



Ellipsiz Ltd
(Co. Reg. No. 199408329R)
and its subsidiaries

Financial Statements and Dividend Announcement
For the second quarter and half year ended 31 December 2019

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

The following definitions apply throughout this announcement:

- 2Q – Second quarter from 1 October to 31 December of the respective financial years.
- 1H – First half year from 1 July to 31 December of the respective financial years.
- FY – Financial year ended or ending 30 June, as the case may be.
- NM – Not meaningful.

1(a) A statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income

	Note	Group			Group		
		2QFY2020 \$'000	2QFY2019 \$'000	+ / (-) %	1HFY2020 \$'000	1HFY2019 \$'000	+ / (-) %
Revenue		12,786	17,321	(26)	27,111	28,741	(6)
Cost of revenue		(9,748)	(12,742)	(23)	(20,744)	(20,924)	(1)
Gross Profit		3,038	4,579	(34)	6,367	7,817	(19)
Other income	1(a)-1	49	65	(25)	153	165	(7)
Distribution expenses		(1,003)	(1,115)	(10)	(2,114)	(2,327)	(9)
Administrative expenses		(1,625)	(1,914)	(15)	(3,769)	(3,577)	5
Other expenses	1(a)-2	(11,823)	(118)	>300	(11,395)	(46)	>300
Results from operating activities		(11,364)	1,497	NM	(10,758)	2,032	NM
Finance income	1(a)-3	305	198	54	624	418	49
Finance expense	1(a)-4	(11)	-	NM	(23)	-	NM
		(11,070)	1,695	NM	(10,157)	2,450	NM
Share of results of joint ventures (net of tax)		(569)	(691)	(18)	(1,070)	(1,125)	(5)
(Loss)/Profit before tax		(11,639)	1,004	NM	(11,227)	1,325	NM
Tax expense		(61)	(361)	(83)	(308)	(584)	(47)
(Loss)/Profit for the period		(11,700)	643	NM	(11,535)	741	NM
Other comprehensive income							
<i>Items that are or may be reclassified subsequently to profit or loss</i>							
Exchange differences arising from:							
- liquidation of a subsidiary		-	-	-	-	(13)	(100)
- translation of financial statements of foreign operations		43	(58)	NM	68	(262)	NM
Tax effect		-	-	-	-	-	-
		43	(58)	NM	68	(275)	NM
<i>Items that will not be reclassified subsequently to profit or loss</i>							
Net change in fair value of financial assets at fair value through other comprehensive income		129	(2,406)	NM	(103)	(2,625)	(96)
Tax effect		-	-	-	-	-	-
Other comprehensive income for the period, net of tax		172	(2,464)	NM	(35)	(2,900)	(99)
Total comprehensive income for the period		(11,528)	(1,821)	>300	(11,570)	(2,159)	>300
(Loss)/Profit attributable to:							
Owners of the Company		(11,689)	636	NM	(11,523)	735	NM
Non-controlling interests		(11)	7	NM	(12)	6	NM
(Loss)/Profit for the period		(11,700)	643	NM	(11,535)	741	NM
Total comprehensive income attributable to: <input type="checkbox"/>							
Owners of the Company		(11,535)	(1,819)	>300	(11,585)	(2,156)	>300
Non-controlling interests		7	(2)	NM	15	(3)	NM
Total comprehensive income for the period		(11,528)	(1,821)	>300	(11,570)	(2,159)	>300

Notes to the Consolidated Statement of Comprehensive Income

1(a)-1 Other income

	Group		Group	
	2QFY2020	2QFY2019	1HFY2020	1HFY2019
	\$'000	\$'000	\$'000	\$'000
Dividend income from financial assets	44	31	118	65
Gain on liquidation of a subsidiary	-	-	-	13
Gain on disposal of plant and equipment	-	-	1	-
Exchange gain, net	-	34	-	81
Sundry income	5	-	34	6
	<u>49</u>	<u>65</u>	<u>153</u>	<u>165</u>

1(a)-2 Other expenses in 2QFY2020 and 1HFY2020 comprised impairment losses in respect of the Company's subsidiary, EIR Investments Pte Ltd's investment in Kalms Investment Pte Ltd ("KIPL") and extension of loans to and interest receivable from Kalms (Singapore) Pte Ltd ("KSPL"), aggregating approximately \$11.3 million, and net foreign exchange loss.

