

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::SECOND QUARTER AND/ OR HALF YEARLY RESULTS

Issuer & Securities

Issuer/ Manager

CAPTII LIMITED

Securities

CAPTII LIMITED - SG1BA0000004 - AWW

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Announcement Details

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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

30/06/2019

Attachments

[CL_Financial%20Results%20Q2%202019.pdf](#)

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 2019**

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 2019

Consolidated Statement of Comprehensive Income

	Group			Group		
	Quarter ended 30 June			6 months ended 30 June		
	Q2 2019	Q2 2018	Inc/(dec)	2019	2018	Inc/(dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	6,647	7,634	(12.9)	11,807	13,669	(13.6)
Cost of Sales	(3,369)	(5,321)	(36.7)	(5,535)	(8,685)	(36.3)
Gross profit	3,278	2,313	41.7	6,272	4,984	25.8
Other Items of Income:						
Interest Income	31	12	158.3	48	25	92.0
Other Gains	441	-	100.0	466	2	23,200.0
Other Items of Expense:						
Technical Support Expenses	(1,170)	(794)	47.4	(2,178)	(1,544)	41.1
Distribution Costs	(412)	(430)	(4.2)	(848)	(862)	(1.6)
Administrative Expenses	(557)	(647)	(13.9)	(1,171)	(1,237)	(5.3)
Other Losses	(146)	146	(200.0)	(273)	(40)	582.5
Finance Costs	(33)	-	100.0	(67)	(1)	6,600.0
Profit Before Income Tax	1,432	600	138.7	2,249	1,327	69.5
Income Tax Expenses	(86)	(22)	290.9	(320)	(259)	23.6
Profit, Net of Tax	1,346	578	132.9	1,929	1,068	80.6
Profit, Net of Tax Attributable to:						
Owners of the Company	1,294	485	166.8	1,651	722	128.7
Non-Controlling Interests	52	93	(44.1)	278	346	(19.7)
Profit, Net of Tax	1,346	578	132.9	1,929	1,068	80.6

Consolidated Statement of Comprehensive Income

	Group			Group		
	Quarter ended 30 June			6 months ended 30 June		
	Q2 2019	Q2 2018	Inc/(dec)	2019	2018	Inc/(dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit, Net of Tax	1,346	578	132.9	1,929	1,068	80.6
Other Comprehensive Income:						
Item that may be reclassified subsequently to profit or loss:						
Exchange Differences on Translating Foreign Operations, Net of Tax	(318)	(119)	167.4	(78)	773	(110.1)
Total Comprehensive Income for the period	1,028	459	124.0	1,851	1,841	0.5
Total Comprehensive Income for the period Attributable to:						
Owners of the Company	1,023	378	170.6	1,592	1,425	11.7
Non-Controlling interest	5	81	(93.7)	259	416	(37.6)
Total Comprehensive Income for the period	1,028	459	124.0	1,851	1,841	0.5

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

	Group			Group		
	Quarter ended 30 June			6 months ended 30 June		
	Q2 2019	Q2 2018	Inc/(dec)	2019	2018	Inc/(dec)
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Profit before income tax is stated after (charging)/crediting the following items:						
Fair Value Gain/(Loss) on Investments	441	(31)	1,522.6	466	(31)	1,603.2
Foreign Exchange Loss, net	(144)	179	(180.4)	(262)	(4)	6,450.0
Amortisation of Intangible Assets	(119)	(137)	(13.1)	(237)	(264)	(10.2)
Depreciation of Plant and Equipment	(172)	(141)	22.0	(343)	(285)	20.4
Components of tax expense recognised in profit and loss include:						
Current Tax Expenses	(176)	(211)	(16.6)	(402)	(422)	(4.7)
Deferred Tax Income	111	228	(51.3)	111	228	(51.2)
Over adjustments in respect of prior years	0	-	0.0	20	-	100.0
Overseas Withholding Tax Expenses	(21)	(39)	(46.2)	(49)	(65)	(24.6)

