

## Financial Statements and Related Announcement::Second Quarter and/ or Half Yearly Results

## Issuer &amp; Securities

<b>Issuer/ Manager</b>	CAPTII LIMITED
<b>Securities</b>	CAPTII LIMITED - SG1P16916402 - U18
<b>Stapled Security</b>	No

## Announcement Details

<b>Announcement Title</b>	Financial Statements and Related Announcement
<b>Date &amp; Time of Broadcast</b>	14-Aug-2014 17:33:11
<b>Status</b>	New
<b>Announcement Sub Title</b>	Second Quarter and/ or Half Yearly Results
<b>Announcement Reference</b>	SG1408140THRFAE6
<b>Submitted By (Co./ Ind. Name)</b>	Anton Syazi Ahmad Sebi
<b>Designation</b>	Chief Executive Officer & Executive Director
<b>Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)</b>	Please see attached.

## Additional Details

<b>For Financial Period Ended</b>	30/06/2014
<b>Attachments</b>	<a href="#">@CaptiiLimited_FinancialResultsQ22014.pdf</a> Total size =427K

Second Quarter Financial Statements and Dividend Announcement  
for the Period Ended 30 June 2014

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3 & Q4), HALF-YEAR AND FULL YEAR RESULTS

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

Set out below are the financial statements for the second quarter ended 30 June 2014

Consolidated Statement of Comprehensive Income

	Group			Group		
	Quarter ended 30 June			6 months ended 30 June		
	Q2 2014	Q2 2013	Inc/(dec)	2014	2013	Inc/(dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	6,262	4,927	27.1	11,337	8,947	26.7
Cost of Sales	(3,631)	(2,167)	67.6	(6,399)	(3,883)	64.8
Gross profit	2,631	2,760	(4.7)	4,938	5,064	(2.5)
Other Items of Income:						
Interest Income	60	84	(28.3)	132	258	(48.8)
Other Credits	2	12	(87.4)	67	33	104.5
Other Items of Expense:						
Technical Support Expenses	(849)	(829)	2.5	(1,793)	(1,610)	11.3
Distribution Costs	(590)	(734)	(19.6)	(1,215)	(1,331)	(8.7)
Administrative Expenses	(528)	(505)	4.5	(1,067)	(1,089)	(2.1)
Other Charges	(83)	(3)	2,653.7	(16)	(8)	103.6
Finance Costs	-	-	0.0	-	(1)	(100.0)
Profit Before Income Tax	643	785	(18.1)	1,046	1,316	(20.5)
Income Tax Expenses	(123)	(167)	(26.1)	(199)	(242)	(17.6)
Profit, Net of Tax	520	618	(15.8)	847	1,074	(21.1)
Profit, Net of Tax, Attributable to:						
Owners of the Company	445	436	2.0	784	802	(2.2)
Non-Controlling Interest	75	182	(58.5)	63	272	(76.7)
Profit, Net of Tax	520	618	(15.8)	847	1,074	(21.1)

Consolidated Statement of Comprehensive Income

	Group			Group		
	Quarter ended 30 June			6 months ended 30 June		
	Q2 2014	Q2 2013	Inc/(dec)	2014	2013	Inc/(dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit, Net of Tax	520	618	(15.8)	847	1,074	(21.1)
Other Comprehensive Income:						
Item that may be reclassified subsequently to profit or loss:						
Exchange Differences on Translating Foreign Operations, Net of Tax	184	52	254.3	198	153	29.6
Total Comprehensive Income for the Period	704	670	5.1	1,045	1,227	(14.9)
Total Comprehensive Income for the Period Attributable to:						
Owners of the Company	629	618	1.8	981	954	2.9
Non-Controlling interest	75	52	45.2	64	273	(76.5)
Total Comprehensive Income for the Period	704	670	5.1	1,045	1,227	(14.9)

1(a)(ii) Notes to Statement of Comprehensive Income

	Group			Group		
	Quarter ended 30 June			6 months ended 30 June		
	Q2 2014	Q2 2013	Inc/(dec)	2014	2013	Inc/(dec)
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Profit before income tax is stated after (charging)/crediting the following items:						
Foreign Exchange (Loss)/Gain, net	(73)	11	(765)	(2)	28	(106.5)
Amortisation of Intangible Assets	(288)	(295)	(3)	(574)	(577)	(0.4)
Depreciation of Plant and Equipment	(117)	(240)	(51)	(240)	(468)	(48.4)
Impairment Loss on Receivables	-	-	-	-	(2)	(100.0)
Plant and Equipment Written-Off	(6)	(1)	490	(6)	(1)	490.0
Components of tax expense recognised in profit and loss include:						
Current Tax Expenses	(67)	(94)	(29)	(126)	(165)	(23.9)
Under adjustments in respect of prior years	(14)	-	(100)	(14)	3	(568.5)
Overseas Withholding Tax Expenses	(43)	(72)	100	(60)	(80)	(25.3)

