

CREATIVE TECHNOLOGY LTD

SECOND HALF YEAR AND FINANCIAL YEAR ENDED 30 JUNE 2023 FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

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UNAUDITED RESULTS FOR THE SECOND HALF YEAR AND FINANCIAL YEAR ENDED 30 JUNE 2023

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	GROUP			GROUP		
	Six months ended			Financial year ended		
	30 June			30 June		
2023	2022	% change	2023	2022	% change	
US\$'000	US\$'000	+ / (-)	US\$'000	US\$'000	+ / (-)	
Sales, net	28,025	27,168	3	56,236	61,324	(8)
Cost of goods sold	(20,015)	(19,264)	4	(42,312)	(41,827)	1
Gross profit	8,010	7,904	1	13,924	19,497	(29)
Expenses:						
Selling, general and administrative	(9,232)	(11,000)	(16)	(20,793)	(22,889)	(9)
Research and development	(5,037)	(7,394)	(32)	(14,334)	(15,049)	(5)
Total expenses	(14,269)	(18,394)	(22)	(35,127)	(37,938)	(7)
Interest income	891	135	n.m.	1,458	206	n.m.
Other income	24	242	(90)	54	538	(90)
Other (losses) gains, net	(672)	(2,089)	(68)	3,214	7,651	(58)
Interest expense on lease liabilities	(22)	(69)	(68)	(72)	(155)	(54)
Loss before income tax	(6,038)	(12,271)	(51)	(16,549)	(10,201)	62
Income tax (expense) credit	(74)	57	n.m.	(140)	(785)	(82)
Net loss	(6,112)	(12,214)	(50)	(16,689)	(10,986)	52
Attributable to:						
Equity holders of the Company	(6,119)	(12,219)	(50)	(16,710)	(10,978)	52
Non-controlling interests	7	5	40	21	(8)	n.m.
Loss per share attributable to equity holders of the Company						
- Basic (US\$ per share)	(0.09)	(0.17)	(47)	(0.24)	(0.16)	50
- Diluted (US\$ per share)	(0.09)	(0.17)	(47)	(0.24)	(0.16)	50

n.m. - not meaningful

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP			GROUP		
	Six months ended			Financial year ended		
	30 June			30 June		
	2023	2022	% change	2023	2022	% change
US\$'000	US\$'000	+ / (-)	US\$'000	US\$'000	+ / (-)	
Net loss	(6,112)	(12,214)	(50)	(16,689)	(10,986)	52
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	(545)	(359)	52	(644)	(979)	(34)
Total comprehensive loss for the period/year	(6,657)	(12,573)	(47)	(17,333)	(11,965)	45
Attributable to:						
Shareholders of the Company	(6,664)	(12,578)	(47)	(17,354)	(11,957)	45
Non-controlling interests	7	5	40	21	(8)	n.m.
Total comprehensive loss for the period/year	(6,657)	(12,573)	(47)	(17,333)	(11,965)	45