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
	30/6/2019	31/12/2018	30/6/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-Current Assets				
Plant and Equipment	1,689	1,825	-	-
Investment Property	2,294	2,305	-	-
Intangible Assets	10,897	11,050	-	-
Investments in Subsidiaries	-	-	34,250	33,892
Investment in an Associate	765	2,255	-	-
Other Financial Assets	10,793	8,948	-	-
Deferred Tax assets	1,418	1,313	-	-
Total Non-Current Assets	27,856	27,696	34,250	33,892
Current assets				
Inventories	6	488	-	-
Trade and Other Receivables	16,871	16,549	8,767	9,205
Other Assets	1,485	2,330	24	4
Cash and Cash Equivalents	7,690	8,686	896	1,150
Total Current Assets	26,052	28,053	9,687	10,359
Total Assets	53,908	55,749	43,937	44,251
EQUITY AND LIABILITIES				
Equity				
Share Capital	31,948	31,948	31,948	31,948
Retained Earnings	17,022	15,371	9,908	10,055
Foreign Currency Translation Reserve	(8,352)	(8,293)	-	-
Equity, Attributable to Owners of the Parent	40,618	39,026	41,856	42,003
Non-Controlling Interest	4,291	4,080	-	-
Total Equity	44,909	43,106	41,856	42,003
Non-Current Liabilities				
Deferred Tax Liabilities	53	53	-	-
Total Non-Current Liabilities	53	53	-	-
Current Liabilities				
Income Tax Payables	24	102	-	-
Trade and Other Payables	4,659	7,047	2,081	2,248
Other Liabilities	2,636	3,423	-	-
Borrowings	1,627	2,018	-	-
Total Current Liabilities	8,946	12,590	2,081	2,248
Total Liabilities	8,999	12,643	2,081	2,248
Total Equity and Liabilities	53,908	55,749	43,937	44,251

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

Amount repayable in one year or less, or on demand

Group		Group	
As at 30/6/2019		As at 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,627	-	2,018	-

Amount repayable after one year

Group		Group	
As at 30/6/2019		As at 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Details of any collateral

The company has issued financial guarantee to the financial institutions for the following facilities granted to the Group's subsidiaries:-

- 1) A facility with outstanding amount of S\$1,627,000 (2018: S\$1,722,000), that is secured by an asset of the subsidiary and corporate guarantee of the company of S\$2,949,000 (2018: S\$2,973,000); and
- 2) A facility with outstanding amount of Nil (2018: S\$296,000), that is secured by fixed deposits of the subsidiary amounting to approximately \$2,230,000 and covered by a personal guarantee of a director of the subsidiary, and corporate guarantee of the company of \$2,005,000 (2018: \$2,016,000).

As at the end of the financial period/year, the outstanding facilities covered by the guarantee were S\$1,627,000 (2018: S\$2,018,000).

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 2019	Q2 2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities:				
Profit Before Income Tax	1,432	600	2,249	1,327
Adjustments for:				
Amortisation of Intangible Assets	119	137	237	264
Depreciation of Plant and Equipment	172	141	343	285
Fair Value (Gain)/Loss on Investments	(441)	31	(466)	31
Interest Expense	33	-	67	1
Interest Income	(31)	(12)	(48)	(25)
Operating Cash Flow before Changes in Working Capital	1,284	897	2,382	1,883
Inventories	488	2	484	27
Trade and Other receivables	(4,906)	(1,371)	(322)	1,557
Other Assets	1,134	94	844	130
Trade and Other payables	1,156	240	(2,369)	(4,757)
Other Liabilities	(264)	99	(786)	1,578
Net Cash Flows (Used in) / From Operations	(1,108)	(39)	233	418
Income Tax Paid	(210)	(245)	(530)	(645)
Net Cash Flows Used in Operating Activities	(1,318)	(284)	(297)	(227)
Cash Flows From Investing Activities:				
Purchase of Plant and Equipment	(78)	(223)	(237)	(366)
Investment in an Associate	-	(196)	-	(425)
Redemption of Investment	-	-	116	-
Other Financial Assets	(66)	-	(66)	(550)
Payment for Development Costs	(70)	(103)	(142)	(228)
Interest Income Received	31	12	48	25
Net Cash Flows Used in Investing Activities	(183)	(510)	(281)	(1,544)
Cash Flows From Financing Activities:				
Dividend Paid by a Subsidiary to Non-Controlling Interest	1	-	(48)	-
Cash Restricted in Use	(3)	(1)	295	(516)
Proceeds from Interest Bearing Borrowings	149	2	149	500
Repayment of Interest Bearing Borrowings	7	(2)	(531)	(500)
Interest Expenses Paid	(33)	-	(67)	(1)
Net Cash Flows From / (Used in) Financing Activities	121	(1)	(202)	(517)
Net Change in Cash and Cash Equivalents	(1,380)	(795)	(780)	(2,288)
Cash and Cash Equivalents at Beginning of the Financial Year (Note 1)	6,774	4,307	6,011	5,266
Effect of Exchange Rate Changes On Cash and Cash Equivalents	(72)	(305)	91	229
Cash and Cash Equivalents At End of the Financial Period (Note 1)	5,322	3,207	5,322	3,207

