,754	17,034	631	353
Property and equipment held for sale	-	563	-	-
Other current assets	2,672	2,394	972	211
	<b>97,534</b>	<b>109,292</b>	<b>86,680</b>	<b>95,156</b>
<b>Non-current assets:</b>				
Financial assets at fair value through profit or loss (FVPL)	508	933	-	-
Financial assets at fair value through other comprehensive income (FVOCI)	7,331	8,070	-	-
Amounts due from subsidiaries	-	-	6,693	7,228
Investments in subsidiaries	-	-	11,752	11,922
Property and equipment	157	268	24	41
Right-of-use assets (ROU)	2,369	3,601	1,667	3,334
Other non-current assets	147	155	-	-
	<b>10,512</b>	<b>13,027</b>	<b>20,136</b>	<b>22,525</b>
<b>Total assets</b>	<b>108,046</b>	<b>122,319</b>	<b>106,816</b>	<b>117,681</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Trade payables	6,052	5,847	103	194
Amounts due to subsidiaries	-	-	15,807	14,049
Other creditors, accrued liabilities and provisions	14,135	15,103	5,532	5,832
Contract liabilities	161	319	-	-
Lease liabilities	2,086	1,912	1,719	1,683
Current income tax liabilities	1	27	-	-
	<b>22,435</b>	<b>23,208</b>	<b>23,161</b>	<b>21,758</b>
<b>Non-current liabilities:</b>				
Amounts due to subsidiaries	-	-	46,684	36,332
Lease liabilities	298	1,806	-	1,774
Deferred income tax liabilities	8,301	9,271	-	-
	<b>8,599</b>	<b>11,077</b>	<b>46,684</b>	<b>38,106</b>
<b>Total liabilities</b>	<b>31,034</b>	<b>34,285</b>	<b>69,845</b>	<b>59,864</b>
<b>NET ASSETS</b>	<b>77,012</b>	<b>88,034</b>	<b>36,971</b>	<b>57,817</b>
<b>EQUITY</b>				
Share capital	49,040	49,040	49,040	49,040
Treasury shares	(16,035)	(16,035)	(16,035)	(16,035)
Fair value reserve	2,243	3,231	-	-
Other reserves	42,187	41,244	28,648	27,705
Retained earnings (accumulated losses)	(788)	10,181	(24,682)	(2,893)
	76,647	87,661	36,971	57,817
Non-controlling interests	365	373	-	-
<b>Total equity</b>	<b>77,012</b>	<b>88,034</b>	<b>36,971</b>	<b>57,817</b>

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>GROUP</b>	
	<b>Financial year ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities:</b>		
Net loss	(10,986)	(7,618)
Adjustments for:		
Income tax expense	785	80
Depreciation	2,379	2,359
Employee share-based expense	943	592
Gain on disposal of property and equipment held for sale	(9,971)	-
(Gain) loss on disposal of property and equipment	(41)	1
Fair value loss (gain) on financial assets at FVPL	425	(15)
Currency translation loss (gain)	1,859	(486)
Interest income	(206)	(137)
Interest expense on lease liabilities	155	222
	(14,658)	(5,002)
 Changes in working capital		
Trade receivables	285	2,116
Inventories	(3,720)	(4,706)
Other assets and receivables	(224)	321
Trade payables	205	(580)
Accrued liabilities and provisions	(968)	(2,109)
Contract liabilities	(158)	222
Cash used in operations	(19,238)	(9,738)
Interest received	160	135
Income tax paid	(700)	(34)
<b>Net cash used in operating activities</b>	<b>(19,778)</b>	<b>(9,637)</b>
 <b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(122)	(224)
Proceeds from sale of property and equipment held for sale	10,534	-
Proceeds from sale of property and equipment	41	-
Proceeds from sale of financial assets at FVOCI	14	710
Purchase of financial assets at FVOCI	(254)	-
<b>Net cash provided by investing activities</b>	<b>10,213</b>	<b>486</b>
 <b>Cash flows from financing activities:</b>		
Unclaimed dividends	-	2
Repayment of lease liabilities	(2,141)	(2,286)
Interest paid on lease liabilities	(155)	(222)
<b>Net cash used in financing activities</b>	<b>(2,296)</b>	<b>(2,506)</b>
 <b>Net decrease in cash and cash equivalents</b>	<b>(11,861)</b>	<b>(11,657)</b>
Cash and cash equivalents at beginning of financial year	86,202	96,770
Effects of currency translation on cash and cash equivalents	(3,047)	1,089
<b>Cash and cash equivalents at end of the financial year</b>	<b>71,294</b>	<b>86,202</b>

