# SALUTICA BERHAD

(Company No. 1024781-T)
(Incorporated in Malaysia)

The Board of Directors of Salutica Berhad ("**Salutica**" or the "**Company**") ("**Board**") is pleased to announce the following unaudited consolidated results for the fourth quarter and financial year ended ("**FYE**") 30 JUNE 2019.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND FYE 30 JUNE 2019

| | | **Current quarter 3 months ended** | | **Cumulative 12 months ended** | |
|---|---|---|---|---|---|
| | **Note** | **30.06.2019 RM'000** | **30.06.2018 RM'000** | **30.06.2019 RM'000** | **30.06.2018 RM'000** |
| **Revenue** | **A9** | **16,009** | **42,084** | **138,972** | **261,474** |
| (Loss) / Profit from operations | | (1,072) | (1,310) | (906) | 15,207 |
| Finance costs | | (5) | (16) | (29) | (110) |
| **(Loss) / Profit before taxation** | | **(1,077)** | **(1,326)** | **(935)** | **15,097** |
| Income tax credit / (expense) | B5 | 264 | 337 | 385 | (3,735) |
| **(Loss) / Profit for the period** | **B1** | **(813)** | **(989)** | **(550)** | **11,362** |
| Other comprehensive income, net of taxation | | - | - | - | - |
| **Total comprehensive (loss) / income for the period** | | **(813)** | **(989)** | **(550)** | **11,362** |
| (Loss) / Profit and total comprehensive income attributable to: | | | | | |
| Owners of the Company | | (813) | (989) | (550) | 11,362 |
| Non-controlling interest | | - | - | - | - |
| **Total comprehensive (loss) / income for the period** | | **(813)** | **(989)** | **(550)** | **11,362** |
| **(Loss) / Earnings per share Basic (Sen)** | **B15** | **(0.21)** | **(0.25)** | **(0.14)** | **2.93** |

**Note:**

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is unaudited and should be read in conjunction with the audited financial statements of the Company for the financial year ended ("**FYE**") 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

**SALUTICA BERHAD**
(Company No. 1024781-T)
(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

| | Note | As at 30.06.2019 RM'000 (Unaudited) | As at 30.6.2018 RM'000 (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 42,842 | 41,446 |
| Intangible assets | | 1,606 | 1,044 |
| Other investments | | 0 | 119 |
| | | 44,448 | 42,609 |
| **Current assets** | | | |
| Inventories | | 34,301 | 33,366 |
| Trade and other receivables | | 8,769 | 24,487 |
| Derivative financial instruments | | 13 | - |
| Current tax assets | | 2,790 | 1,173 |
| Short term investment | | 54,588 | 60,863 |
| Deposits, bank and cash balances | | 27,078 | 30,249 |
| | | 127,539 | 150,138 |
| **TOTAL ASSETS** | | **171,987** | **192,747** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | 91,802 | 91,802 |
| Treasury shares | | (300) | - |
| Reserves | | 65,419 | 75,271 |
| Total equity attributable to owners of the Company | | 156,921 | 167,073 |
| Non-controlling interests | | - | - |
| **TOTAL EQUITY** | | **156,921** | **167,073** |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | **B10** | 48 | 313 |
| Deferred Tax Liability | | 103 | 1,000 |
| | | 151 | 1,313 |
| **Current liabilities** | | | |
| Payables and accruals | | 14,622 | 23,632 |
| Derivative financial instruments | | 28 | 188 |
| Borrowings | **B10** | 265 | 541 |
| | | 14,915 | 24,361 |
| **TOTAL LIABILITIES** | | **15,066** | **25,674** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **171,987** | **192,747** |
| | | | |
| Net assets per ordinary share attributable to ordinary equity holders of the Company (Sen) | | 40.49 | 43.06 |

**Note:**

The Condensed Consolidated Statement of Financial Position is unaudited and should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