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

	Group	Group	Company	Company
	As at	As at	As at	As at
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Plant and Equipment	1,467	1,334	-	-
Investment Property	3,458	3,438	-	-
Intangible Assets	15,464	15,753	-	-
Investments in Subsidiaries	-	-	32,734	32,734
Deferred Tax assets	19	19	-	-
<b>Total Non-Current Assets</b>	<b>20,408</b>	<b>20,544</b>	<b>32,734</b>	<b>32,734</b>
<b>Current assets</b>				
Inventories	25	3	-	-
Trade and Other Receivables	9,981	7,909	4,254	4,529
Other Assets	354	536	24	3
Cash and Cash Equivalents	11,251	11,254	21	22
<b>Total Current Assets</b>	<b>21,611</b>	<b>19,702</b>	<b>4,299</b>	<b>4,554</b>
<b>Total Assets</b>	<b>42,019</b>	<b>40,246</b>	<b>37,033</b>	<b>37,288</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share Capital	31,948	31,948	31,948	31,948
Retained Earnings	6,018	5,234	4,470	4,630
Foreign Currency Translation Reserve	(3,412)	(3,609)	-	-
Equity, Attributable to Owners of the Parent	34,554	33,573	36,418	36,578
Non-Controlling Interest	1,456	1,392	-	-
<b>Total Equity</b>	<b>36,010</b>	<b>34,965</b>	<b>36,418</b>	<b>36,578</b>
<b>Non-Current Liabilities</b>				
Deferred Tax Liabilities	16	16	-	-
<b>Total Non-Current Liabilities</b>	<b>16</b>	<b>16</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>				
Income Tax Payables	106	108	-	-
Trade and Other Payables	5,570	4,803	615	710
Other Liabilities	317	354	-	-
<b>Total Current Liabilities</b>	<b>5,993</b>	<b>5,265</b>	<b>615</b>	<b>710</b>
<b>Total Liabilities</b>	<b>6,009</b>	<b>5,281</b>	<b>615</b>	<b>710</b>
<b>Total Equity and Liabilities</b>	<b>42,019</b>	<b>40,246</b>	<b>37,033</b>	<b>37,288</b>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

As at 30 June 2014, the Group did not have borrowings and debt securities.

Details of any collateral

The Company has issued a financial guarantee to a bank for banking facilities granted to its subsidiary. The banking facilities are secured by fixed deposits of the subsidiary amounting to approximately S\$321,000 (2013: S\$364,000), a personal guarantee of a director of the subsidiary and corporate guarantee of the Company of RM1,530,000 (equivalent to S\$596,000 (2013: S\$590,000)). The Company has not recognised any liability in respect of the guarantee given to the bank for banking facilities granted to its subsidiary as the management has assessed that the likelihood of the subsidiary defaulting on repayment of its facility is remote.

As at the end of the financial period, there were no outstanding facilities covered by the guarantee (2013: Nil). The financial guarantee requires the guarantor to reimburse the bank if the subsidiary fails to make principal or interest repayments when due in accordance with the terms of the facility. There has been no default or non-repayment since the utilisation of the banking facilities.