EIR Investments Pte Ltd ("EIR") had on 16 January 2020, entered into and completed a restructuring agreement with Kalms International Limited ("KIL"), KIPL and Lim Wee Beng Eddie ("EL") whereby each of KIL, KIPL and EL shall waive all of its rights under the non-competition restrictions in the shareholders' agreement entered into with EIR on 25 May 2018, and EIR and any of its affiliates shall be permitted to operate the vending solutions business carried out by KIPL and its subsidiaries ("Kalms"), independently of KIL, KIPL and EL in 9 Southeast Asian countries, namely, Indonesia, Malaysia, Thailand, Philippines, Vietnam, Myanmar, Cambodia, Brunei, and Laos.

In consideration of the aforesaid waiver of rights, EIR had transferred all of its 15,000,000 ordinary shares in KIPL (comprising 50% of the issued share capital of KIPL) to KIL for an aggregate consideration of \$1.00 and assigned to KIL its rights under the loans aggregating approximately \$5.3 million extended by it to KSPL. Accordingly, the carrying amount of the investment in KIPL and the loans extended to and interest receivable from KSPL, aggregating approximately \$11.3 million, had been impaired as at 31 December 2019.

Other expenses in 2QFY2019 and 1HFY2019 comprised net change in fair value of financial assets.

1(a)-3 Finance income

	Group		Group	
	2QFY2020	2QFY2019	1HFY2020	1HFY2019
	\$'000	\$'000	\$'000	\$'000
Interest income from:				
- financial institutions	254	198	543	418
- joint venture ⁽¹⁾	51	-	81	-
	<u>305</u>	<u>198</u>	<u>624</u>	<u>418</u>

⁽¹⁾ Comprised interest income on loans extended by EIR to KSPL, which had been impaired. Please refer to note 1(a)-2 above for further details.

1(a)-4 Finance expense comprised interest expense on lease liabilities.

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of Financial Position

	Note	Group		Company	
		31.12.2019 \$'000	30.06.2019 \$'000	31.12.2019 \$'000	30.06.2019 \$'000
Non-current assets					
Investment Property	1(b)-1	5,335	-	-	-
Plant and equipment		1,176	1,276	14	15
Right-of-use assets	1(b)-2	1,019	-	-	-
Intangible asset and goodwill	1(b)-3	17,726	15,479	-	-
Subsidiaries	1(b)-4	-	-	31,385	27,776
Joint ventures	1(b)-5	49	7,116	-	-
Financial assets	1(b)-6	5,358	5,316	5,358	5,316
Amounts due from related parties	1(b)-7	-	2,150	3,611	12,500
Deferred tax assets		55	67	-	-
		<u>30,718</u>	<u>31,404</u>	<u>40,368</u>	<u>45,607</u>
Current assets					
Inventories		3,878	3,902	-	-
Trade and other receivables	1(b)-8	12,898	18,735	536	9,544
Amounts due from related parties	1(b)-7	1,170	759	259	126
Cash and cash equivalents		71,581	75,465	55,562	56,229
		<u>89,527</u>	<u>98,861</u>	<u>56,357</u>	<u>65,899</u>
Total assets		<u>120,245</u>	<u>130,265</u>	<u>96,725</u>	<u>111,506</u>
Equity attributable to Owners of the Company					
Share capital		89,566	89,566	89,566	89,566
Reserves		(9,133)	(9,071)	2,725	2,828
Retained earnings		21,021	35,940	2,297	16,500
		<u>101,454</u>	<u>116,435</u>	<u>94,588</u>	<u>108,894</u>
Non-controlling interests		3,030	398	-	-
Total equity		<u>104,484</u>	<u>116,833</u>	<u>94,588</u>	<u>108,894</u>
Non-current liabilities					
Provisions		20	20	-	-
Lease liabilities	1(b)-2	648	-	-	-
Deferred tax liabilities		29	2	-	-
		<u>697</u>	<u>22</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade and other payables	1(b)-9	13,724	12,401	960	1,230
Provisions		197	267	-	-
Amounts due to related parties		85	98	1,177	1,382
Lease liabilities	1(b)-2	445	-	-	-
Current tax payable		613	644	-	-
		<u>15,064</u>	<u>13,410</u>	<u>2,137</u>	<u>2,612</u>
Total liabilities		<u>15,761</u>	<u>13,432</u>	<u>2,137</u>	<u>2,612</u>
Total equity and liabilities		<u>120,245</u>	<u>130,265</u>	<u>96,725</u>	<u>111,506</u>