Explanatory Notes:

Note 1

	Group	
	6 months ended 30 June	
	2019	2018
	S\$'000	S\$'000
Cash and bank balances per statement of financial position	7,690	5,885
Less: Restricted Deposits	(2,368)	(2,678)
Cash and cash equivalents per consolidated statement of cash flows	5,322	3,207

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 2019

	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 2019	43,881	39,595	31,948	15,728	(8,081)	4,286
Total Comprehensive Income/(Loss) for the financial period	1,028	1,023	-	1,294	(271)	5
Closing Balance at 30 June 2019	44,909	40,618	31,948	17,022	(8,352)	4,291
Company						
Opening Balance at 1 April 2019	41,918	41,918	31,948	9,970	-	-
Total Comprehensive Loss for the financial period	(62)	(62)	-	(62)	-	-
Closing Balance at 30 June 2019	41,856	41,856	31,948	9,908	-	-

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
Previous 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. (continued)

Statements of Changes in Equity for the six months ended 30 June 2019

	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 2019	43,106	39,026	31,948	15,371	(8,293)	4,080
Total Comprehensive Income for the financial period	1,851	1,592	-	1,651	(59)	259
Dividend Paid	(48)	-	-	-	-	(48)
Closing Balance at 30 June 2019	44,909	40,618	31,948	17,022	(8,352)	4,291
Company						
Opening Balance at 1 January 2019	42,003	42,003	31,948	10,055	-	-
Total Comprehensive Loss for the financial period	(147)	(147)	-	(147)	-	-
Closing Balance at 30 June 2019	41,856	41,856	31,948	9,908	-	-

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
Previous 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)(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 30/6/2019	As at 31/12/2018
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 2018, 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 2019. 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	
	2019	2018	2019	2018
	cents	cents	cents	cents
Based on the weighted average number of ordinary shares on issue ⁽¹⁾	4.05	1.52	5.17	2.26
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/year ended 30 June 2018 and 31 December 2018.

⁽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 30/6/2019		As at 31/12/2018	
	Group cents	Company cents	Group cents	Company cents
Net asset value per ordinary share ⁽¹⁾	127.10	130.97	122.12	131.43

⁽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 2019 as compared to corresponding quarter ended 30 June 2018

Group Revenue

The Group recorded consolidated revenue of S\$6.647 million for the quarter ended 30 June 2019 ("Q2 2019"), a decrease of 12.9% against the revenue achieved in the corresponding quarter ended 30 June 2018 ("Q2 2018"). The decline in Group revenue for Q2 2019 is attributable to lower revenue recorded by GlobeOSS.

GlobeOSS recorded revenue of S\$2.069 million in Q2 2019, a decrease of 57.8% from the S\$4.900 million recorded in Q2 2018. This decrease in revenue was due to lower system sale contract revenues as a result of delay in award of new system sale contracts and slower than expected delivery of system sale contract in-hand.

In contrast, Unifiedcomms posted revenue of S\$4.578 million in Q2 2019, an increase of 67.4% from the S\$2.734 million recorded in Q2 2018. This improvement in revenue was driven by higher system sale revenues.

The Group's sales mix in Q2 2019 showed an increase in the proportionate contribution of revenue of a recurring nature, with revenue from managed service contracts representing 51.6% of the Group's total revenue in Q2 2019 as compared to 46.1% in Q2 2018. The higher contribution of managed service contracts to the Group's sales mix in Q2 2019 was mainly due to lower system sale contract revenues contribution from GlobeOSS, which had decreased 21.9% from S\$4.118 million in Q2 2018 to S\$3.216 million in Q2 2019.