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 Flow**

	Group			
	6 months ended 30 June			
	Q2 2014	Q2 2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Operating activities:</b>				
Profit Before Income Tax	643	785	1,046	1,316
Adjustments for:				
Amortisation of Intangible Assets	288	296	574	577
Depreciation of Plant and Equipment	117	240	240	466
Plant and Equipment Written-Off	6	1	6	1
Impairment Loss on Receivables	-	-	-	2
Interest Expense	-	-	-	1
Interest Income	(60)	(84)	(132)	(258)
<b>Operating Cash Flow before Changes in Working Capital</b>	<b>994</b>	<b>1,238</b>	<b>1,734</b>	<b>2,105</b>
Inventories	(22)	(90)	(24)	(125)
Trade and Other receivables	(13)	537	(2,071)	470
Other Assets	181	96	182	(113)
Trade and Other payables	510	(149)	1,751	(391)
Other Liabilities	3	406	(37)	595
<b>Net Cash Flows From Operations</b>	<b>1,653</b>	<b>2,038</b>	<b>1,535</b>	<b>2,541</b>
Income Tax Paid	(132)	(76)	(260)	(203)
Interest Expenses Paid	-	-	-	(1)
<b>Net Cash Flows From Operating Activities</b>	<b>1,521</b>	<b>1,962</b>	<b>1,275</b>	<b>2,337</b>
<b>Cash Flows From Investing Activities:</b>				
Purchase of Plant and Equipment	(294)	(13)	(374)	(91)
Payment of Contingent Consideration	(923)	(1,306)	(923)	(1,306)
Payment for Development Costs	(108)	(238)	(176)	(455)
Cash Restricted in Use	2,451	1,562	2,433	1,442
Interest Income Received	60	84	132	258
<b>Net Cash Flows From/(Used In) Investing Activities</b>	<b>1,186</b>	<b>89</b>	<b>1,092</b>	<b>(152)</b>
<b>Cash Flows From Financing Activities:</b>				
Cash Restricted in Use	(4)	-	43	-
Proceeds from Interest Bearing Borrowings	-	234	-	234
Repayment of Interest Bearing Borrowings	-	(234)	-	(234)
<b>Net Cash Flows From Financing Activities</b>	<b>(4)</b>	<b>-</b>	<b>43</b>	<b>-</b>

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. (continued)

	Group			
	Q2 2014		Q2 2013	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
Net Change in Cash and Cash Equivalents	2,703	2,051	2,410	2,185
Cash and Cash Equivalents at Beginning of the Financial Year (Note 1)	8,135	7,873	8,453	7,755
Effect of Exchange Rate Changes On Cash and Cash Equivalents	56	(7)	31	(23)
Cash and Cash Equivalents At End of the Financial Period (Note 1)	10,894	9,917	10,894	9,917

Explanatory Notes:

Note 1

	Group	
	6 months ended 30 June	
	2014	2013
	S\$'000	S\$'000
Cash and bank balances per statement of financial position	11,251	12,686
Less: Restricted Deposits	(357)	(2,769)
Cash and cash equivalents per consolidated statement of cash flows	10,894	9,917

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.

Statement of Changes in Equity for the Second Quarter ended 30 June 2014

	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained earnings	Foreign Currency Translation Reserve	Non-Controlling Interests
Current Quarter						
<b>Group</b>						
Opening Balance at 1 April 2014	35,306	33,925	31,948	5,573	(3,596)	1,381
Total Comprehensive Income for the financial period	704	629	-	445	184	75
Closing Balance at 30 June 2014	36,010	34,554	31,948	6,018	(3,412)	1,456
<b>Company</b>						
Opening Balance at 1 April 2014	36,488	36,488	31,948	4,540	-	-
Total Comprehensive Loss for the financial period	(70)	(70)	-	(70)	-	-
Closing Balance at 30 June 2014	36,418	36,418	31,948	4,470	-	-

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. (continued)

**Statement of Changes in Equity for the Second Quarter ended 30 June 2013**

	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained earnings	Foreign Currency Translation Reserve	Non-Controlling Interests
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Previous Quarter</b>						
<b>Group</b>						
Opening Balance at 1 April 2013	36,256	34,671	31,948	5,218	(2,495)	1,585
Total Comprehensive Income for the financial period	670	488	-	436	52	182
Closing Balance at 30 June 2013	36,926	35,159	31,948	5,654	(2,443)	1,767
<b>Company</b>						
Opening Balance at 1 April 2013	37,177	37,177	31,948	5,229	-	-
Total Comprehensive Income for the financial period	1,420	1,420	-	1,420	-	-
Closing Balance at 30 June 2013	38,597	38,597	31,948	6,649	-	-

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.

**Statements of Changes in Equity for the six months ended 30 June 2014**

	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained earnings	Foreign Currency Translation Reserve	Non-Controlling Interests
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Current Period:</b>						
<b>Group</b>						
Opening Balance at 1 January 2014	34,965	33,573	31,948	5,234	(3,609)	1,392
Total Comprehensive Income for the financial period	1,045	981	-	784	197	64
Closing Balance at 30 June 2014	36,010	34,554	31,948	6,018	(3,412)	1,456
<b>Company</b>						
Opening Balance at 1 January 2014	37,303	37,303	31,948	5,355	-	-
Total Comprehensive Loss for the financial period	(885)	(885)	-	(885)	-	-
Closing Balance at 30 June 2014	36,418	36,418	31,948	4,470	-	-

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. (continued)

