

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


Issuer & Securities

Issuer/ Manager	CAPTII LIMITED
Securities	CAPTII LIMITED - SG1BA0000004 - AWW
Stapled Security	No

Announcement Details

Announcement Title	Financial Statements and Related Announcement
Date & Time of Broadcast	14-Aug-2018 17:08:02
Status	New
Announcement Sub Title	Second Quarter and/ or Half Yearly Results
Announcement Reference	SG180814OTHRJQ8S
Submitted By (Co./ Ind. Name)	Wong Tze Leng
Designation	Executive Chairman
Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)	Please see attached.

Additional Details

For Financial Period Ended	30/06/2018
Attachments	 CL_SGX_Fnancial Results Q2 2018.pdf Total size =359K

CAPTII LIMITED
(Incorporated in the Republic of Singapore)
(Company registration no.: 200211129W)

Second Quarter Financial Statements and Dividend Announcement
for the Period Ended 30 June 2018

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 2018

Consolidated Statement of Comprehensive Income

	Group			Group		
	Quarter ended 30 June			6 months ended 30 June		
	Q2 2018	Q2 2017	Inc/(dec)	2018	2017	Inc/(dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	7,634	4,352	75.4	13,669	9,351	46.2
Cost of Sales	(5,321)	(2,016)	163.9	(8,685)	(4,393)	97.7
Gross profit	2,313	2,336	(1.0)	4,984	4,958	0.5
Other Items of Income:						
Interest Income	12	40	(70.0)	25	73	(65.8)
Other Gains	(0)	3	(100.0)	2	3	(33.3)
Other Items of Expense:						
Technical Support Expenses	(794)	(733)	8.3	(1,544)	(1,513)	2.0
Distribution Costs	(430)	(442)	(2.7)	(862)	(888)	(2.9)
Administrative Expenses	(647)	(657)	(1.5)	(1,237)	(1,223)	1.1
Other Losses	146	(129)	(213.5)	(40)	(180)	(77.8)
Finance Costs	-	-	0.0	(1)	-	100.0
Profit Before Income Tax	600	418	43.5	1,327	1,230	7.9
Income Tax Expenses	(22)	(106)	(79.2)	(259)	(304)	(14.8)
Profit, Net of Tax	578	312	85.3	1,068	926	15.3
Profit, Net of Tax Attributable to:						
Owners of the Company	485	216	124.5	722	626	15.3
Non-Controlling Interests	93	96	(3.1)	346	300	15.3
Profit, Net of Tax	578	312	85.3	1,068	926	15.3

Consolidated Statement of Comprehensive Income

	Group			Group		
	Quarter ended 30 June			6 months ended 30 June		
	Q2 2018	Q2 2017	Inc/(dec)	2018	2017	Inc/(dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit, Net of Tax	578	312	85.3	1,068	926	15.3
Other Comprehensive Income:						
Item that may be reclassified subsequently to profit or loss:						
Exchange Differences on Translating Foreign Operations, Net of Tax	(119)	639	(118.6)	773	(79)	1078.5
Total Comprehensive Income for the period	459	951	(51.7)	1,841	847	117.4
Total Comprehensive Income for the period Attributable to:						
Owners of the Company	378	808	(53.2)	1,425	556	156.3
Non-Controlling interest	81	143	(43.3)	416	291	43.0
Total Comprehensive Income for the period	459	951	(51.7)	1,841	847	117.4

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

	Group			Group		
	Quarter ended 30 June			6 months ended 30 June		
	Q2 2018	Q2 2017	Inc/(dec)	2018	2017	Inc/(dec)
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Profit before income tax is stated after (charging)/crediting the following items:						
Fair Value Loss on Investments	(31)	-	100.0	(31)	-	100.0
Loss on Disposal of Plant and Equipment	-	-	0.0	-	(1)	(100.0)
Foreign Exchange Gain/(Loss), net	179	(120)	(249.2)	(4)	(166)	(97.6)
Amortisation of Intangible Assets	(137)	(150)	(8.7)	(264)	(297)	(11.1)
Depreciation of Plant and Equipment	(141)	(137)	2.9	(285)	(259)	10.0
Components of tax expense recognised in profit and loss include:						
Current Tax Expenses	(212)	(64)	231.2	(423)	(232)	82.3
Deferred Tax Income	228	-	100.0	228	-	100.0
Overseas Withholding Tax Expenses	(39)	(42)	(7.1)	(65)	(72)	(9.7)

