

IMPORTANT CAUTIONARY NOTE:

The financial results disclosed in this announcement include finance information provided by the Company's subsidiaries, namely DMX Technologies (Hong Kong) Limited and DMX Technologies (Macao Commercial Offshore) Limited (collectively, the "**Affected Subsidiaries**").

As disclosed in the announcement made by the Company on 24 March 2015 in relation to the Company's request for suspension of trading in its shares (the "**March Announcement**"), the findings (the "**Findings**") of the Company's Hong Kong legal counsel (the "**HK Counsel**") appointed to conduct an investigation into the subject matter of the ongoing investigations by the Commercial Crime Bureau of the Hong Kong Police Force (the "**Initial Investigations**") brought up certain issues which affect the completion and audit of the Company's financial statements for the year ended 31 December 2014 (the "**FY2014 Financial Statements**"). The Initial Investigations revealed that there were irregular accounting practices at the Affected Subsidiaries in 2008 and 2009.

In addition to the above, the Company wishes to highlight that the financial results disclosed in this announcement are subject to the background and limitations relating to the preparation of the financial statements as set out below ("**Limitations**"):

- (a) The Company highlighted the following issues (the "**Accounting Issues**") in the announcement dated 12 May 2015:
 - (i) there is uncertainty in relation to account receivables arising from past transactions amongst the Company, and its clients and vendors, and the possibility of such account receivables not being collectible; and
 - (ii) there is uncertainty in relation to the asset values recorded in respect of supplies, tangible and intangible fixed assets of the Company in connection with such transactions.
- (b) As such, the Company further expanded the scope of the Initial Investigations (the "**Expanded Investigations**") and in addition to HK Counsel, engaged an independent, external accounting investigation team to conduct independent forensic investigative procedures relating to the Expanded Investigations.
- (c) As disclosed in the announcement dated 22 April 2016 (the "**April Announcement**"), the Company released a report (the "**Disclosure Report**") based on the Findings. As stated on page R-12 of the Disclosure Report, the unaudited account receivables and other receivables for the financial year ended 31 December 2014 ("**FY2014**") amounted to approximately US\$378 million, of which US\$140 million and US\$190 million are due to the Company from Beijing Hantz Development and Winscom Guangzhou Technologies Company Limited, respectively. Despite the best efforts of the Company, the Company is uncertain as to the collectability of these account receivables. Further, the unaudited tangible and intangible fixed assets attributable to the Transactions in Question ("**TIQ**") (as defined in the Disclosure Report) for FY2014 amounting to US\$28 million remains unsubstantiated due to the lack of documentary evidence of the TIQ.
- (d) As disclosed in the announcement dated 19 May 2016, due to the substantial costs of the Expanded Investigations and the fees for completing the audit on the Company relating to the FY2014 Financial Statements (the "**FY2014 Audit**"), the board of directors of the Company suspended the Expanded Investigations and the FY2014 Audit.

- (e) As disclosed in the announcement dated 20 October 2016, the Company is exploring alternative options with the Group's auditor, PricewaterhouseCoopers LLP Singapore ("**PwC**"), to undertake an extended scope audit (the "**Extended Scope Audit**") in respect of the FY2014 Financial Statements, the financial statements for the year ended 31 December 2015 (the "**FY2015 Financial Statements**") and the financial statements for the year ended 31 December 2016.
- (f) Pursuant to the findings of the Initial Investigations as disclosed in the April Announcement, the Company made corresponding adjustments to the FY2014 Financial Statements, the FY2015 Financial Statements and the financial statements for the first quarter ended 31 March 2015 ("**1Q15 Financial Statements**"), financial statements for the second quarter ended 30 June 2015 ("**2Q15 Financial Statements**") and financial statements for the third quarter ended 30 September 2015 ("**3Q15 Financial Statements**", and together with the 1Q15 Financial Statements and the 2Q15 Financial Statements, the "**Quarterly FY2015 Financial Statements**") to reflect the impact of the TIQ on the Group's results and financial position based on the Group accounting policies which follow the relevant international accounting standards (the "**Accounting Adjustments**"). The key financial statement line items affected by the Accounting Adjustments include revenue, accounts receivable, costs of sales, accounts payable, property, plant and equipment, and intangible assets. The Accounting Adjustments are subject to the audit by PwC and may change as a result of the Extended Scope Audit.
- (g) As the closing balances and figures in the FY2015 Financial Statements will serve as the opening balances and figures in the quarterly and full year financial statements for the year ended 31 December 2016 (the "**Relevant FY2016 Financial Statements**"), the Accounting Adjustments continue to have an impact on the Relevant FY2016 Financial Statements.
- (h) The financial results disclosed in this announcement have not been reviewed or audited by PwC. As such, the Company would like to remind shareholders of the Company that the financial results disclosed in this announcement may be subject to further adjustments and revisions after the completion of the Expanded Investigations and the Extended Scope Audit.