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	<u>Group</u>		<u>Company</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	56,320	71,294	49,134	62,530
Trade receivables	3,004	2,814	17	47
Amounts due from subsidiaries	-	-	13,979	22,500
Inventories	18,433	20,754	50	631
Other current assets	1,825	2,672	461	972
	<u>79,582</u>	<u>97,534</u>	<u>63,641</u>	<u>86,680</u>
Non-current assets:				
Financial assets at fair value through profit or loss (FVPL)	1,444	508	-	-
Financial assets at fair value through other comprehensive income (FVOCI)	6,787	7,331	-	-
Amounts due from subsidiaries	-	-	7,778	6,693
Investments in subsidiaries	-	-	11,557	11,752
Property and equipment	111	157	68	24
Right-of-use assets (ROU)	3,109	2,369	2,870	1,667
Other non-current assets	134	147	-	-
	<u>11,585</u>	<u>10,512</u>	<u>22,273</u>	<u>20,136</u>
Total assets	<u>91,167</u>	<u>108,046</u>	<u>85,914</u>	<u>106,816</u>
<u>LIABILITIES</u>				
Current liabilities:				
Trade payables	6,582	6,052	16	103
Amounts due to subsidiaries	-	-	5,083	15,807
Other creditors, accrued liabilities and provisions	12,443	14,135	5,354	5,532
Contract liabilities	133	161	-	-
Lease liabilities	1,255	2,086	1,026	1,719
Current income tax liabilities	18	1	-	-
	<u>20,431</u>	<u>22,435</u>	<u>11,479</u>	<u>23,161</u>
Non-current liabilities:				
Amounts due to subsidiaries	-	-	50,556	46,684
Lease liabilities	1,941	298	1,884	-
Deferred income tax liabilities	8,717	8,301	-	-
	<u>10,658</u>	<u>8,599</u>	<u>52,440</u>	<u>46,684</u>
Total liabilities	<u>31,089</u>	<u>31,034</u>	<u>63,919</u>	<u>69,845</u>
NET ASSETS	<u>60,078</u>	<u>77,012</u>	<u>21,995</u>	<u>36,971</u>
<u>EQUITY</u>				
Share capital	49,040	49,040	49,040	49,040
Treasury shares	(16,035)	(16,035)	(16,035)	(16,035)
Fair value reserve	1,599	2,243	-	-
Other reserves	42,586	42,187	29,047	28,648
Accumulated losses	(17,498)	(788)	(40,057)	(24,682)
	59,692	76,647	21,995	36,971
Non-controlling interests	386	365	-	-
Total equity	<u>60,078</u>	<u>77,012</u>	<u>21,995</u>	<u>36,971</u>

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	Financial year ended 30 June	
	2023	2022
	US\$'000	US\$'000
Cash flows from operating activities:		
Net loss	(16,689)	(10,986)
Adjustments for:		
Income tax expense	140	785
Depreciation	2,066	2,379
Employee share-based expense	399	943
Gain on disposal of property and equipment held for sale	-	(9,971)
Gain on disposal of property and equipment	(3)	(41)
Right-of-use assets written off	484	-
Fair value loss on financial assets at FVPL	64	425
Currency translation (gain) loss	(487)	1,859
Interest income	(1,458)	(206)
Interest expense on lease liabilities	72	155
	(15,412)	(14,658)
Changes in working capital		
Trade receivables	(190)	285
Inventories	2,321	(3,720)
Other assets and receivables	1,034	(224)
Trade payables	530	205
Accrued liabilities and provisions	(1,692)	(968)
Contract liabilities	(28)	(158)
Cash used in operations	(13,437)	(19,238)
Interest received	1,284	160
Income tax paid	(13)	(700)
Net cash used in operating activities	(12,166)	(19,778)
Cash flows from investing activities:		
Purchase of property and equipment	(80)	(122)
Proceeds from sale of property and equipment held for sale	-	10,534
Proceeds from sale of property and equipment	3	41
Proceeds from sale of financial assets at FVOCI	-	14
Purchase of financial assets at FVOCI	(100)	(254)
Purchase of financial assets at FVPL	(1,000)	-
Net cash (used in) provided by investing activities	(1,177)	10,213
Cash flows from financing activities:		
Repayment of lease liabilities	(2,409)	(2,141)
Interest paid on lease liabilities	(72)	(155)
Net cash used in financing activities	(2,481)	(2,296)
Net decrease in cash and cash equivalents	(15,824)	(11,861)
Cash and cash equivalents at beginning of financial year	71,294	86,202
Effects of currency translation on cash and cash equivalents	850	(3,047)
Cash and cash equivalents at end of the financial year	56,320	71,294

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
FY2023								
Balance at 1 July 2022	49,040	(16,035)	2,243	42,187	(788)	76,647	365	77,012
Loss for the year	-	-	-	-	(16,710)	(16,710)	21	(16,689)
Other comprehensive loss for the year	-	-	(644)	-	-	(644)	-	(644)
Total comprehensive (loss) income for the year	-	-	(644)	-	(16,710)	(17,354)	21	(17,333)
Employee share-based expense	-	-	-	399	-	399	-	399
Total transactions with owners, recognised directly in equity	-	-	-	399	-	399	-	399
Balance at 30 June 2023	49,040	(16,035)	1,599	42,586	(17,498)	59,692	386	60,078
FY2022								
Balance at 1 July 2021	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)
Total comprehensive loss for the year	-	-	(979)	-	(10,978)	(11,957)	(8)	(11,965)
Employee share-based expense	-	-	-	943	-	943	-	943
Transfer upon disposal of investments	-	-	(9)	-	9	-	-	-
Total transactions with owners, recognised directly in equity	-	-	(9)	943	9	943	-	943
Balance at 30 June 2022	49,040	(16,035)	2,243	42,187	(788)	76,647	365	77,012