## 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
<b>FY2022</b>								
<b>Balance at 1 July 2021</b>	49,040	(16,035)	3,231	41,244	10,181	87,661	373	88,034
Loss for the year	-	-	-	-	(10,978)	(10,978)	(8)	(10,986)
Other comprehensive loss for the year	-	-	(979)	-	-	(979)	-	(979)
<b>Total comprehensive loss for the year</b>	-	-	(979)	-	(10,978)	(11,957)	(8)	(11,965)
Employee share-based expense	-	-	-	943	-	943	-	943
Transfer upon disposal of investments	-	-	(9)	-	9	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>	-	-	(9)	943	9	943	-	943
<b>Balance at 30 June 2022</b>	<b>49,040</b>	<b>(16,035)</b>	<b>2,243</b>	<b>42,187</b>	<b>(788)</b>	<b>76,647</b>	<b>365</b>	<b>77,012</b>
<b>FY2021</b>								
<b>Balance at 1 July 2020</b>	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
<b>Total comprehensive income (loss) for the year</b>	-	-	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	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>	<b>(217,713)</b>	-	<b>(300)</b>	<b>592</b>	<b>218,015</b>	<b>594</b>	-	<b>594</b>
<b>Balance at 30 June 2021</b>	<b>49,040</b>	<b>(16,035)</b>	<b>3,231</b>	<b>41,244</b>	<b>10,181</b>	<b>87,661</b>	<b>373</b>	<b>88,034</b>

### 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
<b>FY2022</b>					
<b>Balance at 1 July 2021</b>	49,040	(16,035)	27,705	(2,893)	57,817
Total comprehensive loss for the year	-	-	-	(21,789)	(21,789)
Employee share-based expense	-	-	943	-	943
<b>Balance at 30 June 2022</b>	<b>49,040</b>	<b>(16,035)</b>	<b>28,648</b>	<b>(24,682)</b>	<b>36,971</b>
<b>FY2021</b>					
<b>Balance at 1 July 2020</b>	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	-
<b>Balance at 30 June 2021</b>	<b>49,040</b>	<b>(16,035)</b>	<b>27,705</b>	<b>(2,893)</b>	<b>57,817</b>

## CHANGES IN THE COMPANY'S SHARE CAPITAL

### Issued and paid up capital

As at 30 June 2022, 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 30 June 2022, the Company's issued and paid up share capital was US\$49.04 million (31 December 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 second half year of FY2022 (second half year of FY2021: Nil).

As at 30 June 2022, there were 1,522,000 unissued ordinary shares under the options granted to eligible employees and directors (30 June 2021: 1,577,000).

### Treasury shares

As at 30 June 2022, the Company held 4,603,351 (30 June 2021: 4,603,351) treasury shares against 70,396,649 (30 June 2021: 70,396,649) issued ordinary shares excluding treasury shares.

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

	<b>Half year ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
Balance at beginning of period	4,603,351	4,603,351
Issued for Employee Performance Share 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 30 June 2022 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 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. BREAKDOWN OF SALES

	<b>GROUP</b>		
	<b>Financial year ended 30 June 2022 US\$'000</b>	<b>Financial year ended 30 June 2021 US\$'000</b>	<b>% change + / (-)</b>
<b><u>First Half Year</u></b>			
(a) Sales	34,156	47,539	(28%)
(b) Net profit	1,228	108	n.m.
<b><u>Second Half Year</u></b>			
(a) Sales	27,168	36,928	(26%)
(b) Net loss	(12,214)	(7,726)	58%

### 3. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after accounting for:

	<b>GROUP</b>			
	<b>Six months ended 30 June</b>		<b>Financial year ended 30 June</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b><u>Income</u></b>				
Grant income	242	876	538	2,172
<b><u>Expenses</u></b>				
Write-off/write-down for inventory obsolescence	(1,051)	(950)	(1,337)	(1,515)
Write-back of provision for bad debts	422	2	422	177
Depreciation	(1,172)	(1,172)	(2,379)	(2,359)
Fair value (loss) gain on financial assets at FVPL	(412)	30	(425)	15
Foreign exchange (loss) gain	(1,752)	(1,993)	(2,107)	812
Gain on property and equipment held for sale	-	-	9,971	-



#### 4. INCOME TAX

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

	<b>GROUP</b>			
	<b>Six months ended</b>		<b>Financial year ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Current income tax	166	41	(676)	(60)
Deferred income tax - under provision in prior financial years	(109)	(20)	(109)	(20)
	<u>57</u>	<u>21</u>	<u>(785)</u>	<u>(80)</u>

#### 5. DIVIDENDS

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

#### 6. NET ASSETS VALUE

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Net asset value per ordinary share	1.09	1.25	0.53	0.82

#### 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).

	<b>US\$'000</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Group</b>				
<b>30 June 2022</b>				
Financial assets at FVPL	-	-	508	508
Financial assets at FVOCI	1,677	5,554	100	7,331
	<u>1,677</u>	<u>5,554</u>	<u>608</u>	<u>7,839</u>
<b>30 June 2021</b>				
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.