**SALUTICA BERHAD**
(Company No. 1024781-T)
(Incorporated in Malaysia under the Companies Act, 1965)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE FYE 30 JUNE 2019

| | <---- Attributable to owners of the Company ---- | | | | |
|---|---|---|---|---|---|
| | <---- Non Distributable Reserve ----> | | | <- Distributable -> | |
| | **Share capital and premium(*)** | **Treasury Shares(#)** | **Fair value reserve(^)** | **Retained Profits(^)** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At **1 July 2018** | 91,802 | - | 16 | 75,255 | **167,073** |
| Total comprehensive income for the year | - | - | - | (550) | **(550)** |
| Buy-back of shares | - | (300) | - | - | **(300)** |
| Transition on Impact of MFRS 9 | - | - | (16) | 16 | **-** |
| Dividends | - | - | - | (9,302) | **(9,302)** |
| At **30 June 2019** | 91,802 | (300) | - | 65,419 | **156,921** |
| At **1 July 2017** | 91,802 | - | 16 | 73,205 | **165,023** |
| Total comprehensive income for the year | - | - | - | 11,362 | **11,362** |
| Dividends | - | - | - | (9,312) | **(9,312)** |
| At **30 June 2018** | 91,802 | - | 16 | 75,255 | **167,073** |

**Note:**

The Condensed Consolidated Statement of Changes in Equity is unaudited and should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

* As at 31January 2019, the share premium account of RM53,002,368 has been transferred to share capital account.
# The Company did a share buy back in December 2018 for 815,000 shares worth RM300,164.50.
^ In accordance with the transitional provisions provided under MFRS 9 “Financial Instruments”, the Fair value reserve arising from the golf membership amounting to RM16,000 was reclassified to retained profits.

**SALUTICA BERHAD**

(Company No. 1024781-T)
(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE FYE 30 JUNE 2019

| | Note | 12 months ended 30.06.2019 RM'000 | 12 months ended 30.06.2018 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net (loss) / profit for the financial period | | (550) | 11,362 |
| Adjustments for: | | | |
| Property, plant and equipment | | | |
| - depreciation | | 5,422 | 7,285 |
| - gains on disposal | | (99) | (49) |
| - write off | | 2 | 6 |
| Bad debts written off | | 9 | - |
| Allowance for Impairment of trade receivables | | 62 | - |
| Capitalisation of intangible assets | | (957) | (891) |
| Amortisation of intangible assets | | 514 | 2,240 |
| Short term investment | | | |
| - Gain on disposal | | (166) | (217) |
| - Fair value gain | | (1,975) | (1,106) |
| Finance costs | | 29 | 110 |
| Interest income | | (1,091) | (1,328) |
| Inventories | | | |
| - Write off | | (790) | - |
| - Provision / (reversal) for slow moving | | 21 | (12) |
| (Write back) / Provision | | (80) | 34 |
| Unrealised gain on foreign exchange | | (2) | (79) |
| Fair value (gain)/loss on derivative financial instruments | | (172) | 173 |
| Taxation (income)/expenses | | (385) | 3,735 |
| Operating profit before changes in working capital | | **(208)** | **21,263** |
| Changes in working capital: | | | |
| Inventories | | (165) | 6,044 |
| Trade and other receivables | | 15,602 | 6,539 |
| Trade and other payables | | (8,874) | (7,975) |
| Cash generated from operations | | 6,355 | 25,871 |
| Income tax paid | | (2,141) | (4,464) |
| Income tax refund | | 12 | - |
| Net cash generated from/(used in) operating activities | | **4,226** | **21,407** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of property, plant and equipment | B6 | (6,796) | (4,145) |
| Proceeds from disposal of plant and equipment | | 99 | 49 |
| Interest income received | | 1,091 | 1,328 |
| Uplift/(placement) of deposit with bank with maturity period of more than three months | | 5,000 | (19,200) |
| Purchase of short term investment | | (58,660) | (108,380) |
| Proceeds from sale of short term investment | | 67,076 | 91,874 |
| Net investing cash flow | | **7,810** | **(38,474)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payments for shares bought back | | (300) | - |
| Dividend paid | | (9,302) | (9,312) |
| Repayment of hire-purchase creditor | | (291) | (1,017) |
| Repayment of term loans | | (250) | (1,500) |
| Interest paid | | (29) | (110) |
| Net cash from/(used in) financing activities | | **(10,172)** | **(11,939)** |