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
	30/6/2018	31/12/2017	30/6/2018	31/12/2017
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-Current Assets				
Plant and Equipment	1,789	1,694	-	-
Investment Property	2,722	2,660	-	-
Intangible Assets	11,894	11,646	-	-
Investments in Subsidiaries	-	-	33,562	32,734
Investment in an Associate	1,914	1,860	-	-
Other Financial Assets	8,476	7,439	-	-
Deferred Tax assets	1,179	933	-	-
Total Non-Current Assets	27,974	26,232	33,562	32,734
Current assets				
Inventories	11	45	-	-
Trade and Other Receivables	18,504	20,061	7,928	7,848
Other Assets	189	320	24	4
Cash and Cash Equivalents	5,885	7,391	665	1,231
Total Current Assets	24,589	27,817	8,617	9,083
Total Assets	52,563	54,049	42,179	41,817
EQUITY AND LIABILITIES				
Equity				
Share Capital	31,948	31,948	31,948	31,948
Retained Earnings	14,151	13,429	9,128	8,784
Foreign Currency Translation Reserve	(7,619)	(8,322)	-	-
Equity, Attributable to Owners of the Parent	38,480	37,055	41,076	40,732
Non-Controlling Interest	3,567	3,151	-	-
Total Equity	42,047	40,206	41,076	40,732
Non-Current Liabilities				
Deferred Tax Liabilities	305	305	-	-
Total Non-Current Liabilities	305	305	-	-
Current Liabilities				
Income Tax Payables	208	359	-	-
Trade and Other Payables	6,850	11,604	1,103	1,085
Other Liabilities	3,153	1,575	-	-
Total Current Liabilities	10,211	13,538	1,103	1,085
Total Liabilities	10,516	13,843	1,103	1,085
Total Equity and Liabilities	52,563	54,049	42,179	41,817

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

As at 30 June 2018, 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 a subsidiary. The banking facilities are secured by fixed deposits of the subsidiary amounting to approximately \$2,533,000 and covered by a personal guarantee of a director of the subsidiary, and corporate guarantee of the company of \$519,000 (2017: \$505,000). As at the end of the financial period, the outstanding facilities covered by the guarantee were Nil (2017: Nil).

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 2018	Q2 2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities:				
Profit Before Income Tax	600	418	1,327	1,230
Adjustments for:				
Amortisation of Intangible Assets	137	150	264	297
Depreciation of Plant and Equipment	141	137	285	259
Loss on Disposal of Plant and Equipment	-	-	-	1
Fair Value Loss on Investments	31	-	31	-
Interest Expense	(0)	-	1	-
Interest Income	(12)	(40)	(25)	(73)
Operating Cash Flow before Changes in Working Capital	897	665	1,883	1,714
Inventories	2	(23)	27	(3)
Trade and Other receivables	(1,371)	(2,612)	1,557	5,021
Other Assets	94	44	130	79
Trade and Other payables	240	(607)	(4,757)	(5,659)
Other Liabilities	99	1,451	1,578	927
Net Cash Flows (Used in)/From Operations	(39)	(1,082)	418	2,079
Income Tax Paid	(245)	(97)	(645)	(211)
Net Cash Flows (Used in)/From Operating Activities	(284)	(1,179)	(227)	1,868
Cash Flows From Investing Activities:				
Purchase of Plant and Equipment	(223)	(299)	(366)	(612)
Investment in an Associate	(196)	-	(425)	-
Other Financial Assets	-	(150)	(550)	(768)
Payment for Development Costs	(103)	(64)	(228)	(127)
Interest Income Received	12	40	25	73
Net Cash Flows Used in Investing Activities	(510)	(473)	(1,544)	(1,434)
Cash Flows From Financing Activities:				
Dividend Paid by a Subsidiary to Non-Controlling Interest	-	(313)	-	(467)
Cash Restricted in Use	(1)	(4)	(516)	(600)
Proceeds from Interest Bearing Borrowings	2	-	(500)	-
Repayment of Interest Bearing Borrowings	(2)	-	500	-
Interest Expenses Paid	0	-	(1)	-
Net Cash Flows Used in Financing Activities	(1)	(317)	(517)	(1,067)
Net Change in Cash and Cash Equivalents	(795)	(1,969)	(2,288)	(633)
Cash and Cash Equivalents at Beginning of the Financial Year (Note 1)	4,307	9,105	5,266	8,096
Effect of Exchange Rate Changes On Cash and Cash Equivalents	(305)	310	229	(17)
Cash and Cash Equivalents At End of the Financial Period (Note 1)	3,207	7,446	3,207	7,446