Notes to the Statements of Financial Position

- 1(b)-1 On 9 October 2019, PT Super Makmur Sejahtera, a subsidiary of the Company, acquired a piece of vacant land comprising 54 plots of girik land (*alas hak*) with the total land area of approximately 580,000 square meters located at Desa Berakit, Kecamatan Teluk Sebong, Kabupaten Bintan, Kepulauan Riau Province, Indonesia. The balance comprised the acquisition cost of the land and other directly attributable costs.
- 1(b)-2 The Group adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases on 1 July 2019 and recognised right-of-use ("ROU") assets and lease liabilities for those leases that were previously classified as operating leases, except for short-term leases and leases of low value assets. Please refer to paragraph 5 on page 12 for further details on the adoption of SFRS(I) 16.
- 1(b)-3 On 16 October 2019, the Company entered into and completed an investment agreement with (a) Vincent Ong Sin Liang, Loo Geak Kin and Chung Chiew Kit (collectively, the "Vendors"); and (b) Axis-Tec Pte Ltd ("ATPL"), to invest in 51% of the enlarged share capital of ATPL, by way of (i) acquisition of an aggregate of 60,000 ordinary shares in the share capital of ATPL from the Vendors and (ii) subscription of 33,674 newly issued ATPL shares, for an aggregate consideration of approximately \$3.6 million (the "Acquisition of ATPL"). The Group accounts for ATPL as a subsidiary and consolidates its financial results with effect from completion of the acquisition.

The increase in intangible asset and goodwill as at 31 December 2019 was mainly due to the recognition of a provisional goodwill of approximately \$2.3 million arising from the Acquisition of ATPL. The Company will be carrying out a purchase price allocation exercise and expects to complete it within 12 months from completion of the acquisition.

Balance as at 30 June 2019 comprised mainly goodwill of the Distribution and Services Solutions ("DSS") segment.

- 1(b)-4 The increase in investment in subsidiaries at the Company level was attributable to the Acquisition of ATPL.
- 1(b)-5 Balance as at 30 June 2019 comprised the Group's investments in (i) KIPL and (ii) Adell Solutions Pte Ltd. During 2QFY2020, the Group had impaired its investment in KIPL, resulting in the decrease in joint ventures balance. Please refer to note 1(a)-2 on page 2 for more details.
- 1(b)-6 Financial assets comprised the Group's investments in quoted securities.
- 1(b)-7 The net decrease was mainly due to impairment of the loans extended to and interest receivable from KSPL. EIR had extended additional loans aggregating approximately \$2.5 million to KSPL during 1HFY2020. The total loans extended to KSPL was approximately \$5.3 million prior to the signing of the restructuring agreement. Please refer to note 1(a)-2 on page 2 for further details on the restructuring agreement entered into among EIR, KIL, KIPL and EL.
- 1(b)-8 Balance as at 30 June 2019 included the remaining 10% of the initial consideration in relation to the sale of SV Probe Pte Ltd and certain of its subsidiaries held in an escrow account of US\$6.9 million. The amount was released to the Company on 31 October 2019. The decrease was partially offset by the inclusion of ATPL in the Group's balance sheet.
- 1(b)-9 The increase was mainly due to the inclusion of ATPL in the Group's balance sheet.

1(b)(ii) Aggregate amount of the Group's borrowings and debts securities.

The Group had no borrowings or debts securities as at 31 December 2019 and 30 June 2019.