# SALUTICA BERHAD

(Company No. 1024781-T)
(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE FYE 30 JUNE 2019

| | Note | 12 months ended 30.06.2019 RM'000 | 12 months ended 30.06.2018 RM'000 |
|---|---|---|---|
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | 1,864 | (29,006) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | | 1,049 | 30,051 |
| **Effect of change in foreign currency exchange rates** | | (35) | 4 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | | **2,878** | **1,049** |
| **Cash and cash equivalents comprise:** | | | |
| Short-term deposits with licensed banks | | - | - |
| Cash and bank balances | | 2,878 | 1,049 |
| | | **2,878** | **1,049** |
| Deposits with maturity more than 3 months | | 24,200 | 29,200 |
| | | **27,078** | **30,249** |

**Note:**

The Condensed Consolidated Cash Flows Statement is unaudited and should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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## A COMPLIANCE WITH MALAYSIA FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING AND THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") ("LISTING REQUIREMENTS")

### A1 Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("**MASB**") and Paragraph 9.22 and Appendix 9B of the Listing Requirements.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2018 and the accompanying explanatory notes therein. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of Salutica and its subsidiary ("**Group**") since the FYE 30 June 2018.

### A2 Changes in accounting policies

The significant accounting policies adopted in these quarterly financial statements are consistent with those adopted as disclosed in the audited financial statements of the Group for FYE 30 June 2018.

***New standards, amendments to published standards and Issue Committee ("IC") interpretations to existing standards that are applicable to the group and are effective***

The new accounting standards, amendments and improvements to published standards and IC interpretations to existing standards that are effective for the Group's and Company's financial year beginning on 1 July 2018 are as follows:

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective from 1 January 2018)
- MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement"
- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations.

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## A2 Changes in accounting policies (cont'd)

***New standards, amendments to published standards and Issue Committee ("IC") interpretations to existing standards that are applicable to the group and are effective (cont'd)***

The initial application of the accounting standards, amendments or interpretations above does not have any material impact to the financial results of the Group for the current period, other than as disclosed below:-

MFRS 9: Financial Instruments
The Group have reviewed their financial assets and liabilities and had applied MFRS 9 "Financial Instruments" for the first time in the 2019 financial statements with the initial date of application of 1 July 2018. The standard is being applied retrospectively. The financial assets include short term investments in money market or cash funds and derivative financial instruments currently classified as "fair value through profit or loss" and this classification will remain unchanged. The other financial assets are debt instruments that are currently carried as "loans and receivables' and measured at amortised costs. These financial assets satisfies the conditions for classification at amortised costs under MFRS 9.

In accordance with the transitional provisions provided in MFRS 9, the Group have reclassified golf club membership amounting to RM118,900 from available-for-sale financial assets to intangible assets and de-recognise fair value reserve amounting to RM16,000 to retained profits.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at 'fair value through profit or loss" and the Group does not have any such liabilities. The derecognition rules have been transferred from MFRS 139 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial contracts. Accordingly, the Group have assessed the impairment based on the ECL model and had made an allowance impairment amounting to RM62,037 to its accounts receivables.

MFRS 15: Revenue from Contracts with Customers
MFRS 15 replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations effective from 1 January 2018. MFRS 15 identified a new five-step process that applies revenue arising from contracts with customers.

The Group have performed an impact assessment on MFRS 9 and MFRS 15 and concluded that the adoption of the new standard did not have any significant impact to the Group's interim financial statements.

***New standards early adopted by the Group***

There are no new standards, amendments to published standards and IC interpretations to existing standards early adopted by the Group.

## A2 Changes in accounting policies (cont'd)

***New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group but not yet effective and not early adopted***

The Group will apply the new standards, amendments to published standards and IC interpretations in the following financial period:

Effective for the financial year beginning 1 July 2019
- MFRS 16 "Leases"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Amendments to MFRS 9 "Prepayment Feature with Negative Compensation"
- Annual Improvements to MFRSs 2015-2017 Cycle: Amendments to MFRS 3 "Business Combinations", Amendments to MFRS 112 "Income Taxes" and Amendments to MFRS 123 "Borrowing Costs"

Effective for the financial year beginning 1 July 2020
- Amendments to MFRS 3 "Business Combinations"
- Amendments to MFRS 101 "Presentation of Financial Statements"
- Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to MFRS 134 "Interim Financial Reporting"
- Amendment to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets"
- Amendment to MFRS 138 "Intangible Assets"
- Amendment to IC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments"
- Amendment to IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- Amendment to IC Interpretation 132 "Intangible Assets – Web Site Costs"

The Group is currently assessing the financial impact that may arise from the adoption of these new standards, amendments and IC interpretations to existing standards on the financial statements of the Group in the financial year of initial application which will be effective from financial year beginning 1 July 2019 and thereafter.