Explanatory Notes:

Note 1

	Group	
	6 months ended 30 June	
	2018	2017
	S\$'000	S\$'000
Cash and bank balances per statement of financial position	5,885	9,002
Less: Restricted Deposits	(2,678)	(1,556)
Cash and cash equivalents per consolidated statement of cash flows	3,207	7,446

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 2018

	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
Current Quarter						
Group						
Opening Balance at 1 April 2018	41,588	38,102	31,948	13,666	(7,512)	3,486
Total Comprehensive Income/(Loss) for the financial period	459	378	-	485	(107)	81
Closing Balance at 30 June 2018	42,047	38,480	31,948	14,151	(7,619)	3,567
Company						
Opening Balance at 1 April 2018	41,150	41,150	31,948	9,202	-	-
Total Comprehensive Loss for the financial period	(74)	(74)	-	(74)	-	-
Closing Balance at 30 June 2018	41,076	41,076	31,948	9,128	-	-

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 2017

	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
Previous Quarter						
Group						
Opening Balance at 1 April 2017	38,031	35,632	31,948	13,472	(9,788)	2,399
Total Comprehensive Income for the financial period	951	808	-	216	592	143
Dividend Paid	(313)	-	-	-	-	(313)
Closing Balance at 30 June 2017	38,669	36,440	31,948	13,688	(9,196)	2,229
Company						
Opening Balance at 1 April 2017	39,369	39,369	31,948	7,421	-	-
Total Comprehensive Income for the financial period	348	348	-	348	-	-
Closing Balance at 30 June 2017	39,717	39,717	31,948	7,769	-	-

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 2018

	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
Current Period:						
Group						
Opening Balance at 1 January 2018	40,206	37,055	31,948	13,429	(8,322)	3,151
Total Comprehensive Income for the financial period	1,841	1,425	-	722	703	416
Closing Balance at 30 June 2018	42,047	38,480	31,948	14,151	(7,619)	3,567
Company						
Opening Balance at 1 January 2018	40,732	40,732	31,948	8,784	-	-
Total Comprehensive Income for the financial period	344	344	-	344	-	-
Closing Balance at 30 June 2018	41,076	41,076	31,948	9,128	-	-

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 2017

	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
Previous Period:						
Group						
Opening Balance at 1 January 2017	38,289	35,884	31,948	13,062	(9,126)	2,405
Total Comprehensive Income/(Loss) for the financial period	847	556	-	626	(70)	291
Dividend Paid	(467)	-	-	-	-	(467)
Closing Balance at 30 June 2017	38,669	36,440	31,948	13,688	(9,196)	2,229
Company						
Opening Balance at 1 January 2017	38,592	38,592	31,948	6,644	-	-
Total Comprehensive Income for the financial period	1,125	1,125	-	1,125	-	-
Closing Balance at 30 June 2017	39,717	39,717	31,948	7,769	-	-

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 30/6/2018	As at 31/12/2017
Ordinary share	31,957,264	31,957,264

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 2017, except as disclosed in paragraph 5 below.