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
FY2023					
Balance at 1 July 2022	49,040	(16,035)	28,648	(24,682)	36,971
Total comprehensive loss for the year	-	-	-	(15,375)	(15,375)
Employee share-based expense	-	-	399	-	399
Balance at 30 June 2023	49,040	(16,035)	29,047	(40,057)	21,995
FY2022					
Balance at 1 July 2021	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
Balance at 30 June 2022	49,040	(16,035)	28,648	(24,682)	36,971

CHANGES IN THE COMPANY'S SHARE CAPITAL

Issued and paid up capital

As at 30 June 2023, the Company's issued and paid up capital excluding treasury shares comprises 70,396,649 (30 June 2022: 70,396,649) ordinary shares.

As at 30 June 2023, the Company's issued and paid up share capital was US\$49.04 million (31 December 2022: 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 FY2023 (second half year of FY2022: Nil).

As at 30 June 2023, there were 1,256,000 unissued ordinary shares under the options granted to eligible employees and directors (30 June 2022: 1,522,000).

Treasury shares

As at 30 June 2023, the Company held 4,603,351 (30 June 2022: 4,603,351) treasury shares against 70,396,649 (30 June 2022: 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	
	2023	2022
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 2023 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 2022.

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 2022, except for the mandatory adoption of new standards effective as of 1 July 2022. The adoption of the new standards has no significant impact on the financial statements.

2. BREAKDOWN OF SALES

	GROUP		
	Financial year ended 30 June 2023 US\$'000	Financial year ended 30 June 2022 US\$'000	% change + / (-)
<u>First Half Year</u>			
(a) Sales	28,211	34,156	(17%)
(b) Net (loss) profit	(10,577)	1,228	n.m.
<u>Second Half Year</u>			
(a) Sales	28,025	27,168	3%
(b) Net loss	(6,112)	(12,214)	(50%)

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	
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Income</u>				
Grant income	24	242	54	538
<u>Expenses</u>				
Write-back (write-off/write-down) for inventory obsolescence	169	(1,051)	235	(1,337)
Write-back of provision for bad debts	-	422	-	422
Depreciation	(901)	(1,172)	(2,066)	(2,379)
Fair value loss on financial assets at FVPL	(8)	(412)	(64)	(425)
Foreign exchange (loss) gain	(638)	(1,752)	461	(2,107)
Gain on property and equipment held for sale	-	-	-	9,971

4. INCOME TAX

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

	GROUP			
	Six months ended		Financial year ended	
	30 June		30 June	
	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Current income tax	(20)	166	(33)	(676)
Deferred income tax - under provision in prior financial years	(54)	(109)	(107)	(109)
	<u>(74)</u>	<u>57</u>	<u>(140)</u>	<u>(785)</u>

5. DIVIDENDS

No dividends have been recommended in the second half year of FY2023 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
	2023	2022	2023	2022
	US\$	US\$	US\$	US\$
Net asset value per ordinary share	0.85	1.09	0.31	0.53

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 2023				
Financial assets at FVPL	-	1,000	444	1,444
Financial assets at FVOCI	1,033	5,654	100	6,787
	<u>1,033</u>	<u>6,654</u>	<u>544</u>	<u>8,231</u>
30 June 2022				
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>

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:

	GROUP	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Financial assets, at FVPL	1,444	508
Financial assets, at FVOCI	6,787	7,331
Financial assets, at amortised cost	60,192	74,714
Financial liabilities, at amortised cost	20,942	21,662

9. GROUP BORROWINGS

	GROUP	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Amount repayable:		
<u>In one year or less, or on demand</u>		
Secured	1,255	2,086
Unsecured	-	-
	<u>1,255</u>	<u>2,086</u>
<u>After one year</u>		
Secured	1,941	298
Unsecured	-	-
	<u>1,941</u>	<u>298</u>
Total	<u><u>3,196</u></u>	<u><u>2,384</u></u>