## A3 Auditors' report on preceding annual financial statements

The auditors' report on the preceding audited financial statements of the Group for the FYE 30 June 2018 was not subject to any qualification.

## A4 Seasonal or cyclical factors

The operations of the Group are affected by seasonal factors. Generally the demand for consumer electronic goods will increase before the year-end holiday season in many countries globally.

### A5 Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter.

### A6 Changes in estimates

There were no material changes in estimates of amounts reported in prior interim period or financial year that have a material effect in the current quarter.

### A7 Changes in debt and equity securities

The Company did the following share buy-back:

| Date of buy back | Total no. of shares purchased | Total consideration paid (RM) |
|---|---|---|
| 18 Dec 2018 | 815,000 | 300,164.50 |
| 1 July 2019 | 1,227,900 | 385,928.97 |
| 2 July 2019 | 967,100 | 305,506.89 |
| **TOTAL** | **3,010,000** | **991,600.36** |

The Company have retained the purchased shares as Treasury shares.

Save for the above, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities until the date of this report.

### A8 Dividends paid

The following dividend was paid during the FYE 30 June 2019:

| In respect of the FYE 30 June 2019: | **FYE 30.06.2019 RM'000** |
|---|---|
| First interim single-tier tax exempt dividend of 0.6 sen per share declared on 28 August 2018 and paid on 28 September 2018 (based on 388,000,000 shares) | 2,328 |
| Second interim single-tier tax exempt dividend of 0.6 sen per share declared on 26 November 2018 and paid on 20 December 2018 (based on 388,000,000 shares) | 2,328 |
| Third interim single-tier tax exempt dividend of 0.6 sen per share declared on 25 February 2019 and paid on 29 March 2019 (based on 387,185,000 shares) | 2,323 |
| Fourth interim single-tier tax exempt dividend of 0.6 sen per share declared on 27 May 2019 and paid on 28 June 2019 (based on 387,185,000 shares) | 2,323 |
| | **9,302** |

**A8 Dividends paid (cont'd)**

In addition, the dividend paid for the previous FYE 30 June 2018 is as follows:

| In respect of the FYE 30 June 2018: | **FYE 30.06.2018 RM'000** |
|---|---|
| First interim single-tier tax exempt dividend of 0.6 sen per share declared on 22 August 2017 and paid on 29 September 2017 (based on 388,000,000 shares) | 2,328 |
| Second interim single-tier tax exempt dividend of 0.6 sen per share declared on 23 November 2017 and paid on 22 December 2017 (based on 388,000,000 shares) | 2,328 |
| Third interim single-tier tax exempt dividend of 0.6 sen per share declared on 9 February 2018 and paid on 15 March 2018 (based on 388,000,000 shares) | 2,328 |
| Fourth interim single-tier tax exempt dividend of 0.6 sen per share declared on 22 May 2018 and paid on 26 June 2018 (based on 388,000,000 shares) | 2,328 |
| | **9,312** |

**A9 Operating segments**

The Group operates in Malaysia under one operating segment – Consumer Electronics. Operating segment information has therefore not been prepared as the Group's revenue and operating profit before taxation are mainly confined to this operating segment.

The principal activities of the Group comprises vertical integration processes covering product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices.