**Statements of Changes in Equity for the six months ended 30 June 2013**

	Total Equity	Attributable to Parent Sub-total	Share Capital	Retained earnings	Foreign Currency Translation Reserve	Non- Controlling Interests
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Previous Period:</b>						
<b>Group</b>						
Opening Balance at 1 January 2013	35,699	34,205	31,948	4,852	(2,595)	1,494
Total Comprehensive Income for the financial period	1,227	954	-	802	152	273
Closing Balance at 30 June 2013	36,926	35,159	31,948	5,654	(2,443)	1,767
<b>Company</b>						
Opening Balance at 1 January 2013	37,303	37,303	31,948	5,355	-	-
Total Comprehensive Income for the financial period	1,294	1,294	-	1,294	-	-
Closing Balance at 30 June 2013	38,597	38,597	31,948	6,649	-	-

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 financial year reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

None



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 preceding year.

	Company	
	As at 30/6/2014	As at 31/12/2013
Ordinary shares	319,572,675	319,572,675

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

Not applicable.

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

These figures have neither been audited nor reviewed.

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.

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current period as those applied in their audited financial statements for the year ended 31 December 2013.

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.

Not applicable.

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	
	Quarter ended 30 June		6 months ended 30 June	
	2014	2013	2014	2013
	cents	cents	cents	cents
Based on the weighted average number of ordinary shares on issue <sup>(1)</sup>	0.14	0.14	0.25	0.25
On fully diluted basis (detailing any adjustments made to the earnings) <sup>(2)</sup>	n.a	n.a	n.a	n.a

n.a.: not applicable

<sup>(1)</sup> For comparative purposes, the earnings per ordinary share of the Group has been computed based on the profit, net of tax from the financial statements of the relevant financial period and the weighted average number of ordinary shares issued of 319,572,675 shares for quarter ended 30 June 2014 and 2013.

<sup>(2)</sup> Diluted earnings per share have not been calculated as no diluting events existed during these periods. No share options were granted to any employees during these periods.

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.

	As at 30/6/2014		As at 31/12/2013	
	Group cents	Company cents	Group cents	Company cents
Net asset value per ordinary share <sup>(1)</sup>	10.81	11.40	10.51	11.45

<sup>(1)</sup> The net asset value per ordinary share of the Group and the Company has been computed based on the net asset value of the Group and the Company at the relevant financial period/year end and the existing issued share capital of 319,572,675 shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

#### Review of results for the second quarter ended 30 June 2014 as compared to corresponding quarter ended 30 June 2013

##### *Group Revenue*

The Group achieved consolidated revenue of S\$6.262 million for the quarter ended 30 June 2014 ("Q2 2014"), an increase of 27.1% against the revenue recorded in the corresponding quarter ended 30 June 2013 ("Q2 2013"). The increase in Group revenue for Q2 2014 is attributable to the improved revenue performance of OSS and VAS BUs.

OSS BU closed the quarter with revenue of S\$2.847 million in Q2 2014, an increase of 88.8% from the S\$1.508 million recorded in Q2 2013. This increase in revenue was largely due to the higher system sale contract revenues realised by OSS BU in the SEA region.

VAS BU posted revenue of S\$1.854 million, an increase of 17.3% on the S\$1.581 million recorded in Q2 2013. This increase was driven primarily by the higher managed service contract revenues generated by VAS BU in the MEA and SEA regions.

TECH BU recorded revenue of S\$1.5 million in Q2 2014, a decline of 15.5% from the S\$1.775 million recorded in Q2 2013. This decline in revenue is mainly attributable to the lower system sale and managed service contract revenues recorded in the SEA region.

OHQ BU continued to contribute to Group revenue with S\$0.061 million in rental income from the investment property acquired in early 2011.

The Group's sales mix in Q2 2014 showed a decrease in the proportionate contribution of revenue of a recurring nature, with revenue from managed service contracts representing 58.1% of the Group's total revenue in Q2 2014 as compared to 71.0% in Q2 2013. The lower contribution of managed service contracts to the Group's sales mix in the current quarter is mainly attributable to the improvement in system sale contract revenues of the Group, which had risen 83.6% from S\$1.429 million in Q2 2013 to S\$2.624 million in Q2 2014.

##### *Group Gross Profit and Gross Profit Margins*

Although Group revenue was higher in Q2 2014, gross profit was lower at S\$2.631 million in Q2 2014 as compared to S\$2.76 million in Q2 2013. This was primarily due to the lower gross profit margin realised on the Group's system sale contract revenues, which showed a decline from 55.4% in Q2 2013 to 21.4% in Q2 2014. This decline in gross profit margin is mainly attributable to the higher proportionate contribution of system sale contracts by OSS BU, which generally deliver lower gross profit margin as a result of its typically higher third-party component costs.