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 has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") and the related Interpretations to SFRS(I)s ("SFRS(I) INT") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2018. The adoption of these SFRS(I) and SFRS(I) INT did not result in any significant impact on the financial statements of the Group.

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	
	2018	2017	2018	2017
	cents	cents	cents	cents
Based on the weighted average number of ordinary shares on issue ⁽¹⁾	1.52	0.68	2.26	1.96
On fully diluted basis (detailing any adjustments made to the earnings) ⁽²⁾	n.a	n.a	n.a	n.a

n.a.: not applicable

⁽¹⁾ 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 31,957,264 shares for financial period ended 30 June 2018 and 2016.

⁽²⁾ 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 30/6/2018		As at 31/12/2017	
	Group cents	Company cents	Group cents	Company cents
Net asset value per ordinary share ⁽¹⁾	120.41	128.53	115.95	127.46

⁽¹⁾ For comparative purposes, 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 attributable to owners of the Company at the relevant financial year and the existing issued share capital of 31,957,264 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 2018 as compared to corresponding quarter ended 30 June 2017

Group Revenue

The Group achieved consolidated revenue of S\$7.634 million for the quarter ended 30 June 2018 ("Q2 2018"), an increase of 75.4% against the revenue recorded in the corresponding quarter ended 30 June 2017 ("Q2 2017"). The increase in Group revenue for Q2 2018 is attributable to the improved revenue performance of GlobeOSS.

GlobeOSS posted revenue of S\$4.9 million in Q2 2018, an increase of 248.3% from the S\$1.407 million recorded in Q2 2017. This increase was driven by higher revenue from both system sale and managed service contracts.

Unifiedcomms however recorded revenue of S\$2.734 million in Q2 2018, a decrease of 7.2% from the S\$2.945 million recorded in Q2 2017. This decline in revenue was due to lower system sale contract revenues.

The Group's sales mix in Q2 2018 showed a decrease in the proportionate contribution of revenue of a recurring nature, with revenue from managed service contracts representing 46.1% of the Group's total revenue in Q2 2018 as compared to 73.7% in Q2 2017. The lower relative contribution of managed service contracts to the Group's sales mix in Q2 2018 is mainly attributable to the significant improvement in system sale contract revenues of the Group, which had improved 260.3% from S\$1.143 million in Q2 2017 to S\$4.118 million in Q2 2018.

Group Gross Profit and Gross Profit Margins

Although the Group achieved higher revenue in Q2 2018, gross profit was flat at S\$2.313 million, as compared to S\$2.336 million recorded in Q2 2017. Group gross profit margin was lower at 30.3% as compared to 53.7% in Q2 2017. The decline in gross profit margin is attributable to the significantly lower gross profit margin on GlobeOSS system sale contract revenues in Q2 2018.

Gross profit margin recorded by the Group on its managed service contract revenues however increased to 54.7% in Q2 2018 from 53.7% in Q2 2017. This increase in gross profit margin was mainly due to lower third-party costs on certain managed service contracts.

Interest Income

The Group recorded interest income of S\$0.012 million in Q2 2018, 70% lower against the S\$0.04 million recorded in Q2 2017. This is mainly attributable to lower cash and cash equivalents as a result of on-going investment in other financial assets by the Group's venture investment subsidiary, Captiv Ventures Pte Ltd.

Other Items of Expense

The Group recorded total expenses of S\$1.725 million in Q2 2018, 12.1% lower than the S\$1.961 million incurred in Q2 2017. This is mainly attributable absence of a net foreign exchange loss of S\$0.12 million. A net foreign exchange gain of S\$0.179 million was recorded in Q2 2018 as a result of a favourable exchange rate movement of USD against SGD, the Group's reporting currency.

The reduction in the above-mentioned expenses was partly offset by a 8.3% increase in technical support expenses from S\$0.733 million in Q2 2017 to S\$0.794 million in Q2 2018. This increase in technical support expenses is a result of an expansion in the technical staff headcount of the Group.