In presenting information on the operating segment, an analysis of the revenue by geographical region is shown below where revenue is based on geographical markets where the goods are delivered rather than the origin of the customers:

| **Regions** | **Current quarter 3 months ended** | | | | **Cumulative quarter 12 months ended** | | | |
|---|---|---|---|---|---|---|---|---|
| | **30.06.2019** | | **30.06.2018** | | **30.06.2019** | | **30.06.2018** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| America | 9,628 | 60.1 | 21,703 | 51.6 | 85,020 | 61.2 | 161,746 | 61.9 |
| Asia (excluding Malaysia) | 3,838 | 24.0 | 10,683 | 25.4 | 34,289 | 24.6 | 48,079 | 18.4 |
| Europe | 1,730 | 10.8 | 8,389 | 19.9 | 17,185 | 12.4 | 46,634 | 17.9 |
| Australia (including New Zealand and Oceania) | 177 | 1.1 | 669 | 1.6 | 1,478 | 1.1 | 2,979 | 1.1 |
| Malaysia | 632 | 4.0 | 541 | 1.3 | 991 | 0.7 | 1,928 | 0.7 |
| Africa (including Middle East) | 4 | ^ | 99 | 0.2 | 9 | ^ | 108 | ^ |
| **Total** | **16,009** | **100** | **42,084** | **100** | **138,972** | **100** | **261,474** | **100** |

^ negligible

For FYE 30 June 2019 the Group revenue was mainly derived from America, of which, more than 80% of revenue was attributable to the United States of America. The second country is from China, contributing more than 60% to the Asia region.

**A10 Valuation of property, plant and equipment**

There were no valuations of property, plant and equipment during the current quarter under review.

**A11 Material events subsequent to the end of the current quarter**

There were no material events subsequent to the end of the current quarter that have not been reflected in these interim financial statements.

**A12 Changes in the composition of the Group**

There were no changes in the composition of the Group for the current quarter.

**A13 Contingent liabilities or contingent assets**

There were no contingent liabilities or contingent assets as at the date of this interim financial report.

**A14 Capital commitments**

Capital commitments in respect of property, plant and equipment not provided for in the financial statements are as follows:

| | As at **30.06.2019** **RM'000** |
|---|---|
| Contracted | 2,395 |
| Authorised but not contracted | 9,543 |
| | **11,938** |

**A15 Significant related party transactions**

| | **12 months ended 30.06.2019** RM'000 |
|---|---|
| Consultancy fee paid/payable | |
| - to a person connected with directors of the Company | 25 |
| | **25** |

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## B COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS

### B1 Review of performance

#### (i) Revenue

In the current fourth quarter, the Group recorded revenue of RM16.0 million against RM42.1 million in the preceding year corresponding quarter, a decline of RM26.1 million.

For the financial year ended 30 June 2019, the Group recorded total revenue of RM139 million compared to RM261.5 million in last year's corresponding period, a decline of RM122.5 million. Bluetooth headsets revenue contributed more than 95% of the total revenue with the balance 5% from non-Bluetooth products such as light guides, camera sub-parts, smarthome controllers/switches, mice and in-house brand FOBO.

The decline in revenue for current quarter and for the financial year ended 30 June 2019 compared to the preceding year corresponding quarter and year was mainly attributed by the following;

a) Longer than expected development cycle for the latest generation cordless Bluetooth headset that was co-developed with the European design partner. This headset has since been launched in the market in August 2019 and had received strong positive reviews; and
b) Weak consumer market sentiment generated from the ongoing US-China trade tension which in turn has affected the demand for current running products resulting in a lower revenue for the current quarter and current year.

#### (ii) (Loss) / Profit Before Taxation ("(LBT)" / "PBT")

In line with the declining revenue, the Group posted a current quarter loss before tax of approximately RM1.1 million, a slight improvement compared to approximately RM1.3 million loss in the corresponding quarter ended 30 June 2018.
For the current year under review, the Group recorded LBT of RM0.9 million compared to a PBT of RM15.1 million in the preceding year, a decline of RM16.1 million.

The decline in PBT for current quarter and for the financial year ended 30 June 2019 compared to the preceding year corresponding quarter and year was mainly attributed by the following:

a) Low revenue due to weak market sentiment from current running products;
b) Delay in the mass production and shipment of the cordless Bluetooth headset by 9 months from October 2018 to June 2019 resulted in costs spent of approximately RM0.7 million for holding the excess resources (salary and related costs);
c) Higher line setup costs due to under-utilisation of production line because of the low production volume for current running products; and
d) Inefficient absorption of fixed overheads due the low revenue.

The full impact of the unexpected costs above have been partially set-off by savings arising from shut-downs in the months with low production volume and early termination of selected contract workers.