Group Gross Profit and Gross Profit Margins

Although Group revenue was lower in Q2 2019, gross profit was higher at S\$3.278 million as compared to S\$2.313 million recorded in Q2 2018. This is attributable to the higher gross profit margin of 49.3% in Q2 2019 against 30.3% in Q2 2018, which was driven by the improvement in gross profit margin on system sale contract revenues. This is attributable to the higher proportionate contribution of system sale contract revenues by Unifiedcomms, which generally delivers higher gross profit margins.

Gross profit margin recorded by the Group on its managed service contract revenues decreased to 52.3% in Q2 2019 from 54.7% in Q2 2018. 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\$0.031 million in Q2 2019, 158.3% higher against the S\$0.012 million recorded in Q2 2018, as a result of higher bank balances in this reporting period.

Other gains

The Group recorded other gains of S\$0.441 million in Q2 2019, mainly attributable to fair value gain assessed on the Group's venture investment portfolio.

Other Items of Expense

The Group recorded total expenses of S\$2.318 million in Q2 2019, 34.4% higher than the S\$1.725 million incurred in Q2 2018. This is mainly attributable to:-

- * Higher technical support expenses recorded in Q2 2019, due to an increase in technical support headcounts of GlobeOSS; and
- * Higher net foreign exchange loss as a result of unfavourable exchange rate movement of USD and PKR against SGD, the Group's reporting currency.

The increase in the above-mentioned expenses was partly mitigated by a 13.9% decrease in administrative expenses from S\$0.647 million in Q2 2018 to S\$0.557 million in Q2 2019. This decrease in administrative expenses is a result of reduction in the administrative headcount of the Group.

Group Net Profit and EBITDA

The Group recorded higher net profit of S\$1.346 million and EBITDA of S\$1.725 million in Q2 2019 as compared to S\$0.578 million in net profit and S\$0.866 million in EBITDA recorded by the Group in Q2 2018. The higher net profit and EBITDA results recorded in Q2 2019 are mainly attributable to the flow-down effects of the higher GP margin and higher other income achieved in Q2 2019, though partly offset by higher operating expenses.

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 2019 as compared to corresponding quarter ended 30 June 2018 (continued)

Detailed Segmental Breakdown of Group Revenue and Gross Profit

The detailed segmental breakdown of the Group's revenue and gross profit for Q2 2019, together with comparative results for Q2 2018 is provided below:

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

	Q2 2019 S\$'000	Sales mix %	Q2 2018 S\$'000	Sales mix %
Unifiedcomms	4,578	68.9	2,734	35.8
GlobeOSS	2,069	31.1	4,900	64.2
Captii Ventures	-	-	-	-
Others	-	-	-	-
Total	6,647	100.0	7,634	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 2019			
	Unifiedcomms S\$'000	GlobeOSS S\$'000	Others S\$'000	Group S\$'000
South East Asia (SEA)	4,220	2,069	-	6,289
South Asia (SA)	134	-	-	134
Middle East & Africa (MEA)	224	-	-	224
Others	-	-	-	-
Total	4,578	2,069	-	6,647

External Sales	Q2 2018			
	Unifiedcomms S\$'000	GlobeOSS S\$'000	Others S\$'000	Group S\$'000
SEA	2,481	4,896	-	7,377
SA	181	-	-	181
MEA	72	-	-	72
Others	-	4	-	4
Total	2,734	4,900	-	7,634

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

External Sales	Q2 2019			Q2 2018		
	System Sale (1)	Managed Service (2)	Group	System Sale (1)	Managed Service (2)	Group
Revenue	3,216	3,431	6,647	4,118	3,516	7,634
Gross Profit	1,485	1,793	3,278	390	1,923	2,313
Gross Profit (%)	46.2%	52.3%	49.3%	9.5%	54.7%	30.3%

(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 2019 as compared to corresponding financial period ended 30 June 2018

Group Revenue

The Group recorded consolidated revenue of S\$11.807 million for the six months ended 30 June 2019 ("6M 2019"), a decrease of 13.6% against the revenue achieved in the corresponding period ended 30 June 2018 ("6M 2018"). The decline in Group revenue for 6M 2019 is attributable to lower revenue recorded by GlobeOSS.