The gross profit margin recorded by the Group on its managed service contract revenues increased marginally to 56.9% in Q2 2014 from 56.3% in Q2 2013. This increase in gross profit margin was primarily due to decline in depreciation costs, following the full impairment provision being set aside on certain managed service contract assets in late 2013.

##### *Interest Income*

The Group recorded interest income of S\$0.06 million in Q2 2014, 28.3% lower than the S\$0.084 million achieved in Q2 2013, mainly attributable to the withdrawal of interest-bearing deposits held in escrow in connection with contingent consideration for the acquisition of 60% equity interest in Ahead Mobile Sdn Bhd ("AMSB"). The withdrawal of interest-bearing deposits is relates to payment of tranche 3 of contingent consideration being made in Q2 2014.

##### *Other Items of Expense*

The Group recorded total expenses of S\$2.05 million in Q2 2014, 1.0% lower than the S\$2.071 million incurred in Q2 2013. This decline in total expenses is attributable mainly to a 19.6% decline in distribution costs from S\$0.734 million in Q2 2013 to S\$0.59 million in Q2 2014. The decline in distribution costs is a result of lower sales and business development expenses of the Group.

##### *Group Net Profit and EBITDA*

The Group recorded lower net profit of S\$0.52 million and EBITDA of S\$0.988 million in Q2 2014 as compared to the S\$0.618 million in net profit and S\$1.237 million in EBITDA achieved by the Group in Q2 2013. The lower net profit and EBITDA results recorded in Q2 2014 are mainly attributable to the flow-down effect of lower gross profit margin recorded in Q2 2014.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (continued)

**Review of results for the second quarter ended 30 June 2014 as compared to corresponding quarter ended 30 June 2013 (continued)**

**Detailed Segmental Breakdown of Group Revenue and Gross Profit**

The detailed segmental breakdown of the Group's revenue and gross profit for Q2 2014, together with comparative results for Q2 2013, is provided below:

**Table 8.1: Group consolidated revenue as analysed by business unit for the quarter ended 30 June**

	Q2 2014 S\$'000	Sales mix %	Q2 2013 S\$'000	Sales mix %
Mobile Technology (TECH BU)	1,500	24.0	1,775	36.0
Mobile Value-Added-Services (VAS BU)	1,854	30.6	1,581	32.1
Operation Support Systems (OSS BU)	2,847	45.5	1,508	30.6
Operational Headquarters (OHQ BU)	61	1.0	63	1.3
<b>Total</b>	<b>6,262</b>	<b>100.0</b>	<b>4,927</b>	<b>100.0</b>

**Table 8.2: Group consolidated revenue as analysed by geographical segment for the quarter ended 30 June**

External Sales	Q2 2014				
	TECH S\$'000	VAS S\$'000	OSS S\$'000	OHQ S\$'000	Group S\$'000
South East Asia (SEA)	1,497	1,239	2,842	61	5,639
South Asia (SA)	-	286	-	-	286
Middle East & Africa (MEA)	-	329	-	-	329
Others	3	-	5	-	8
<b>Total</b>	<b>1,500</b>	<b>1,854</b>	<b>2,847</b>	<b>61</b>	<b>6,262</b>

External Sales	Q2 2013				
	TECH S\$'000	VAS S\$'000	OSS S\$'000	OHQ S\$'000	Group S\$'000
SEA	1,768	1,046	1,503	63	4,380
SA	-	343	-	-	343
MEA	4	192	-	-	196
Others	3	-	5	-	8
<b>Total</b>	<b>1,775</b>	<b>1,581</b>	<b>1,508</b>	<b>63</b>	<b>4,927</b>

**Table 8.3: Group consolidated revenue as analysed by contract type for the quarter ended 30 June**

External Sales	Q2 2014			Q2 2013		
	System Sale <sup>(1)</sup>	Managed Service <sup>(2)</sup>	Group	System Sale <sup>(1)</sup>	Managed Service <sup>(2)</sup>	Group
Revenue	2,624	3,638	6,262	1,429	3,498	4,927
Gross Profit	562	2,069	2,631	792	1,968	2,760
Gross Profit (%)	21.4%	56.9%	42.0%	55.4%	56.3%	56.0%

(1) System Sale – this refers to contracts that involve the outright purchase by customers of systems comprising the Group's products and technologies, and where these systems are in turn delivered as turnkey solutions. The scope of work for a system sale contract includes system design, implementation, testing and commissioning services.