## 8. FINANCIAL INSTRUMENTS BY CATEGORY

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

	<b>GROUP</b>	
	<b>30 June 2022 US\$'000</b>	<b>30 June 2021 US\$'000</b>
Financial assets, at FVPL	508	933
Financial assets, at FVOCI	7,331	8,070
Financial assets, at amortised cost	74,714	90,173
Financial liabilities, at amortised cost	21,662	23,775

## 9. GROUP BORROWINGS

	<b>GROUP</b>	
	<b>30 June 2022 US\$'000</b>	<b>30 June 2021 US\$'000</b>
<b>Amount repayable:</b>		
<u>In one year or less, or on demand</u>		
Secured	2,086	1,912
Unsecured	-	-
	<u>2,086</u>	<u>1,912</u>
<u>After one year</u>		
Secured	298	1,806
Unsecured	-	-
	<u>298</u>	<u>1,806</u>
Total	<u><u>2,384</u></u>	<u><u>3,718</u></u>

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

## 10. SHARE CAPITAL AND TREASURY SHARES

	<b>Number of ordinary shares</b>		<b>Amount</b>	
	<b>Issued share capital '000</b>	<b>Treasury shares '000</b>	<b>Share capital US\$'000</b>	<b>Treasury shares US\$'000</b>
<b><u>Group and Company</u></b>				
<b>30 June 2022</b>				
Beginning and end of period	75,000	(4,603)	49,040	(16,035)
<b>30 June 2021</b>				
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.

## 11. SEGMENTAL REPORTING

	ASIA PACIFIC US\$'000	THE AMERICAS US\$'000	EUROPE US\$'000	TOTAL US\$'000
<b>GROUP</b>				
<b>2022</b>				
<b>Sales</b>	24,687	16,339	20,298	61,324
<b>Loss after total expenses</b>	(14,475)	(958)	(3,008)	(18,441)
Interest income	206	-	-	206
Other income	538	-	-	538
Other (losses) gains, net	(3,283)	10,005	929	7,651
Interest expense on lease liabilities	(142)	(10)	(3)	(155)
(Loss) profit before income tax	(17,156)	9,037	(2,082)	(10,201)
Income tax expense	(3)	(703)	(79)	(785)
<b>Net (loss) profit</b>	(17,159)	8,334	(2,161)	(10,986)
<b>Other segment items</b>				
Additions to property and equipment	118	4	-	122
Additions to ROU assets	213	285	-	498
Depreciation	2,138	135	106	2,379
Fair value gain on financial assets at FVPL	(425)	-	-	(425)
<b>Segment assets</b>	91,954	6,727	9,365	108,046
<b>Segment liabilities</b>	17,674	1,765	11,595	31,034
<b>GROUP</b>				
<b>2021</b>				
<b>Sales</b>	31,893	24,684	27,890	84,467
<b>Loss after total expenses</b>	(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)
<b>Net loss</b>	(4,660)	(709)	(2,249)	(7,618)
<b>Other segment items</b>				
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
<b>Segment assets</b>	107,690	6,663	7,966	122,319
<b>Segment liabilities</b>	19,870	1,380	13,035	34,285

Summary of net sales by country:

	<b>GROUP</b>	
	<b>30 June 2022 US\$'000</b>	<b>30 June 2021 US\$'000</b>
Singapore	16,401	21,495
United States of America	16,339	24,684
Ireland	20,298	27,890
Other countries	8,286	10,398
	<u>61,324</u>	<u>84,467</u>

Summary of net sales by product category:

	<b>GROUP</b>	
	<b>30 June 2022 US\$'000</b>	<b>30 June 2021 US\$'000</b>
Audio, speakers and headphones	58,295	76,826
Personal digital entertainment	2,630	7,508
Other products	399	133
	<u>61,324</u>	<u>84,467</u>

Summary of property and equipment by country:

	<b>GROUP</b>	
	<b>30 June 2022 US\$'000</b>	<b>30 June 2021 US\$'000</b>
Singapore	148	257
United States of America	3	-
Other countries	6	11
	<u>157</u>	<u>268</u>

Summary of ROU assets by country:

	<b>GROUP</b>	
	<b>30 June 2022 US\$'000</b>	<b>30 June 2021 US\$'000</b>
Singapore	1,667	3,334
Other countries	702	267
	<u>2,369</u>	<u>3,601</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 FY2022 decreased by 27% compared to FY2021, and for the second half year of FY2022, decreased by 26% compared to the second half year of FY2021. Net sales for the first half year of FY2022 was affected by shipping disruptions and global shortages of semiconductors, resulting in the Group facing shortages of certain products. Net sales for the second half year of FY2022 was also impacted by unexpected global events including pandemic related lockdowns in China that added to the on-going supply chain disruptions, and the Russian-Ukraine war and related sanctions which contributed to the spike in energy costs and inflation rates and in turn affected the business environment in many markets for the Group's products. For FY2021, work from home arrangements, home-based learning and other COVID-19 restrictive measures that resulted in a higher general spending on consumer goods had contributed to higher sales of the Group's products.