## B2 Comment on material change in profit before taxation ("PBT")

| | Current Quarter 30.06.2019 RM'000 | Preceding Quarter 31.03.2019 RM'000 | Variance RM'000 | % |
|---|---|---|---|---|
| Revenue | 16,009 | 19,380 | (3,371) | -17.4% |
| LBT | (1,077) | (4,127) | 3,050 | -73.9% |

The Group's revenue for the current quarter ended 30 June 2019 decreased by approximately 17.4% compared to the preceding quarter ended 31 March 2019. In tandem with the lower revenue, the LBT for the current quarter was RM1.1 million, a significant improvement from the preceding quarter LBT of RM4.1 million.

## B3 Prospects

The co-development project with the European design house had resulted in the successful launch of the cordless Bluetooth headset. This signifies an important milestone for the Group as it creates positive synergistic effect by working effectively together. Both parties will continue to collaborate to offer more innovative and cutting edge technology via the commercialisation of products to the market.

Besides the core business of Bluetooth headsets, the Group have also embark on new businesses such as sleep science (sensors for mattresses), smart homes (sensors for controllers/switches) and next generation headsets. We are already at prototyping stage for the sensors used in smart homes and quotation stage for the sensors in mattresses.

Despite the negative impact from the US China trade tension the Group has started commercializing products relocated from China by customers. We expect to see further growth in this area.

Sales for our in-house brand FOBO tire pressure monitoring system ("tpms") continues to grow although contribution to the total revenue for the Group is still low. Efforts are ongoing to secure more distributors to grow the market for non-automotive industries such as printers, truck weighing and mining industries. The continuous focus to innovate FOBO tpms have seen the launch of FOBO Midget, which is branded as FOBO Bike 2 in the market, with even smaller sensors that its predecessor and running on Bluetooth 5.0 technology. This will propagate into FOBO Tire Midget when it's launched tentatively in next quarter.

Nonetheless, the Group will continue to be prudent in its spending and to focus more on investment in human talent, process re-engineering and automation in order to improve costs and technology competitiveness.

Premised on the above, the Board is of the view that the Group's prospect is favourable.

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### B4 Variance between actual profit and forecast profit

The Group has not provided any revenue or profit forecast in any public documents and announcements.

### B5 Taxation

| | 3 months ended | | 12 months ended | |
|---|---|---|---|---|
| | **30.06.2019 RM'000** | **30.06.2018 RM'000** | **30.06.2019 RM'000** | **30.06.2018 RM'000** |
| Income tax | | | | |
| Current year | 73 | (16) | 273 | 4,455 |
| Prior year | 239 | - | 239 | (5) |
| | 312 | (16) | 512 | 4,450 |
| Deferred tax | | | | |
| Current year | (576) | (321) | (897) | (715) |
| Prior year | - | - | - | - |
| | **(264)** | **(337)** | **(385)** | **3,735** |

Income tax is calculated at the Malaysia statutory tax rate of 24% of the estimated assessable profit for the current quarter and current financial year.

The effective tax rate of the Group for the current quarter was lower than the Malaysia statutory tax rate due mainly to certain revenue expenses and qualifying capital expenditure being deductible for tax purposes. The loss has resulted in a tax credit for the FYE 30 June 2019.

### B6 Unquoted investments and properties

There were no purchases or sales of unquoted investment or properties for the current quarter.

### B7 Quoted securities

There were no acquisitions or disposals of quoted securities for the current quarter.

### B8 Status of corporate proposals

There is no corporate proposal announced but pending completion as at the date of this report.

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## B9 Utilisation of proceeds from the IPO

Based on the IPO price of RM0.80, the gross proceeds arising from the public issue amounting to RM62.4 million is intended to be utilised in the following manner:

| Details of utilisation | Intended utilisation RM'000 | Actual utilisation as at 30.06.2019 RM'000 | Deviation RM'000 | Balance RM'000 | Intended timeframe for utilisation (from date of listing) | Extended timeframe for utilisation |
|---|---|---|---|---|---|---|
| Repayment of bank borrowing | 8,500 | 8,500 | - | - | Within 6 months | - |
| Capital expenditure | 25,000 | 18,415 | - | 6,585 | Within 24 months | Additional 18 months (i.e. until 17 November 2019) * |
| R&D expenditure | 8,200 | 8,200 | - | - | Within 24 months | - |
| Working capital | 16,700 | 16,700 | - | - | Within 24 months | - |
| Estimated listing expenses | 4,000 | 4,000 | - | - | Within 3 months | - |
| **Total** | **62,400** | **55,815** | **-** | **6,585** | | |

* The Group has yet to fully utilise the IPO proceeds. The Board has resolved to extend the timeframe for the utilisation of proceeds which have been earmarked for the capital expenditure in relation to the acquisition of new machinery and equipment for an additional 18 months.