Group Net Profit and EBITDA

The Group recorded higher net profit of S\$0.578 million and EBITDA of S\$0.866 million in Q2 2018 as compared to S\$0.312 million in net profit and S\$0.665 million in EBITDA recorded by the Group in Q2 2017. The higher net profit and EBITDA results recorded in Q2 2018 are mainly attributable to the flow-down effects of lower total expenses recorded in Q2 2018.

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 2018 as compared to corresponding quarter ended 30 June 2017 (continued)

Detailed Segmental Breakdown of Group Revenue and Gross Profit

The detailed segmental breakdown of the Group's revenue and gross profit for Q2 2018, together with comparative results for Q2 2017 is provided below:

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

	Q2 2018 S\$'000	Sales mix %	Q2 2017 S\$'000	Sales mix %
Unifiedcomms	2,734	35.8	2,945	67.7
GlobeOSS	4,900	64.2	1,407	32.3
Captii Ventures	-	-	-	-
Others	-	-	-	-
Total	7,634	100.0	4,352	100.0

Unifiedcomms - Segment for content-driven mobile VAS, messaging and signaling systems, solutions and managed services.

GlobeOSS - Segment for mobile network operation support systems, solutions and managed services.

Others - Segment for operational headquarters of the Group and investment holding.

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

External Sales	Q2 2018			
	Unifiedcomms S\$'000	GlobeOSS S\$'000	Others S\$'000	Group S\$'000
South East Asia (SEA)	2,481	4,896	-	7,377
South Asia (SA)	181	-	-	181
Middle East & Africa (MEA)	72	-	-	72
Others	-	4	-	4
Total	2,734	4,900	-	7,634

External Sales	Q2 2017			
	Unifiedcomms S\$'000	GlobeOSS S\$'000	Others S\$'000	Group S\$'000
SEA	2,669	1,404	-	4,073
SA	193	-	-	193
MEA	83	-	-	83
Others	-	3	-	3
Total	2,945	1,407	-	4,352

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

External Sales	Q2 2018			Q2 2017		
	System Sale (1)	Managed Service (2)	Group	System Sale (1)	Managed Service (2)	Group
Revenue	4,118	3,516	7,634	1,143	3,209	4,352
Gross Profit	390	1,923	2,313	613	1,723	2,336
Gross Profit (%)	9.5%	54.7%	30.3%	53.6%	53.7%	53.7%

(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

Review of results for the six months ended 30 June 2018 as compared to corresponding period ended 30 June 2017

Group Revenue

The Group achieved consolidated revenue of S\$13.669 million for the six months ended 30 June 2018 ("6M 2018"), an increase of 46.2% against the revenue recorded in the corresponding period ended 30 June 2017 ("6M 2017"). The increase in Group revenue for 6M 2018 is attributable to the improved revenue performance of GlobeOSS.

GlobeOSS posted revenue of S\$8.070 million in 6M 2018, an increase of 134.1% from the S\$3.448 million recorded in 6M 2017. This improvement in revenue was driven by higher revenue from both system sale and managed service contracts.

Unifiedcomms however recorded revenue of S\$5.599 million in 6M 2018, a decrease of 5.1% from the S\$5.903 million recorded in 6M 2017. This decrease in revenue was due to lower system sale contract revenue which was only partly mitigated by higher revenue from managed service contracts.

The Group's sales mix in 6M 2018 showed a decrease in the proportionate contribution of revenue of a recurring nature, with revenue from managed service contracts representing 51.2% of the Group's total revenue in 6M 2018 as compared to 67% in 6M 2017. The lower contribution of managed service contracts to the Group's sales mix in 6M 2018 was mainly contributed by the improvement in system sale contract revenues of the Group, which had improved 116.3% from S\$3.085 million in 6M 2017 to S\$6.674 million in 6M 2018.