Net sales in FY2022 were lower across all regions. Net sales in Asia Pacific, Americas and Europe regions decreased by 23%, 34% and 27% respectively, compared to FY2021.

##### **Gross Profit**

Gross profit margin for FY2022 was 32% compared to 33% for FY2021. Gross profit margin in the second half year of FY2022 was 29% and for the second half year of FY2021 was 33%. Gross profit margin in FY2022 was affected by the significant increase in freight costs and spike in prices of certain semiconductor components. In addition, the weaker currencies in many major markets for the Group's products against the US dollar have also adversely affected the gross profit margin for the second half year of FY2022. Despite these factors, gross profit margin for FY2022 was comparable to FY2021 due to better sales mix of products with higher margins in the first half year of FY2022.

##### **Net Loss**

Net loss for the second half year of FY2022 was US\$12.2 million compared to US\$7.7 million in the second half year of FY2021. Net loss for the second half year of FY2022 includes other income US\$0.2 million and other losses (net) of US\$2.1 million. 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 in FY2022 was US\$11.0 million compared to US\$7.6 million in FY2021. Net loss in FY2022 includes other income US\$0.5 million and other gains (net) of US\$7.7 million. Net loss in FY2021 includes other income of US\$2.2 million and other gains (net) of US\$1.0 million.

Selling, general and administrative expenses for FY2022 and second half year of FY2022 decreased by 5% and 4%, respectively, compared to FY2021 and the second half year of FY2021. The decrease was due mainly to reduction of certain variable selling expenses in line with lower level of sales.

Research and development expenses in the second half year of FY2022 were comparable to the second half year of FY2021, and for the full year of FY2022 increased by 4% compared to FY2021 due mainly to general increase in payroll and related expenses.

Other income of US\$0.2 million and US\$0.5 million in the second half year and full year of FY2022, and US\$0.9 million and US\$2.2 million in the second half year and full year of FY2021 relates to grant income including grants under the COVID-19 Jobs Support Scheme in Singapore. The decrease in grant income was due mainly to the cessation of the Jobs Support Scheme.

Other losses (net) of US\$2.1 million in the second half year of FY2022 were due mainly to exchange loss of US\$1.8 million and fair value loss on financial assets at FVPL US\$0.4 million. 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 gains (net) of US\$7.7 million in 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 foreign exchange loss of US\$2.1 million and US\$0.4 million fair value loss on financial assets at FVPL. Other gains (net) of US\$1.0 million in FY2021 were due mainly to foreign exchange gain of US\$0.8 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 FY2022 and the second half year of FY2022 was due to the depreciation of these currencies against US dollar. 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.

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

## **BALANCE SHEETS**

The decrease in cash and cash equivalents in FY2022 was due to net cash used in operating activities (see below). The property and equipment held for sale as at 30 June 2021 relates to the property located in the United States of America that was sold in FY2022. The increase in inventory balance in FY2022 compared to FY2021 was due mainly to build-up of buffer inventories to cushion the effects of supply chain disruptions and slow-down in sales towards the end of FY2022. The decrease in right-of-use assets was due mainly to depreciation expense for the year. The decrease in lease liabilities was due mainly to lease repayments.

## **CONSOLIDATED STATEMENT OF CASH FLOWS**

Net cash used in operating activities of US\$19.8 million in FY2022 was due mainly to operating loss for the financial year and increase in inventories. Net cash used in operating activities of US\$9.6 million in FY2021 was due to operating loss for the financial year, increase in inventory and decrease in accrued liabilities and provisions, offset partially by decrease in trade receivables.

Net cash provided by investing activities of US\$10.2 million (FY2021: US\$0.5 million) was due mainly to net proceeds of US\$10.5 million from sale of the property located in the United States of America.

Net cash used in financing activities of US\$2.3 million in FY2022 (FY2021: US\$2.5 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 FY2022 on 1 July 2022. There is no significant variance in the revenue and operating results of the Group in the second half year of FY2022 as compared to the financial update announced on 1 July 2022.

## **16. PROSPECTS**

The outlook of the global economy remains uncertain with the heightened geopolitical tensions, the Russian-Ukraine war, high energy costs, rising inflation rates and the on-going global supply chain disruptions. In addition, the possibility of further pandemic related lockdowns in China and its potential disruptive impact on the global supply chain have also added to the level of uncertainty. For FY2023 and the first half year of FY2023, the Group is targeting to maintain revenue at the current levels and expects to report an operating loss.

## **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  
23 August 2022