(2) Managed Service – this refers to contracts that involve the provision of both systems comprising the Group's products and technologies as well as the Group's professional services, on a recurring, revenue sharing, software-as-a-service, pay-per-use or monthly or quarterly fixed and variable fee basis. Also treated as a managed service contract are system maintenance and technical support contracts with existing customers of the Group.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (continued)

#### Review of results for the six months ended 30 June 2014 as compared to corresponding period ended 30 June 2013

##### *Revenue*

The Group achieved consolidated revenue of S\$11,337 million for the six months ended 30 June 2014 ("6M 2014"), an increase of 26.7% against the revenue recorded in the corresponding period of 2013 ("Q2 2013"). The increase in Group revenue for 6M 2014 is attributable to the improved revenue performance of OSS and VAS BUs.

OSS BU closed the six months with revenue of S\$4.627 million in 6M 2014, an increase of 92.8% from the S\$2.4 million recorded in 6M 2013. This increase in revenue was largely due to the higher system sale contract revenues realised by OSS BU in the SEA region.

VAS BU posted revenue of S\$3.623 million, an increase of 14.0% on the S\$3.177 million recorded in 6M 2013. This increase was driven primarily by the higher system sale and managed service contract revenues generated by VAS BU in the MEA and SEA regions respectively.

TECH BU recorded revenue of S\$2.965 million in 6M 2014, a decline of 8.6% from the S\$3.244 million recorded in 6M 2013. This decline in revenue is mainly attributable to the lower system sale and managed service contract revenues in the SEA region.

OHQ BU continued to contribute to Group revenue with S\$0.12 million in rental income from the investment property acquired in early 2011.

The Group's sales mix in 6M 2014 showed a decrease in the proportionate contribution of revenue of a recurring nature, with revenue from managed service contracts representing 59.9% of the Group's total revenue in 6M 2014 as compared to 76% in 6M 2013. The lower contribution of managed service contracts to the Group's sales mix in the current quarter is mainly attributable to the improvement in system sale contract revenues of the Group, which had risen 111.9% from S\$2.146 million in 6M 2013 to S\$4.549 million in 6M 2014.

##### *Gross Profit and Gross Profit Margins*

Although Group revenue was higher in 6M 2014, gross profit was lower at S\$4.938 million in 6M 2014 as compared to S\$5.064 million in 6M 2013. This was primarily due to the lower gross profit margin realised on the Group's system sale contract revenues, which showed a decline from 59.2% in 6M 2013 to 27.3% in 6M 2014. This decline in gross profit margin is mainly attributable to the higher proportionate contribution of system sale contracts by OSS BU, which generally deliver lower gross profit margin as a result of its typically higher third-party component costs.

The gross profit margin recorded by the Group on its managed service contract revenues decreased to 54.4% in 6M 2014 from 55.8% in 6M 2013. This decrease in gross profit margin was primarily due to higher third-party costs on certain managed service contracts, coupled with the lower revenue contribution of certain mature, higher-margin managed service contracts. This impact of lower gross profit margin on managed service contract revenues was however partly mitigated by the decline in depreciation costs, following the full impairment provision being set aside on certain managed service contract assets in late 2013.

##### *Interest Income*

The Group recorded interest income of S\$0.132 million in 6M 2014, 48.8% lower than the S\$0.258 million achieved in 6M 2013, mainly attributable to the withdrawal of interest-bearing deposits held in escrow in connection with contingent consideration for the acquisition of 60% equity interest in AMSB. The withdrawal of interest-bearing deposits is a result of payment of tranche 2 and 3 of contingent consideration in 2013 and 2014 respectively.

##### *Other Credits*

The Group achieved higher other credits of S\$0.067 million in 6M 2014, an increase of 103.0% on the S\$0.033 million recorded in 6M 2013. This increase is mainly attributable to a cash incentive received from the Singapore tax authority on certain plant and equipment invested by a subsidiary in Singapore.

##### *Other Items of Expense*

The Group recorded total expenses of S\$4.092 million in 6M 2014, 1.3% higher than the S\$4.039 million incurred in 6M 2013. This increase in total expenses is attributable mainly to a 11.4% increase in technical support expenses from S\$1.61 million in 6M 2013 to S\$1.794 million in 6M 2014. The increase in technical support expenses is a result of an expansion in the technical staff headcount of the Group, coupled with reduced investment in product development that is reflected in the lower rate of capitalisation of technical support resource costs into intellectual property.