Gross Profit and Gross Profit Margins

Although the Group achieved higher revenue in 6M 2018, gross profit was flat at S\$4.984 million, as compared to S\$4.958 million recorded in 6M 2017. Group gross profit margin was lower at 36.5% as compared to 53% in 6M 2017. The decline in gross profit margin is attributable to the significantly lower gross profit margin on GlobeOSS system sale contract revenues in 6M 2018.

Gross profit margin recorded by the Group on its managed service contract revenues also decreased to 54.7% in 6M 2018 from 55.1% in 6M 2017. This decrease in gross profit margin was mainly due to higher third-party costs on certain managed service contracts.

Interest Income

The Group recorded interest income of S\$0.025 million in 6M 2018, 65.8% lower against the S\$0.073 million recorded in 6M 2017. This is mainly attributable to lower cash and cash equivalents as a result of on-going investment in other financial assets by the Group's venture investment subsidiary, Captii Ventures Pte Ltd.

Other Items of Expense

The Group recorded total expenses of S\$3.684 million in 6M 2018, 3.2% lower than the S\$3.804 million incurred in 6M 2017. This is mainly attributable to a lower foreign exchange loss recorded in 6M 2018, as a result of a favourable exchange rate movement of USD against SGD, the Group's reporting currency.

Net Profit and EBITDA

The Group recorded higher net profit of S\$1.068 million and EBITDA of S\$1.852 million in 6M 2018 as compared to S\$0.926 million in net profit and S\$1.713 million in EBITDA recorded by the Group in 6M 2017. The higher net profit and EBITDA results recorded in 6M 2018 are mainly attributable to the flow-down effects of lower total expenses recorded in 6M 2018.

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 2018 as compared to corresponding financial period ended 30 June 2017 (continued)

Detailed Segmental Breakdown of Group Revenue and Gross Profit

The detailed segmental breakdown of the Group's revenue and gross profit for 6M 2018, together with comparative results for 6M 2017 is provided below:

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

	2018 S\$'000	Sales mix %	2017 S\$'000	Sales mix %
Unifiedcomms	5,599	41.0	5,903	63.1
GlobeOSS	8,070	59.0	3,448	36.9
Captii Ventures	-	-	-	-
Others	-	-	-	-
Total	13,669	100.0	9,351	100.0

Unifiedcomms - Segment for content-driven mobile VAS, messaging and signaling systems, solutions and managed services.

GlobeOSS - Segment for mobile network operation support systems, solutions and managed services.

Captii Ventures - Segment for strategic investment in early and late-stage technology ventures.

Others - Segment for operational headquarters of the Group and investment holding.

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

External Sales	2018			
	Unifiedcomms S\$'000	GlobeOSS S\$'000	Others S\$'000	Group S\$'000
South East Asia (SEA)	5,085	8,062	-	13,147
South Asia (SA)	371	-	-	371
Middle East & Africa (MEA)	143	-	-	143
Others	-	8	-	8
Total	5,599	8,070	-	13,669

External Sales	2017			
	Unifiedcomms S\$'000	GlobeOSS S\$'000	Others S\$'000	Group S\$'000
SEA	5,344	3,441	-	8,785
SA	394	-	-	394
MEA	165	-	-	165
Others	-	7	-	7
Total	5,903	3,448	-	9,351

Table 8.3: Group revenue as analysed by contract type for the six months ended 30 June

External Sales	2018			2017		
	System Sale (1)	Managed Service (2)	Group	System Sale (1)	Managed Service (2)	Group
Revenue	6,674	6,995	13,669	3,085	6,266	9,351
Gross Profit	1,160	3,824	4,984	1,508	3,450	4,958
Gross Profit (%)	17.4%	54.7%	36.5%	48.9%	55.1%	53.0%

(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 the Group's financial position as at 30 June 2018 as compared to the Group's financial position as at 31 December 2017

Non-cash current assets of the Group decreased from \$20,426 million as at 31 December 2017 to S\$18,704 million as at 30 June 2018. This 8.4% decrease in non-cash current assets was mainly due to the decrease in trade and other receivables of the Group, as a result of higher collections relating to trade receivables from late 2017.