GIVEN THE ABOVE AND PENDING COMPLETION OF THE EXPANDED INVESTIGATIONS AND THE EXTENDED SCOPE AUDIT, THE BOARD OF DIRECTORS WISHES TO CAUTION INVESTORS AND TO ADVISE THAT INVESTORS SHOULD NOT RELY ON THE FINANCIAL RESULTS DISCLOSED IN THIS ANNOUNCEMENT.

UNAUDITED FINANCIAL STATEMENT FOR SECOND QUARTER OF FY2016

1(a) Statements of Comprehensive Income (for the group) together with comparative statements for the corresponding period of the immediately preceding financial year

	Group			Group			Note 1 1Q 2016 US\$'000
	2Q 2016 US\$'000	2Q 2015 US\$'000	Change %	1H 2016 US\$'000	1H 2015 US\$'000	Change %	
Revenue	26,632	22,925	16.17%	46,573	45,684	1.95%	19,941
Cost of sales	(20,952)	(17,689)	-18.45%	(36,878)	(35,622)	-3.53%	(15,926)
Gross profit	5,680	5,236	8.48%	9,695	10,062	-3.65%	4,015
Gross profit %	21.33%	22.84%	-1.51%	20.82%	22.03%	-1.21%	20.13%
Other operating income	777	74	950.00%	843	149	465.77%	66
Distribution costs	(3,190)	(3,940)	19.04%	(6,989)	(8,200)	14.77%	(3,799)
Administrative expenses	(4,077)	(4,204)	3.02%	(6,975)	(8,350)	16.47%	(2,898)
Other operating expenses	(318)	(1,151)	72.37%	(306)	(1,520)	79.87%	12
Finance costs	(355)	(126)	-181.75%	(684)	(273)	-150.55%	(329)
Loss before income tax	(1,483)	(4,111)	63.93%	(4,416)	(8,132)	45.70%	(2,933)
Income tax expense	(367)	(8)	-4487.50%	(583)	(21)	-2676.19%	(216)
Loss for the period	(1,850)	(4,119)	55.09%	(4,999)	(8,153)	38.69%	(3,149)
Loss attributable to:							
Owners of the company	(2,122)	(4,021)	47.23%	(5,442)	(7,868)	30.83%	(3,320)
Non-controlling interests	272	(98)	377.55%	443	(285)	255.44%	171
Loss for the period	(1,850)	(4,119)	55.09%	(4,999)	(8,153)	38.69%	(3,149)
PAT margin	-6.95%	-17.97%		-10.73%	-17.85%		-15.79%
Other comprehensive (loss) income:							
Exchange differences arising on translation of foreign operations	(38)	(84)	54.76%	181	(277)	165.34%	219
Other comprehensive (loss) income for the period	(38)	(84)	54.76%	181	(277)	165.34%	219
Total comprehensive loss for the period	(1,888)	(4,203)	55.08%	(4,818)	(8,430)	42.85%	(2,930)
Total comprehensive loss attributable to:							
Owners of the company	(2,160)	(4,105)	47.38%	(5,261)	(8,145)	35.41%	(3,101)
Non-controlling interests	272	(98)	377.55%	443	(285)	255.44%	171
Total comprehensive loss for the period	(1,888)	(4,203)	55.08%	(4,818)	(8,430)	42.85%	(2,930)

Operating loss is arrived at after crediting and (charging) :

	Group			Group			Note 1 1Q 2016 US\$'000
	2Q 2016 US\$'000	2Q 2015 US\$'000	Change %	1H 2016 US\$'000	1H 2015 US\$'000	Change %	
Interest income	8	10	-20.00%	15	72	-79.17%	7
Interest expenses	(356)	(126)	-182.54%	(685)	(273)	-150.92%	(329)
Net foreign exchange (loss) gain	(689)	(354)	-94.07%	(234)	(797)	70.89%	455
(Increase) decrease in allowance for doubtful trade receivables	(130)	(996)	86.95%	34	(1,042)	103.26%	164
Reversal of (increase in) allowance for obsolete inventories	13	(1)	1400.00%	27	(4)	775.00%	14
Amortisation expenses	(164)	(197)	16.75%	(329)	(334)	1.50%	(165)
Depreciation expenses	(293)	(306)	4.25%	(601)	(673)	10.70%	(308)
Fair value change of other financial assets	-	76	-100.00%	-	33	-100.00%	-
Loss on write off of property, plant and equipment	(24)	-		(25)	-		(1)
Gain (loss) on disposal of property, plant and equipment	721	(1)	72200.00%	721	(3)	24133.33%	-
Bad debt written off	(13)	-		(13)	-		-
Stock written off	-	-		-	(138)	-100.00%	-

Note 1: 1Q2016 Profit and loss statement is used for comparison purpose.