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	Note	2QFY2020 \$'000	2QFY2019 \$'000	1HFY2020 \$'000	1HFY2019 \$'000
Cash Flows from Operating Activities					
(Loss)/Profit for the period		(11,700)	643	(11,535)	741
Adjustments for:					
Reversal of allowance for inventory obsolescence		(1)	-	(1)	-
Amortisation of intangible assets		5	1	9	2
Depreciation of plant and equipment		119	58	218	117
Depreciation of right-of-use assets		144	-	268	-
Dividend income from financial assets		(44)	(31)	(118)	(65)
Fair value changes of financial assets		-	118	-	46
Gain on disposal of plant and equipment		-	-	(1)	-
Gain on liquidation of a subsidiary		-	-	-	(13)
Interest income		(305)	(198)	(624)	(418)
Interest expense		11	-	23	-
Impairment loss on amounts due from a joint venture		5,325	-	5,325	-
Impairment loss on investment in a joint venture		5,997	-	5,997	-
Plant and equipment written off		-	1	-	1
Share of results of joint ventures (net of tax)		569	691	1,070	1,125
Tax expense		61	361	308	584
Operating cash flows before working capital changes		181	1,644	939	2,120
Changes in:					
Amounts due from/to related parties		(368)	-	(393)	-
Inventories		12	808	1,178	(1,188)
Trade and other receivables		(537)	(1,346)	(2,942)	(1,283)
Trade and other payables		(1,339)	(717)	(5)	(178)
Cash (used in)/generated from operations		(2,051)	389	(1,223)	(529)
Interest received		333	186	656	406
Tax paid		(244)	(172)	(311)	(191)
Net cash (used in)/from operating activities		(1,962)	403	(878)	(314)
Cash Flows from Investing Activities					
Dividends received from financial assets		26	23	100	57
Loans to a joint venture		(2,217)	-	(2,767)	-
Advance to a joint venture		-	-	(458)	-
Net cash inflow on disposal of subsidiaries	1(c)-1	9,603	4,742	9,603	4,742
Net cash outflow on acquisition of a subsidiary	1(c)-2	(1,755)	-	(1,755)	-
Purchase of intangible assets		-	-	-	(3)
Purchase of investment property		(5,335)	-	(5,335)	-
Purchase of plant and equipment		(3)	(29)	(18)	(36)
Purchase of financial assets		(126)	(309)	(126)	(994)
Proceeds from disposal of plant and equipment		-	-	2	-
Net cash from/(used in) investing activities		193	4,427	(754)	3,766
Cash Flows from Financing Activities					
Capital injection by non-controlling interest		1,317	-	1,317	-
Dividends paid		(3,342)	(5,013)	(3,342)	(5,013)
Payment of lease liabilities		(152)	-	(286)	-
Net cash used in financing activities		(2,177)	(5,013)	(2,311)	(5,013)
Net decrease in cash and cash equivalents		(3,946)	(183)	(3,943)	(1,561)
Cash and cash equivalents at beginning of period		75,490	71,717	75,465	73,244
Effect of exchange rate fluctuations on cash held		37	(54)	59	(203)
Cash and cash equivalents at end of period		71,581	71,480	71,581	71,480

1(c)-1 The amount for 2QFY2020 and 1HFY2020 was 10% (2QFY2019 and 1HFY2019: 5%) of the initial consideration in relation to the sale of SV Probe Pte Ltd and certain of its subsidiaries released from escrow account.

1(c)-2 The Company's Acquisition of ATPL was completed on 16 October 2019. The net assets of ATPL as at the date of completion were as follows:

	\$'000
Plant and equipment	99
Right-of-use assets	62
Inventories	1,161
Trade and other receivables	875
Cash and cash equivalents	556
Trade and other payables	(1,255)
Provision	(30)
Lease liabilities	(60)
Deferred tax liabilities	(27)
Tax payable	(25)
Net identifiable assets acquired	<u>1,356</u>
Subscription of newly issued shares	1,297
Non-controlling interests measured at non-controlling interests' proportionate share of net assets	(1,300)
Provisional goodwill arising from acquisition	<u>2,255</u>
Net assets acquired	<u>3,608</u>
Total purchase consideration	(3,608)
Add: Cash and cash equivalents acquired	556
Add: Subscription of newly issued shares	<u>1,297</u>
Net cash outflow	<u>(1,755)</u>

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Consolidated Statement of Changes in Equity
For the second quarter and half year ended 31 December 2019**

Group	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Total attributable to Owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance as at 1 October 2019	89,566	(11,648)	306	2,290	(235)	36,052	116,331	406	116,737
Total comprehensive income									
Loss for the period	-	-	-	-	-	(11,689)	(11,689)	(11)	(11,700)
Other comprehensive income	-	-	129	-	25	-	154	18	172
Total comprehensive income for the period	-	-	129	-	25	(11,689)	(11,535)	7	(11,528)
Transactions with Owners, recorded directly in equity									
Contributions by and distributions to Owners									
Final dividend of 1.00 cent per share in respect of 2019	-	-	-	-	-	(1,671)	(1,671)	-	(1,671)
Final special dividend of 1.00 cent per share in respect of 2019	-	-	-	-	-	(1,671)	(1,671)	-	(1,671)
Total contributions by and distributions to Owners	-	-	-	-	-	(3,342)	(3,342)	-	(3,342)
Changes in ownership interests in subsidiaries									
Capital injection by non-controlling interest	-	-	-	-	-	-	-	1,317	1,317
Acquisition of a subsidiary	-	-	-	-	-	-	-	1,300	1,300
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	2,617	2,617
Total transactions with Owners	-	-	-	-	-	(3,342)	(3,342)	2,617	(725)
Balance as at 31 December 2019	89,566	(11,648)	435	2,290	(210)	21,021	101,454	3,030	104,484