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

10. 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>				
30 June 2023				
Beginning and end of period	<u>75,000</u>	<u>(4,603)</u>	<u>49,040</u>	<u>(16,035)</u>
30 June 2022				
Beginning and end of period	<u>75,000</u>	<u>(4,603)</u>	<u>49,040</u>	<u>(16,035)</u>

11. SEGMENTAL REPORTING

	ASIA PACIFIC US\$'000	THE AMERICAS US\$'000	EUROPE US\$'000	TOTAL US\$'000
GROUP				
2023				
Sales	20,139	16,125	19,972	56,236
(Loss) profit after total expenses	(18,261)	80	(3,022)	(21,203)
Interest income	1,458	-	-	1,458
Other income	54	-	-	54
Other gains (losses), net	3,624	(185)	(225)	3,214
Interest expense on lease liabilities	(60)	(9)	(3)	(72)
Loss before income tax	(13,185)	(114)	(3,250)	(16,549)
Income tax expense	(18)	(45)	(77)	(140)
Net loss	(13,203)	(159)	(3,327)	(16,689)
Other segment items				
Additions to property and equipment	80	-	-	80
Depreciation	1,879	110	77	2,066
Fair value loss on financial assets at FVPL	(64)	-	-	(64)
Segment assets	76,015	5,290	9,862	91,167
Segment liabilities	17,960	1,206	11,923	31,089
GROUP				
2022				
Sales	24,687	16,339	20,298	61,324
Loss after total expenses	(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)
Net (loss) profit	(17,159)	8,334	(2,161)	(10,986)
Other segment items				
Additions to property and equipment	118	4	-	122
Additions to ROU assets	213	285	-	498
Depreciation	2,138	135	106	2,379
Fair value loss on financial assets at FVPL	(425)	-	-	(425)
Segment assets	91,954	6,727	9,365	108,046
Segment liabilities	17,674	1,765	11,595	31,034

Summary of net sales by country:

	GROUP	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Singapore	13,427	16,401
United States of America	16,125	16,339
Ireland	19,972	20,298
Other countries	6,712	8,286
	<u>56,236</u>	<u>61,324</u>

Summary of net sales by product category:

	GROUP	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Audio, speakers and headphones	53,662	58,295
Personal digital entertainment	2,328	2,630
Other products	246	399
	<u>56,236</u>	<u>61,324</u>

Summary of property and equipment by country:

	GROUP	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Singapore	106	148
United States of America	2	3
Other countries	3	6
	<u>111</u>	<u>157</u>

Summary of ROU assets by country:

	GROUP	
	30 June 2023 US\$'000	30 June 2022 US\$'000
Singapore	2,870	1,667
Other countries	239	702
	<u>3,109</u>	<u>2,369</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 FY2023 decreased by 8% compared to FY2022. Net sales was higher for the first half year of FY2022 before the Russia-Ukraine war which contributed to the spike in energy costs and high inflation rates, impacting sales for the second half of FY2022 and full year of FY2023. Net sales for the second half year of FY2023 was about the same as the first half year of FY2023, and increased marginally by 3% compared to the second half year of FY2022.

Asia Pacific's net sales in FY2023 decreased by 18% compared to FY2022 while net sales for the Americas and Europe regions decreased marginally by 1% and 2%, respectively, compared to FY2022.

Gross Profit

Gross profit margin for FY2023 was 25% compared to 32% for FY2022. Gross profit margin for FY2023 was impacted by a lower gross profit margin in the first half year of FY2023 due mainly to the difficult business environment with rising inventory and other business costs, in addition to price reduction of certain of the Group's products during that period, which have adversely affected the Group's gross profit margin. Gross profit margin was 29% in the second half year of FY2023, same as the second half year of FY2022.

Net Loss

Net loss in FY2023 was US\$16.7 million compared to US\$11.0 million in FY2022. Net loss in FY2023 includes employee severance payment of US\$3.0 million in a restructuring exercise the Group undertook in December 2022 to restructure the Group's operations and reduce costs to be in line with the lower level of business activities, write-off of right-of-use assets of US\$0.5 million pertaining to unoccupied office space after the restructuring exercise, interest income of US\$1.5 million and other gains (net) of US\$3.2 million. Net loss in FY2022 includes other income of US\$0.5 million and other gains (net) of US\$7.7 million.