1(b) (i) Statements of Financial Position (for the issuer and group) together with comparative statements as at the end of the immediately preceding financial year

Statements of Financial Position

	The Group			The Company	
	30-Jun-16 US\$'000	31-Dec-15 US\$'000	31-Mar-16 US\$'000	30-Jun-16 US\$'000	31-Dec-15 US\$'000
ASSETS					
Current assets:					
Cash and cash equivalents	7,241	10,825	7,055	1,343	2,233
Pledged bank deposits	717	2,070	658	-	-
Trade receivables	26,965	37,317	32,861	-	-
Other receivables, deposits and prepayments	9,356	8,653	6,703	41,461	40,717
Tax recoverable	35	46	46	-	-
Held for trading investments	14	14	14	-	-
Inventories	25,279	20,336	28,003	-	-
Total current assets	69,607	79,261	75,340	42,804	42,950
Non-current assets:					
Property, plant and equipment	4,208	4,505	4,360	-	-
Goodwill	4,700	4,700	4,700	-	-
Intangible assets	1,990	2,358	2,190	-	-
Investments in subsidiaries	-	-	-	11,534	11,534
Deferred tax assets	322	321	321	-	-
Total non-current assets	11,220	11,884	11,571	11,534	11,534
Total assets	80,827	91,145	86,911	54,338	54,484
LIABILITIES AND EQUITY					
Current liabilities:					
Bank loans	18,274	17,162	17,623	-	-
Trade payables	20,982	27,676	24,538	-	-
Other payables	12,669	12,483	13,664	801	662
Tax payables	931	397	599	-	-
Current portion of finance lease payables	-	11	11	-	-
Total current liabilities	52,856	57,729	56,435	801	662

	The Group			The Company	
	30-Jun-16 US\$'000	31-Dec-15 US\$'000	31-Mar-16 US\$'000	30-Jun-16 US\$'000	31-Dec-15 US\$'000
Non-current liabilities:					
Bank loans	-	295	294	-	-
Finance lease payables	-	5	4	-	-
Deferred tax liabilities	1,081	1,087	1,079	-	-
Total non-current liabilities	1,081	1,387	1,377	-	-
Capital, reserves and non-controlling interests:					
Share capital	58,427	58,427	58,427	58,427	58,427
Share premium	194,331	194,331	194,331	194,331	194,331
Treasury shares	(1,138)	(1,138)	(1,138)	(1,138)	(1,138)
Contributed surplus	1,534	1,534	1,534	1,534	1,534
Legal reserve	7	7	7	-	-
Foreign currency translation reserve	60	(121)	98	-	-
Share option reserve	453	453	453	453	453
Accumulated loss	(230,532)	(225,015)	(228,335)	(200,070)	(199,785)
Equity attributable to owners of the Company	23,142	28,478	25,377	53,537	53,822
Non-controlling interests	3,748	3,551	3,722	-	-
Total equity	26,890	32,029	29,099	53,537	53,822
Total liabilities and equity	80,827	91,145	86,911	54,338	54,484

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

Group Borrowings and Debts securities		
	Group	
	As at 30 Jun 2016 US\$'000	As at 31 Dec 2015 US\$'000
<u>Amounts repayable in one year or less, or on demand</u>		
Unsecured	-	-
Secured	18,274	17,173
	18,274	17,173
<u>Amounts repayable after one year</u>		
Unsecured	-	-
Secured	-	300
	-	300

Details of any collateral:

As at 30 June 2016, the Group and the Company respectively have:

- (1) pledged bank deposits of US\$716,902 (31 Dec 2015: US\$2,070,280) and Nil (31 Dec 2015: Nil).
- (2) pledged held for trading investments of US\$13,456 (31 Dec 2015: US\$13,456) and Nil (31 Dec 2015: Nil).