Consolidated Statement of Changes in Equity (Cont'd)
For the second quarter and half year ended 31 December 2019

	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Total attributable to Owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance as at 1 July 2019	89,566	(11,648)	538	2,290	(251)	35,940	116,435	398	116,833
Effects of adopting SFRS(I) 16	-	-	-	-	-	(54)	(54)	-	(54)
Balance as at 1 July 2019, restated	89,566	(11,648)	538	2,290	(251)	35,886	116,381	398	116,779
Total comprehensive income									
Loss for the period	-	-	-	-	-	(11,523)	(11,523)	(12)	(11,535)
Other comprehensive income	-	-	(103)	-	41	-	(62)	27	(35)
Total comprehensive income for the period	-	-	(103)	-	41	(11,523)	(11,585)	15	(11,570)
Transactions with Owners, recorded directly in equity									
Contributions by and distributions to Owners									
Final dividend of 1.00 cent per share in respect of 2019	-	-	-	-	-	(1,671)	(1,671)	-	(1,671)
Final special dividend of 1.00 cent per share in respect of 2019	-	-	-	-	-	(1,671)	(1,671)	-	(1,671)
Total contributions by and distributions to Owners	-	-	-	-	-	(3,342)	(3,342)	-	(3,342)
Changes in ownership interests in subsidiaries									
Capital injection by non-controlling interest	-	-	-	-	-	-	-	1,317	1,317
Acquisition of a subsidiary	-	-	-	-	-	-	-	1,300	1,300
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	2,617	2,617
Total transactions with Owners	-	-	-	-	-	(3,342)	(3,342)	2,617	(725)
Balance as at 31 December 2019	89,566	(11,648)	435	2,290	(210)	21,021	101,454	3,030	104,484

Consolidated Statement of Changes in Equity
For the second quarter and half year ended 31 December 2018

Group	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Total attributable to Owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance as at 1 October 2018	89,566	(11,648)	5,026	2,290	(14)	39,161	124,381	403	124,784
Total comprehensive income									
Profit for the period	-	-	-	-	-	636	636	7	643
Other comprehensive income	-	-	(2,406)	-	(49)	-	(2,455)	(9)	(2,464)
Total comprehensive income for the period	-	-	(2,406)	-	(49)	636	(1,819)	(2)	(1,821)
Transactions with Owners, recorded directly in equity									
Contributions by and distributions to Owners									
Final dividend of 2.00 cents per share in respect of 2018	-	-	-	-	-	(3,342)	(3,342)	-	(3,342)
Final special dividend of 1.00 cent per share in respect of 2018	-	-	-	-	-	(1,671)	(1,671)	-	(1,671)
Total contributions by and distributions to Owners	-	-	-	-	-	(5,013)	(5,013)	-	(5,013)
Total transactions with Owners	-	-	-	-	-	(5,013)	(5,013)	-	(5,013)
Balance as at 31 December 2018	89,566	(11,648)	2,620	2,290	(63)	34,784	117,549	401	117,950
Balance as at 1 July 2018	89,566	(11,648)	5,245	2,290	(1,196)	40,461	124,718	404	125,122
Effects of adopting SFRS(I) 1									
Adjustment to foreign currency translation reserve	-	-	-	-	1,399	(1,399)	-	-	-
Balance as at 1 July 2018, restated	89,566	(11,648)	5,245	2,290	203	39,062	124,718	404	125,122
Total comprehensive income									
Profit for the period	-	-	-	-	-	735	735	6	741
Other comprehensive income	-	-	(2,625)	-	(266)	-	(2,891)	(9)	(2,900)
Total comprehensive income for the period	-	-	(2,625)	-	(266)	735	(2,156)	(3)	(2,159)
Transactions with Owners, recorded directly in equity									
Contributions by and distributions to Owners									
Final dividend of 2.00 cents per share in respect of 2018	-	-	-	-	-	(3,342)	(3,342)	-	(3,342)
Final special dividend of 1.00 cent per share in respect of 2018	-	-	-	-	-	(1,671)	(1,671)	-	(1,671)
Total contributions by and distributions to Owners	-	-	-	-	-	(5,013)	(5,013)	-	(5,013)
Total transactions with Owners	-	-	-	-	-	(5,013)	(5,013)	-	(5,013)
Balance as at 31 December 2018	89,566	(11,648)	2,620	2,290	(63)	34,784	117,549	401	117,950