GlobeOSS recorded revenue of S\$4.277 million in 6M 2019, a decrease of 47% from the S\$8.070 million recorded in 6M 2018. This decrease in revenue was due to lower system sale contract revenues as a result of delay in the award of new system sale contracts and slower than expected delivery of system sale contracts in-hand.

In contrast, Unifiedcomms posted revenue of S\$7.530 million in 6M 2019, an increase of 34.5% from the S\$5.599 million recorded in 6M 2018. This improvement in revenue was driven by higher system sale revenues.

The Group's sales mix in 6M 2019 showed an increase in the proportionate contribution of revenue of a recurring nature, with revenue from managed service contracts representing 56.4% of the Group's total revenue in 6M 2019 as compared to 51.2% in 6M 2018. The higher contribution of managed service contracts to the Group's sales mix in 6M 2019 was mainly due to lower system sale contract revenues from GlobeOSS, which had decreased 22.9% from S\$6.674 million in 6M 2018 to S\$5.147 million in 6M 2019.

Gross Profit and Gross Profit Margins

Although Group revenue was lower in 6M 2019, gross profit was higher at S\$6.272 million as compared to S\$4.984 million recorded in 6M 2018. This is attributable to the higher gross profit margin of 53.1% in 6M 2019 against 36.5% in 6M 2018, which was driven by the improvement in gross profit margin on system sale contract revenues. This is attributable to the higher proportionate contribution of system sale contract revenues by Unifiedcomms, which generally delivers higher gross profit margins.

Gross profit margin recorded by the Group on its managed service contract revenues decreased to 50.5% in 6M 2019 from 54.7% in 6M 2018. 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\$0.048 million in 6M 2019, 92% higher against the S\$0.025 million recorded in 6M 2018, as a result of higher bank balances in this reporting period.

Other gains

The Group recorded other gains of S\$0.466 million in 6M 2019, 23,200% higher against the S\$0.002 million recorded in 6M 2018. This is mainly attributable to fair value gain assessed on the Group's venture investment portfolio.

Other Items of Expense

The Group recorded total expenses of S\$4.537 million in 6M 2019, 23.2% higher than the S\$3.684 million incurred in 6M 2018. This is mainly attributable to:-

- * Higher technical support expenses recorded in 6M 2019, due to an increase in technical support headcounts of GlobeOSS; and
- * Higher net foreign exchange loss as a result of unfavourable exchange rate movement of USD and PKR against SGD, the Group's reporting currency.

The increase in the above-mentioned expenses was partly mitigated by a 5.3% decrease in administrative expenses from S\$1.237 million in 6M 2018 to S\$1.171 million in 6M 2019. This decrease in administrative expenses is a result of reduction in the administrative headcount of the Group.

Net Profit and EBITDA

The Group recorded higher net profit of S\$1.929 million and EBITDA of S\$2.848 million in 6M 2019 as compared to S\$1.068 million in net profit and S\$1.852 million in EBITDA recorded by the Group in 6M 2018. The higher net profit and EBITDA results recorded in 6M 2019 are mainly attributable to the flow-down effects of the higher GP margin and higher other income achieved in 6M 2019, though partly offset by higher operating expenses.

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 2019 as compared to corresponding financial period ended 30 June 2018 (continued)

Detailed Segmental Breakdown of Group Revenue and Gross Profit

The detailed segmental breakdown of the Group's revenue and gross profit for 6M 2019, together with comparative results for 6M 2018 is provided below:

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

	2019 S\$'000	Sales mix %	2018 S\$'000	Sales mix %
Unifiedcomms	7,530	63.8	5,599	41.0
GlobeOSS	4,277	36.2	8,070	59.0
Captii Ventures	-	-	-	-
Others	-	-	-	-
Total	11,807	100.0	13,669	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	2019			
	Unifiedcomms S\$'000	GlobeOSS S\$'000	Others S\$'000	Group S\$'000
South East Asia (SEA)	7,018	4,274	-	11,292
South Asia (SA)	288	-	-	288
Middle East & Africa (MEA)	224	-	-	224
Others	-	3	-	3
Total	7,530	4,277	-	11,807