(c) Statements of Cash Flows (for the group, together with comparative statements for the corresponding period of the immediately preceding financial year

Statements of Cash Flows

	2Q 2016 US\$'000	2Q 2015 US\$'000	1H 2016 US\$'000	1H 2015 US\$'000	Note 1 1Q 2016 US\$'000
Operating activities:					
Loss before income tax	(1,483)	(4,111)	(4,416)	(8,132)	(2,933)
Adjustments for:					
Amortisation expense	164	197	329	334	165
Depreciation expense	293	306	601	673	308
Interest expenses	356	126	685	273	329
Increase (decrease) in allowance for doubtful trade receivables	130	996	(34)	1,042	(164)
(Reversal of) increase in allowance for obsolete inventories	(13)	1	(27)	4	(14)
Fair value change of other financial assets	-	(76)	-	(33)	-
Loss on write off of property, plant and equipment	24	-	25	-	1
(Gain) loss on disposal of property, plant and equipment	(721)	1	(721)	3	-
Bad debt written off	13	-	13	-	-
Stock written off	-	-	-	138	-
Interest income	(8)	(10)	(15)	(72)	(7)
Operating cash flows before movements in working capital	(1,245)	(2,570)	(3,560)	(5,770)	(2,315)
Decrease in trade receivables	5,798	3,795	10,401	1,608	4,603
(Increase) decrease in other receivables, deposits and prepayments	(2,654)	1,560	(704)	2,056	1,950
Decrease (increase) in inventories	2,745	(3,822)	(4,909)	(1,808)	(7,654)
(Decrease) increase in trade payables	(3,556)	530	(6,694)	(9,151)	(3,138)
(Decrease) increase in other payables	(995)	(1,490)	186	(2,753)	1,181
Cash generated from (used in) operating activities	93	(1,997)	(5,280)	(15,818)	(5,373)
Income taxes paid	(95)	109	(117)	(547)	(22)
Interest paid	(356)	(126)	(685)	(273)	(329)
Interest received	8	10	15	72	7
Net cash used in operating activities	(350)	(2,004)	(6,067)	(16,566)	(5,717)

	2Q 2016 US\$'000	2Q 2015 US\$'000	1H 2016 US\$'000	1H 2015 US\$'000	Note 1 1Q 2016 US\$'000
Investing activities:					
Addition to intangible assets	-	(1)	-	(410)	-
Purchase of property, plant and equipment	(423)	(245)	(554)	(605)	(131)
(Increase) decrease in pledged bank deposits	(59)	542	1,353	1,854	1,412
Proceeds on disposal of property, plant and equipment	741	-	741	-	-
Net cash generated from investing activities	259	296	1,540	839	1,281
Financing activities:					
Repayment of bank loans	(13,735)	(14,686)	(22,672)	(31,853)	(8,937)
Decrease in trust receipts loans	-	(1,466)	-	(508)	-
Repayment of finance leases	(14)	(3)	(16)	(6)	(2)
New bank loans raised	14,104	16,055	23,490	22,239	9,386
Dividend paid to non-controlling interests	(247)	-	(247)	(291)	-
Net cash generated from (used in) financing activities	108	(100)	555	(10,419)	447
Net effect of exchange rate changes on the balance of cash held in foreign currencies / other adjustments	169	(22)	388	(240)	219
Net increase (decrease) in cash and cash equivalents	186	(1,830)	(3,584)	(26,386)	(3,770)
Cash and cash equivalent at beginning of period	7,055	13,370	10,825	37,926	10,825
Cash and cash equivalent at end of period	7,241	11,540	7,241	11,540	7,055

Note 1: 1Q2016 cash flows is used for comparison purposes.

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

Statements of Changes in Equity

GROUP											
	Share capital	Share premium	Treasury shares	Contributed surplus	Legal reserve	Foreign currency translation reserve	Share Option reserve	Accumulated loss	Total	Non-controlling interests	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 Apr 2016	58,427	194,331	(1,138)	1,534	7	98	453	(228,335)	25,377	3,722	29,099
Loss for the period	-	-	-	-	-	(38)	-	(2,122)	(2,160)	272	(1,888)
Total comprehensive loss for the period	-	-	-	-	-	(38)	-	(2,122)	(2,160)	272	(1,888)
Adjustments	-	-	-	-	-	-	-	(75)	(75)	(246)	(321)
Balance at 30 Jun 2016	58,427	194,331	(1,138)	1,534	7	60	453	(230,532)	23,142	3,748	26,890
Balance at 1 Apr 2015	58,427	194,331	(1,138)	1,534	7	446	453	(210,465)	43,595	4,341	47,936
Loss for the period	-	-	-	-	-	(84)	-	(4,021)	(4,105)	(98)	(4,203)
Total comprehensive loss for the period	-	-	-	-	-	(84)	-	(4,021)	(4,105)	(98)	(4,203)
Adjustments	-	-	-	-	-	1	-	(138)	(137)	78	(59)
Balance at 30 Jun 2015	58,427	194,331	(1,138)	1,534	7	363	453	(214,624)	39,353	4,321	43,674