**Statement of Changes in Equity
For the second quarter and half year ended 31 December 2019**

Company	Share capital \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 October 2019	89,566	306	2,290	16,348	108,510
Total comprehensive income					
Loss for the period	-	-	-	(10,709)	(10,709)
Other comprehensive income	-	129	-	-	129
Total comprehensive income for the period	<u>-</u>	<u>129</u>	<u>-</u>	<u>(10,709)</u>	<u>(10,580)</u>
Transactions with Owners, recorded directly in equity					
Contributions by and distributions to Owners					
Final dividend of 1.00 cent per share in respect of 2019	-	-	-	(1,671)	(1,671)
Final special dividend of 1.00 cent per share in respect of 2019	-	-	-	(1,671)	(1,671)
Total contributions by and distributions to Owners	-	-	-	(3,342)	(3,342)
Total transactions with Owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,342)</u>	<u>(3,342)</u>
Balance as at 31 December 2019	89,566	435	2,290	2,297	94,588
Balance as at 1 July 2019	89,566	538	2,290	16,500	108,894
Total comprehensive income					
Loss for the period	-	-	-	(10,861)	(10,861)
Other comprehensive income	-	(103)	-	-	(103)
Total comprehensive income for the period	<u>-</u>	<u>(103)</u>	<u>-</u>	<u>(10,861)</u>	<u>(10,964)</u>
Transactions with Owners, recorded directly in equity					
Contributions by and distributions to Owners					
Final dividend of 1.00 cent per share in respect of 2019	-	-	-	(1,671)	(1,671)
Final special dividend of 1.00 cent per share in respect of 2019	-	-	-	(1,671)	(1,671)
Total contributions by and distributions to Owners	-	-	-	(3,342)	(3,342)
Total transactions with Owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,342)</u>	<u>(3,342)</u>
Balance as at 31 December 2019	89,566	435	2,290	2,297	94,588

Statement of Changes in Equity
For the second quarter and half year ended 31 December 2018

Company	Share capital \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 October 2018	89,566	5,026	2,290	19,310	116,192
Total comprehensive income					
Loss for the period	-	-	-	(549)	(549)
Other comprehensive income	-	(2,406)	-	-	(2,406)
Total comprehensive income for the period	-	(2,406)	-	(549)	(2,955)
Transactions with Owners, recorded directly in equity					
Contributions by and distributions to Owners					
Final dividend of 2.00 cents per share in respect of 2018	-	-	-	(3,342)	(3,342)
Final special dividend of 1.00 cent per share in respect of 2018	-	-	-	(1,671)	(1,671)
Total contributions by and distributions to Owners	-	-	-	(5,013)	(5,013)
Total transactions with Owners	-	-	-	(5,013)	(5,013)
Balance as at 31 December 2018	89,566	2,620	2,290	13,748	108,224
Balance as at 1 July 2018	89,566	5,245	2,290	19,674	116,775
Total comprehensive income					
Loss for the period	-	-	-	(913)	(913)
Other comprehensive income	-	(2,625)	-	-	(2,625)
Total comprehensive income for the period	-	(2,625)	-	(913)	(3,538)
Transactions with Owners, recorded directly in equity					
Contributions by and distributions to Owners					
Final dividend of 2.00 cents per share in respect of 2018	-	-	-	(3,342)	(3,342)
Final special dividend of 1.00 cent per share in respect of 2018	-	-	-	(1,671)	(1,671)
Total contributions by and distributions to Owners	-	-	-	(5,013)	(5,013)
Total transactions with Owners	-	-	-	(5,013)	(5,013)
Balance as at 31 December 2018	89,566	2,620	2,290	13,748	108,224

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the Company's share capital since the end of the previous period reported on up to the end of the current financial period.

There were no outstanding convertibles, shares held as treasury shares or subsidiary holdings as at 31 December 2019 and 31 December 2018.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	31.12.2019	30.06.2019
Total number of ordinary shares excluding treasury shares	167,128,185	167,128,185

- 1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures in this announcement have not been audited or reviewed by the Company's auditor.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of its financial statements for the current financial period as those of the audited financial statements for the year ended 30 June 2019.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group adopted SFRS(I) 16 *Leases* on 1 July 2019, using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption of the standard recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019, with no restatement of comparative information.

The Group elected to use the transitional practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, at the date of initial application.

Accordingly, the Group recognised ROU assets of \$1,226,000, lease liabilities of \$1,298,000, and a decrease in retained earnings of \$54,000 as at 1 July 2019.