Total non-current assets of the Group increased from S\$26,232 million as at 31 December 2017 to S\$27,974 million as at 30 June 2018. This 6.6% increase in non-current assets is mainly attributable to:-

- * An increase in investment in other financial assets and an associate, made by the Group's venture investment subsidiary, Captii Ventures Pte Ltd; and
- * An increase in the Group's MYR denominated intangible assets and investment property caused by the effect of foreign exchange movements.

Total liabilities of the Group decreased from S\$13,843 million as at 31 December 2017 to S\$10,516 million as at 30 June 2018. This 24% decrease in total liabilities is attributable to the decrease in trade and other payables, following repayment made accordingly to the vendors. This impact was partly mitigated by increase in other liabilities.

Review of the Group's cash flow for the quarter and six months ended 30 June 2018 as compared to the corresponding period ended 30 June 2017

The Group's net cash flow used operations for Q2 2018 was S\$0.039 million, as compared to S\$1.082 million for Q2 2017, a decrease of 96.4%. This significant lower net cash used was primarily due to lower working capital incurred of S\$0.936 million for Q2 2018, as compared to S\$1.747 million for Q2 2017, which was mainly mitigated by higher collections of trade receivables for Q2 2018.

The Group's net cash flow from operations for 6M 2018 was S\$0.418 million, as compared to S\$2.079 million for 6M 2017, a decrease of 79.9%. This significant decrease was primarily due to an unfavourable working capital change of S\$1.465 million for 6M 2018, in contrast with the favourable working capital change of S\$0.365 million for 6M 2017, which was mainly caused by lower collections of trade receivables for 6M 2018 as compared to the corresponding period in 2017.

The Group's net cash flow used in investing activities for Q2 2018 was S\$0.51 million, as compared to S\$0.473 million for Q2 2017. The higher net cash used in investing activities was mainly due to higher investment cost on certain venture investment portfolio companies (classified as other financial assets and an associate) and development cost in the quarter.

The Group's net cash flow used in investing activities for 6M 2018 was S\$1.544 million, as compared to S\$1.434 million for 6M 2017. The higher net cash used in investing activities was mainly due to the higher investment cost on certain venture investment portfolio companies (classified as other financial assets and an associate).

The Group's net cash flow used in financing activities for Q2 2018 amounted to S\$0.001 million as compared to S\$0.317 million for Q2 2017. The significant lower net cash used in financing activities was mainly due to absence of dividend payout by a subsidiary to Non-Controlling Interest.

The Group's net cash flow used in financing activities for 6M 2018 was S\$0.517 million, as compared to S\$1.067 million for 6M 2017. The lower net cash used in financing activities was mainly due to absence of dividend payout by a subsidiary to Non-Controlling Interest.

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 financial year 2018 to be challenging but remain optimistic about growth prospects.

Although the growth in system sale business of GlobeOSS in 2017 had significantly augmented the slower than desired growth of the Group's managed service contract portfolio, uncertainty and hence lumpiness is still to be expected in the contribution of system sale contracts to the Group's future results.

The need for management to continue to strengthen the Group's managed service contract portfolio and to continue to grow its venture investment portfolio as the basis for delivering steady, if not rapid yet sustainable future growth, remains.

The growing interest and opportunity in internet-driven application services for enterprises, fintech as well as internet and handset-app delivered digital media will guide the Group's venture investment activities. The Group's venture investment plans in the year ahead will continue to focus primarily on these growth businesses in the SEA region and will complement the organic growth strategy in place for the Unifiedcomms and GlobeOSS businesses.

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)	1.25 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)	2.5 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	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
AESBI Power Systems Sdn Bhd *	117	111	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 our 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 2018 to be false or misleading.

20. 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 confirms that it 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.

On behalf of the Board of Directors

Wong Tze Leng
Executive Chairman

Anton Syazi Ahmad Sebi
Executive Director

BY ORDER OF THE BOARD

Wong Tze Leng
Executive Chairman
14 August 2018