The impact of higher technical support expenses was however partly mitigated by lower distribution costs recorded in 6M 2014, which related to the lower sales and business development expenses of the Group.

##### *Net Profit and EBITDA*

The Group recorded lower net profit of S\$0.847 million and EBITDA of S\$1.728 million in 6M 2014 as compared to the S\$1.074 million in net profit and S\$2.102 million in EBITDA achieved by the Group in 6M 2013. The lower net profit and EBITDA results recorded in 6M 2014 are mainly attributable to the flow-down effect of lower gross profit margin and higher technical support expenses recorded in 6M 2014.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (continued)

**Review of results for the six months ended 30 June 2014 as compared to corresponding period ended 30 June 2013 (continued)**

**Detailed Segmental Breakdown of Group Revenue and Gross Profit**

The detailed segmental breakdown of the Group's revenue and gross profit for 6M 2014, together with comparative results for 6M 2013 is provided below:

**Table 8.4: Group consolidated revenue as analysed by business unit for the six months ended 30 June**

	2014 S\$'000	Sales mix %	2013 S\$'000	Sales mix %
Mobile Technology (TECH BU)	2,965	26.1	3,244	36.3
Mobile Value-Added-Services (VAS BU)	3,623	32.0	3,177	35.5
Operation Support Systems (OSS BU)	4,627	40.8	2,400	26.8
Operational Headquarters (OHQ BU)	122	1.1	126	1.4
<b>Total</b>	<b>11,337</b>	<b>100.0</b>	<b>8,947</b>	<b>100.0</b>

**Table 8.5: Group consolidated revenue as analysed by geographical segment for the six months ended 30 June**

External Sales	2014				
	TECH S\$'000	VAS S\$'000	OSS S\$'000	OHQ S\$'000	Group S\$'000
South East Asia (SEA)	2,960	2,305	4,616	122	10,003
South Asia (SA)	-	563	-	-	563
Middle East & Africa (MEA)	-	755	-	-	755
Others	5	-	11	-	16
<b>Total</b>	<b>2,965</b>	<b>3,623</b>	<b>4,627</b>	<b>122</b>	<b>11,337</b>

External Sales	2013				
	TECH S\$'000	VAS S\$'000	OSS S\$'000	OHQ S\$'000	Group S\$'000
SEA	3,235	1,965	2,381	126	7,707
SA	-	693	9	-	702
MEA	4	519	-	-	523
Others	5	-	10	-	15
<b>Total</b>	<b>3,244</b>	<b>3,177</b>	<b>2,400</b>	<b>126</b>	<b>8,947</b>

**Table 8.6: Group consolidated revenue as analysed by contract type for the six months ended 30 June**

External Sales	2014			2013		
	System Sale <sup>(1)</sup>	Managed Service <sup>(2)</sup>	Group	System Sale <sup>(1)</sup>	Managed Service <sup>(2)</sup>	Group
Revenue	4,549	6,788	11,337	2,146	6,801	8,947
Gross Profit	1,244	3,694	4,938	1,271	3,793	5,064
Gross Profit (%)	27.3%	54.4%	43.6%	59.2%	55.8%	56.6%

(1) System Sale – this refers to contracts that involve the outright purchase by customers of systems comprising the Group's products and technologies, and where these systems are in turn delivered as turnkey solutions. The scope of work for a system sale contract includes system design, implementation, testing and commissioning services.

(2) Managed Service – this refers to contracts that involve the provision of both systems comprising the Group's products and technologies as well as the Group's professional services, on a recurring, revenue sharing, software-as-a-service, pay-per-use or monthly or quarterly fixed and variable fee basis. Also treated as a managed service contract are system maintenance and technical support contracts with existing customers of the Group.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (continued)

**Review of the Group's financial position as at 30 June 2014 as compared to the Group's financial position as at 31 December 2013**

Non-cash current assets of the Group increased to S\$10.36 million as at 30 June 2014 from S\$8.448 million as at 31 December 2013. This 22.6% increase of S\$1.912 million was mainly due to the increase in trade and other receivables as a result of the 26.7% rise in revenue being achieved by the Group. In addition, the delay in collection from one of the Group's major customers, payment from whom was only received subsequent to 30 June 2014, also contributed to the higher receivables balance as at 30 June 2014.

Total non-current assets of the Group decreased from S\$20.544 million as at 31 December 2013 to S\$20.408 million as at 30 June 2014. This 0.6% marginal decrease is attributable to the effect of ongoing depreciation and amortisation charges on plant and equipment and the intangible assets of the Group.