Net loss for the second half year of FY2023 was US\$6.1 million compared to US\$12.2 million in the second half year of FY2022. The improvement in operating results in the second half year of FY2023 compared to the second half year of FY2022 was due mainly to a reduction in operating expenses following the restructuring exercise in December 2022 (see above). Net loss for the second half year of FY2023 includes interest income of US\$0.9 million and other losses (net) of US\$0.7 million. Net loss for the second half year of FY2022 includes other losses (net) of US\$2.1 million.

Selling, general and administrative expenses for FY2023 and second half year of FY2023 decreased by 9% and 16%, respectively, compared to FY2022 and the second half year of FY2022. Excluding the employee severance charges of US\$0.6 million, selling, general and administrative expenses in FY2023 decreased by 12% compared to FY2022. The decrease was due mainly to lower payroll and related expenses in line with the lower headcounts after the restructuring exercise.

Research and development expenses for FY2023 and second half year of FY2023 decreased by 5% and 32%, respectively, compared to FY2022 and the second half year of FY2022. Excluding the employee severance charges of US\$2.2 million, research and development expenses in FY2023 decreased by 19% compared to FY2022. The decrease was due mainly to lower payroll and related expenses in line with the lower headcounts after the restructuring exercise.

Other gains (net) of US\$3.2 million in FY2023 were due mainly to gain on sale of intellectual property assets of US\$3.2 million and foreign exchange gain of US\$0.5 million, partially offset by US\$0.5 million write-offs of right-of-use assets. 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 income of US\$0.5 million in FY2022 relates to grant income received.

Other losses (net) of US\$0.7 million in the second half year of FY2023 were due mainly to exchange loss of US\$0.6 million. 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.

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 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 FY2023 was due mainly to the depreciation of Singapore dollar and Japanese Yen against US dollar, offset partially by an appreciation of British Pound and Euro against US dollar. The exchange gain in FY2023 was due mainly to the appreciation of Singapore dollar against US dollar in the first half year of FY2023. The exchange loss in FY2022 and the second half year of FY2022 was due to the depreciation of the depreciation of Singapore dollar, Euro, British Pound and Japanese Yen against US dollar.

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 FY2023 was due to net cash used in operating activities (see below). The decrease in inventory balance was due mainly to higher level of inventory purchases as at June 2022 to build up inventories to cushion the effects of supply chain disruptions during that period. The decrease in other current assets was due mainly to higher level of prepaid expenses as at 30 June 2022. The decrease in other creditors, accrued liabilities and provisions was due mainly to decrease in payroll and related expenses accruals. The increase in financial assets at FVPL was due mainly to additions during FY2023. The increase in right-of-use assets and lease liabilities was due mainly to lease renewal.

CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash used in operating activities of US\$12.2 million in FY2023 was due mainly to operating loss for the financial year. 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 investing activities of US\$1.2 million in FY2023 was due mainly to additional investments in financial assets at FVPL. Net cash provided by investing activities of US\$10.2 million in FY2022 was due mainly to net proceeds of US\$10.5 million from sale of property located in the United States of America.

Net cash used in financing activities of US\$2.5 million in FY2022 (FY2022: US\$2.3 million) was due mainly to repayment of lease and interest on lease liabilities.

15. VARIANCE FROM PROSPECT STATEMENT

There is no significant variance in the operating performance of the Group in the second half year of FY2023 as compared to the prospect statement disclosed in the announcement of results for the first half year of FY2023.

16. PROSPECTS

The outlook of the global economy remains uncertain with the continuing geopolitical tensions, the on-going Russia-Ukraine war, high business costs and weak market sentiment. With these uncertain and difficult business conditions, the market for the Group's products remains challenging.

Following the restructuring exercise, the Group is much leaner with a lower operating cost structure to weather the challenges and adverse external impacts to its business environment. Creative's Board and management team is continuing to work on setting new strategic directions and developing new capabilities for the Group, while remaining focused on its core strengths to work towards profitability and sustainable growth of the business.

The Group is cautiously optimistic on its outlook for FY2024. New products to be introduced during the year will provide potential revenue growth opportunities for the Group. For FY2024 and the first half year of FY2024, the Group expects an improvement in financial performance with higher revenue and improvement in operating results.

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
18 August 2023