External Sales	2018			
	Unifiedcomms S\$'000	GlobeOSS S\$'000	Others S\$'000	Group S\$'000
SEA	5,085	8,062	-	13,147
SA	371	-	-	371
MEA	143	-	-	143
Others	-	8	-	8
Total	5,599	8,070	-	13,669

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

External Sales	2019			2018		
	System Sale (1)	Managed Service (2)	Group	System Sale (1)	Managed Service (2)	Group
Revenue	5,147	6,660	11,807	6,674	6,995	13,669
Gross Profit	2,908	3,364	6,272	1,160	3,824	4,984
Gross Profit (%)	56.5%	50.5%	53.1%	17.4%	54.7%	36.5%

(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 2019 as compared to the Group's financial position as at 31 December 2018

Non-cash current assets of the Group decreased from \$19.367 million as at 31 December 2018 to \$18.362 million as at 30 June 2019. This 5.2% decrease in non-cash current assets was mainly due to decrease in inventories and other assets, as a result of project deployment and collection of receivables.

Total non-current assets of the Group increased slightly from S\$27.696 million as at 31 December 2018 to S\$27.856 million as at 30 June 2019 representing a marginal increase of 0.6%. This marginal increase comprises mainly i) an increase in fair value of S\$1.935 million in the Group's other financial assets; and ii) a reduction in fair value of S\$1.469 million in the Group's investment in an associate. The said associate and other financial assets are investees in the Group's venture investment portfolio. The net effect of their fair value movements is reflected under the fair value gain on investments amounting to S\$0.466 million for the current period. These fair value movements assessed on the Group's venture investment portfolio, which are unrealised, is a result of changes in estimated fair valuation of the Group's venture investments following the adoption of the most appropriate valuation techniques for each investment and may not be reflective of the actual return upon disposal of these investments in the medium to long term.

Total liabilities of the Group decreased from S\$12.643 million as at 31 December 2018 to S\$8.999 million as at 30 June 2019. This 28.8% decrease in total liabilities is attributable to decrease in trade and other payables and borrowings following repayments during the reporting period.

Review of the Group's cash flow for the quarter and six months ended 30 June 2019 as compared to the corresponding period ended 30 June 2018

The Group's net cash flow used in operations for Q2 2019 was S\$1.108 million, as compared to S\$0.039 million for Q2 2018, a significant increase of 2,741%. This increase was mainly due to higher working capital of S\$2.392 million in the current reporting period, as compared to S\$0.936 million for Q2 2018.

The Group's net cash flow from operations for 6M 2019 was S\$0.233 million, as compared to S\$0.418 million for 6M 2018, a decrease of 44.3%. This decrease was mainly due to higher working capital of S\$2.149 million in the current reporting period, as compared to S\$1.465 million for 6M 2018.

The Group's net cash flow used in investing activities for Q2 2019 was S\$0.183 million, as compared to S\$0.51 million for Q2 2018. The lower net cash used in investing activities was mainly due to the lower volume of venture investments and lower investment in plant and equipment for new managed service contracts made in the current quarter as compared to Q2 2018.

The Group's net cash flow used in investing activities for 6M 2019 was S\$0.281 million, as compared to S\$1.544 million for 6M 2018. The lower net cash used in investing activities was mainly due to the lower volume of venture investments made in the current period as compared to 6M 2018.

The Group's net cash flow from financing activities for Q2 2019 was S\$0.121 million, in contrast with the net cash flow used in financing activities of S\$0.001 million for Q2 2018. This increase was mainly due to proceeds from borrowings.

The Group's net cash flow used in financing activities for 6M 2019 was S\$0.202 million, as compared to S\$0.517 million for 6M 2018. This decrease was mainly due to withdrawal of restricted deposits placed as performance bond in connection with new system sale contracts requirement, in contrast with additional restricted deposits placed in 6M 2018.

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 2019 to be challenging but remain optimistic about growth prospects.

Although the growth in system sale business of GlobeOSS in 2017 and 2018 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)	1.25 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	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
AESBI Power Systems Sdn Bhd *	120	117	Nil	Nil

* A wholly-owned subsidiaries 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 2019 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 Aug 2019