Total liabilities of the Group increased from S\$5.281 million as at 31 December 2013 to S\$6.009 million as at 30 June 2014. This 13.8% increase of S\$0.728 million was mainly due to an increase in trade and other payables corresponding to the higher cost of sales incurred by the Group in 6M 2014.

**Review of the Group's cash flow for the quarter and six months ended 30 June 2014 as compared to the corresponding period ended 30 June 2013**

The Group's net cash flows from operations for Q2 2014 was S\$1.653 million, as compared to S\$2.038 million for Q2 2013, a decrease of 18.9%. This decrease was mainly due to the lower operating cash flow before changes in working capital of S\$1.238 million for Q2 2013 versus S\$0.994 million for Q2 2014. The 19.7% lower operating cash flow is mainly attributable to the lower operating profit recorded.

The Group's net cash flows from operations for 6M 2014 was S\$1.535 million, a decline of 39.6% as compared to S\$2.541 million for 6M 2013. This decline is mainly attributable to the delay in receivables collection from one of the Group's major customers as explained above. This delay was however temporary as payment was received subsequent to 30 June 2014.

The Group's net cash flows from investing activities for Q2 2014 amounted to S\$1.186 million as compared to S\$0.089 million for Q2 2013. This higher net cash from investing activities is mainly attributable to withdrawal of interest-bearing deposit amounted to S\$2.5 million in Q2 2014, as compared to the lower withdrawal amount of S\$1.6 million in Q2 2013. Both of these withdrawals are related to the deposit in an escrow account that served as contingent consideration payable for the acquisition of AMSB. The higher withdrawal amount in Q2 2014 is in connection with the final payment of contingent consideration (tranche 3) made in Q2 2014.

The Group's net cash flows from investing activities for 6M 2014 was S\$1.092 million, in contrast with the net cash flows used in investing activities of S\$0.152 million for 6M 2013. This significant change is mainly attributable to the same factors as explained above.

The Group's net cash flows from financing activities for 6M 2014 amounted to S\$0.043 million (6M 2013: Nil), and relates to the withdrawal of a deposit previously pledged by a subsidiary with a bank for increasing its existing banking facilities' limit. The said limit increase is no longer required in view of the subsidiary's current operational and working capital requirements.

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

No profit forecast has been issued for the financial period under review.

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.

The directors and management of the Group expect the remainder of the 2014 financial year to continue to be challenging.

The relatively soft system sale market conditions for TECH and VAS BUs is anticipated to persist in second half 2014. This is however expected to be counterbalanced by progress in growing the managed services contract portfolio of the Group. The number of revenue sharing contracts under VAS BU is expected to increase substantially over the next two financial years, driven by utility-focused application services. The full impact of these new contracts on Group financial performance is expected to be realised in second half of 2014 and beyond.

With the ramping up of internet usage - especially the mobile broadband variety - in the SEA and SA regions over the past two years expected to continue as mobile internet devices become more affordable, the directors and management of the Group anticipate that internet-delivered application services and mobile and digital advertising solutions will continue to offer strong growth potential. The Group's acquisition and strategic investment plan in the year ahead will focus primarily on these growth businesses in the SEA and SA regions.

**11. Dividend**

**(a) Current Financial Year Reported On**

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per share (in cents)	0.2 Singapore Cents per ordinary share
Tax Rate	Tax-exempt (one-tier)

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

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per share (in cents)	0.2 Singapore Cents per ordinary share
Tax Rate	Tax-exempt (one-tier)

**(c) Date payable**

To be announced at a later date.

**(d) Books closure date**

To be announced at a later date.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. Interested Person Transactions

Name of the Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	6 months ended 30 June		6 months ended 30 June	
	2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
AESBI Power Systems Sdn Bhd *	133	136	Nil	Nil

\* A wholly-owned subsidiary of Advance Synergy Capital Sdn. Bhd. (a wholly-owned subsidiary of Advance Synergy Berhad, the Group's ultimate holding corporation)

The Group does not require any shareholders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable.

16. A breakdown of sales.

Not applicable.

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

Not applicable.

19. Negative Confirmation pursuant to rule 705(5).

We, Wong Tze Leng and Anton Syazi Ahmad Sebi, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the financial period ended 30 June 2014 to be false or misleading.

On behalf of the Board of Directors

Wong Tze Leng  
Executive Chairman

Anton Syazi Ahmad Sebi  
Chief Executive Officer

BY ORDER OF THE BOARD

Anton Syazi Ahmad Sebi  
Chief Executive Officer  
14 August 2014