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 28 April 2016.

## B10 Borrowings and debt securities

The Group's loans and borrowings as at **30 June 2019** are as follows:

| | Payable within 12 months RM'000 | Payable after 12 months RM'000 | Total RM'000 |
|---|---|---|---|
| **Unsecured** | | | |
| Term loan | 265 | 48 | 313 |
| | 265 | 48 | 313 |

Hire Purchases have been fully settled. Term loan borrowings are denominated in Ringgit Malaysia.

### B11 Derivative financial instruments

As at the date of the statement of financial position 31 March 2019, the Group has the following outstanding derivative financial instruments:

| Derivatives | Contract or Notional Amount (RM'000) | Fair value Net gain / (loss) (RM'000) |
|---|---|---|
| Currency forward contracts:<br>Less than 1 year | 7,026 | (15) |

For the current quarter, there is no change to the Group's financial risk management policies and objectives in managing these derivative financial instruments and its related accounting policies. Foreign currency forward contracts are entered into by the Group in currencies other than its functional currency to manage exposure to the fluctuations in foreign currency exchange rates.

### B12 Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at the end of the current quarter to the date of the interim financial report.

### B13 Material litigation

As at the date of this report, there is no litigation involving the Group which has a material effect on the financial position of the Group and the Board is not aware of any material litigation or any proceedings pending or threatened.

### B14 Proposed dividend

The Board has on 20 August 2019 declared a first interim single tier tax-exempt dividend in respect of the financial year ending 30 June 2020 of 0.6 sen per share on 384,990,000 ordinary shares (excluding 3,010,000 Treasury shares) amounting to RM2,309,940.00. The entitlement date will be on 10 September 2019 and payment date on 30 September 2019.

### B15 Earnings per Share ("EPS")

| | 3 months ended | | 12 months ended | |
|---|---|---|---|---|
| **BASIC EPS** | **30.06.2019** | **30.06.2018** | **30.06.2019** | **30.06.2018** |
| (Loss) / Profit attributable to owners of the Company (RM'000) | (813) | (989) | (550) | 11,362 |
| Weighted average number of ordinary shares in issue ('000) | 387,185 | 388,000 | 387,565 | 388,000 |
| Basic EPS (sen) | (0.21) | (0.25) | (0.14) | 2.93 |

There was no dilution in the EPS as there was no potential diluted ordinary share outstanding as at the end of the current period under review.

## B16 Notes to the Statement of Comprehensive Income

| | 3 months ended 30.06.2019 RM'000 | 12 months ended 30.06.2019 RM'000 |
|---|---|---|
| Profit from operations for the period/year is arrived at after charging/(crediting): | | |
| Reversal for slow moving inventories | - | (769) |
| Allowance for Impairment of trade receivables | 62 | 62 |
| Write-off inventories | 1,925 | 2,472 |
| Claim made for obsolete materials | (2,151) | (2,806) |
| Property, plant & equipment: | | |
| - depreciation | 1,293 | 5,422 |
| - gains on disposal | (99) | (99) |
| Provision for warranty | (103) | (80) |
| Rental expenses: | | |
| - Hostel/premise | 47 | 205 |
| - equipment/machinery | 9 | 36 |
| Finance costs | 5 | 29 |
| Net foreign exchange (gains)/losses: | | |
| - realised | (72) | (103) |
| - unrealised | 14 | (2) |
| Fair value (gains)/loss on derivative financial instruments | 10 | (172) |
| Interest Income | (274) | (1,091) |
| Short term investments: | | |
| - gains on disposal | (27) | (166) |
| - fair value gains | (438) | (1,975) |

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements are not applicable.

## B17 Authorisation for issue

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 20 August 2019.