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group		Group	
	2QFY2020	2QFY2019	1HFY2020	1HFY2019
(Loss)/Earnings per share (cents)				
- basic and diluted	<u>(6.99)</u>	<u>0.38</u>	<u>(6.89)</u>	<u>0.44</u>
Weighted average number of shares	<u>167,128,185</u>	<u>167,128,185</u>	<u>167,128,185</u>	<u>167,128,185</u>

Diluted (loss)/earnings per share was the same as basic (loss)/earnings per share as there were no potentially dilutive ordinary shares for both the current financial period and the corresponding period of the immediately preceding financial year.

7. **Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31.12.2019	30.06.2019	31.12.2019	30.06.2019
Net asset value per share (cents)	<u>60.70</u>	<u>69.67</u>	<u>56.60</u>	<u>65.16</u>
Number of shares in issue at end of the financial period	<u>167,128,185</u>	<u>167,128,185</u>	<u>167,128,185</u>	<u>167,128,185</u>

Net asset is defined as total equity less non-controlling interests.

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Performance review

On 16 October 2019, the Group completed the Acquisition of ATPL and had consolidated the results of ATPL as from that date.

2QFY2020 vs 2QFY2019

The Group's revenue of \$12.8 million in 2QFY2020 was 26% lower than \$17.3 million in 2QFY2019. The decline, due mainly to lower equipment sales, was partially offset by the consolidation of ATPL's revenue of \$1.1 million. Gross profit decreased by 34% from \$4.6 million in 2QFY2019 to \$3.0 million in 2QFY2020 and gross profit margin declined from 26% in 2QFY2019 to 24% in 2QFY2020 due to the change in revenue mix.

Other income recorded in 2QFY2020 comprised mainly dividend income from financial assets.

The decrease in the Group's distribution and administrative expenses from \$3.0 million in 2QFY2019 to \$2.6 million in 2QFY2020 was mainly due to lower staff expenses, legal and professional fees and consultancy fees which was partially offset by the consolidation of ATPL's expenses of \$0.2 million.

Higher other expenses of \$11.8 million in 2QFY2020 comprised impairment loss on investment in KIPL and loans extended to and interest receivable from KSPL, aggregating approximately \$11.3 million, and net foreign exchange loss of \$0.5 million.

Higher finance income in 2QFY2020 was mainly due to higher interest rates on fixed deposits.

Finance expense in 2QFY2020 pertained to deemed interest expense on lease liabilities recognised upon the adoption of SFRS(I) 16.

The Group's share of loss of joint ventures was substantially in respect of Kalms.

The Group incurred a loss of \$11.7 million in 2QFY2020 compared to a profit of \$0.6 million in 2QFY2019. Excluding impairment of the investment in KIPL and loans extended to and interest receivable from KSPL, and share of loss of Kalms, the Group recorded a profit in 2QFY2020 of \$0.2 million compared to a profit of \$1.3 million in 2QFY2019.

1HFY2020 vs 1HFY2019

The Group's revenue of \$27.1 million in 1HFY2020 was 6% lower than \$28.7 million in 1HFY2019. The decline, due mainly to lower commission income, was partially offset by the consolidation of ATPL's revenue of \$1.1 million. As a result of the change in revenue mix, gross profit margin declined from 27% in 1HFY2019 to 23% in 1HFY2020 and gross profit decreased from \$7.8 million in 1HFY2019 to \$6.4 million in 1HFY2020.

Other income recorded in 1HFY2020 comprised mainly dividend income from financial assets.

The Group's distribution and administrative expenses in 1HFY2020 and 1HFY2019 were comparable. The lower staff expenses in 1HFY2020 were offset by the consolidation of ATPL's expenses of \$0.2 million.

Higher other expenses of \$11.4 million in 1HFY2020 was due to impairment loss on investment in KIPL and loans extended to and interest receivable from KSPL, aggregating approximately \$11.3 million, and net foreign exchange loss of \$0.1 million.

Higher finance income in 1HFY2020 was mainly due to higher interest rates on fixed deposits.

Finance expense in 1HFY2020 pertained to deemed interest expense on lease liabilities recognised upon the adoption of SFRS(I) 16.

The Group's share of loss of joint ventures was substantially in respect of Kalms.

The Group incurred a loss of \$11.5 million in 1HFY2020 compared to a profit of \$0.7 million in 1HFY2019. Excluding impairment of the investment in KIPL and loans extended to and interest receivable from KSPL, and share of loss of Kalms, the Group recorded a profit in 1HFY2020 of \$0.9 million compared to a profit of \$1.9 million in 1HFY2019.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The actual results was in line with the information on financial impact provided in the announcement released on 16 January 2020 in respect of the Group's restructuring of the vending solutions business.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

In November 2019, the World Semiconductor Trade Statistics released its new semiconductor forecast, a decrease in world semiconductor market in 2019 by 12.8%. For 2020, the overall market was forecasted to grow by 5.9%, with Optoelectronics contributing the highest growth followed by Logic.

Similarly, SEMI's report released in December 2019 stated that its data pointed towards a 7.0% decline in fab equipment investments from 2018 to 2019, albeit a rise in second half of 2019. It had revised its fab equipment investment projections upwards to US\$58 billion for 2020.

In January 2020, the Company announced the cessation of the manufacturer's representative and service provider agreement between its wholly-owned subsidiary, Ellipsiz DSS Pte Ltd ("EDSS"), and Keysight Technologies Singapore (Sales) Pte Ltd ("Keysight") with effect from 1 May 2020. EDSS is in discussions with Keysight regarding the cessation process. It is also evaluating its business strategy to place more emphasis on value adding solutions. The cessation will have an impact on its results for the financial year ending 30 June 2020.

In line with the Group's strategy to expand in the semiconductor and electronics industries, the Group acquired a 51% interest in ATPL, enabling the Group to design and develop its own product portfolio to become an original equipment manufacturing solutions provider. The Group is working on a comprehensive plan to expand ATPL's customer base and revenues through strengthening its organisational platform whilst capitalising on the Group's regional presence.

The Group also announced the restructuring of its vending solutions business on 16 January 2020 through the signing of a restructuring agreement by EIR with KIL, KIPL and EL whereby each of KIL, KIPL and EL shall waive the non-competition restrictions contained in the shareholders' agreement entered into with EIR on 25 May 2018, so that the Group can operate the vending solutions business independently of KIL, KIPL and EL in 9 Southeast Asian countries, namely, Indonesia, Malaysia, Thailand, Philippines, Vietnam, Myanmar, Cambodia, Brunei, and Laos. Contemporaneously, EIR also subscribed for a 60% interest in Indovend Pte Ltd ("Indovend"). The Group intends to penetrate the Indonesia vending market through Indovend and its subsidiary, PT Surya Indovend Jaya (collectively, the "Indovend Group") by distributing intelligent vending machines to businesses in various industries such as food and beverage, leisure and hospitality. This business model requires lower capital commitment compared to the operation of vending machines which is the primary focus of Kalms. The Indovend Group is currently in talks on certain distribution agreements and the Company will provide updates as and when there are material developments. Details on the financial impact of the restructuring are provided in note 1(a)-2 on page 2 and notes 1(b)-5 and 1(b)-7 on page 4.

Whilst the ongoing trade dispute between the US and China as well as uncertainties surrounding future trade disputes with other major countries had contributed to the slowing of the global economy, the recent outbreak and spread of the novel coronavirus have weighed further on markets worldwide. The Group's DSS business has operations in China. However, as the situation is still developing, it is premature at this stage to ascertain the extent of the impact of the coronavirus on the Group's performance. Meanwhile, the Group has taken necessary precautionary measures internally to safeguard the health and safety of its employees, suppliers and customers.

The Group will remain vigilant in conducting its business whilst continuing to look for appropriate opportunities amid these uncertainties.

11. Dividend.

(a) Current Financial Period Reported On.

No dividend has been declared for the current financial period report on.

(b) Corresponding Period of the Immediately Preceding Financial Year.

Name of dividend	Interim
Dividend type	Cash
Dividend rate	0.5 cent per ordinary share
Tax rate	Tax exempt (one-tier)

(c) Date payable.

Not applicable.

(d) Book closure date.

No applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for 1HFY2020 in consideration of capital needed for the Group's new as well as future investments.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

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

14. Confirmation by Board pursuant to Rule 705(5) of the Listing Manual.

The Directors of the Company hereby confirm to the best of their knowledge that nothing has come to the attention of the Board of Directors which may render the interim financial statements for the second quarter ended 31 December 2019 to be false or misleading in any material respect.

On behalf of the Board of Directors

Chng Hee Kok
Chairman

Kelvin Lum Wen-Sum
Chief Executive Officer

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual.

By order of the Board
CHOW CHING SIAN
JOHNIE TAN WEE LIANG
Company Secretaries
6 February 2020