COMPANY											
	Share capital	Share premium	Treasury shares	Contributed surplus	Legal reserve	Foreign currency translation reserve	Share Option reserve	Accumulated loss	Total	Non-controlling interests	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 Apr 2016	58,427	194,331	(1,138)	1,534	-	-	453	(199,917)	53,690	-	53,690
Loss for the period	-	-	-	-	-	-	-	(153)	(153)	-	(153)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(153)	(153)	-	(153)
Balance at 30 Jun 2016	58,427	194,331	(1,138)	1,534	-	-	453	(200,070)	53,537	-	53,537
Balance at 1 Apr 2015	58,427	194,331	(1,138)	1,534	-	-	453	(193,039)	60,568	-	60,568
Loss for the year	-	-	-	-	-	-	-	(113)	(113)	-	(113)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(113)	(113)	-	(113)
Balance at 30 Jun 2015	58,427	194,331	(1,138)	1,534	-	-	453	(193,152)	60,455	-	60,455

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 purposes since the end of the previous period 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 end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital Changes

Share Capital Changes	No. of shares	US\$'000
Ordinary shares of US\$0.05 each at 1 April 2016 and 30 June 2016	1,168,546,867	58,427

Treasury Shares Changes

	No. of shares	US\$'000
Balance as at 1 April 2016 and 30 June 2016	5,152,125	1,138

Share Options & Contingent Shares

As at 30 June 2016, the following Employee Share Options remained outstanding:						
<u>Date of grant</u>	<u>Exercise Period</u>	<u>Exercise price per share</u>	<u>Balance at beginning of year</u>	<u>Total exercised</u>	<u>Total cancelled</u>	<u>Balance outstanding as at 30 Jun 16</u>
25 April 2008	24 April 2009 to 25 April 2018	S\$0.226	3,886,858	-	-	3,886,858
28 November 2008	27 November 2009 to 28 Nov 2018	S\$0.093	7,471,000	-	-	7,471,000
Total			11,357,858	-	-	11,357,858

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

	30-Jun-16	31-Dec-15
No. of shares issued	1,163,394,742	1,163,394,742

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

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2016.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. Singapore Standard on Auditing 910, Engagements to Review Financial Statements, or an equivalent standard).

The figures have not been audited or reviewed.

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

The figures have not been audited or reviewed.

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 accounting policies and methods of computation applied by the Group are consistent with those used in its most recently audited financial statements as at 31 December 2013.

However, please refer to paragraph (f) of "Important Cautionary Notes" stating the "Accounting Adjustments" based on the Group accounting policies which follow the relevant international accounting standards.

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.

Please refer to paragraph (f) of "Important Cautionary Notes" stating the "Accounting Adjustments" based on the Group accounting policies which follow the relevant international accounting standards.

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

Earnings per share		The Group			
		2Q 2016	2Q 2015	1H 2016	1H 2015
Based on the weighted average number of ordinary shares on issue (US cents)	Note 1	-0.18	-0.35	-0.47	-0.68
On fully diluted basis (US Cents)	Note 2	-0.18	-0.35	-0.47	-0.68

Note 1) The weighted average number of ordinary shares in issue for 2Q2016 and YTD Jun 2016: 1,163,394,742 (2Q2015 and YTD Jun 2015: 1,163,394,742).

Note 2) The earnings per share on a fully diluted basis are calculated on the adjusted average number of ordinary shares for 2Q2016 and YTD Jun 2016: 1,163,394,742 (2Q2015 and YTD Jun 2015: 1,163,394,742).

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 period reported on and (b) immediately preceding financial year.

Net asset value per share	The Group		The Company	
	30-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
Net asset value per ordinary share (US cents)	1.99	2.45	4.60	4.63
Net asset value per ordinary share as at 30 June 2016 and 31 December 2015 are also calculated based on share capital of the Company of 1,163,394,742 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, (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Statements of Comprehensive Income

The following paragraphs should be read in conjunction with our Statements of Comprehensive Income for quarter ended 30 June 2016 as presented on Section 1(a) of this document.

Revenue

Business Divisions	Business Segments	2Q 2016 US\$'m	2Q 2015 US\$'m	YOY %	1H 2016 US\$'m	1H 2015 US\$'m	YOY %
ICT	ICT Solutions	20.4	14.8	37.8	35.7	29.2	22.3
	Services / Software	6.2	5.7	8.8	10.1	10.4	-2.9
	Sub-total	26.6	20.5	29.8	45.8	39.6	15.7
	as % of overall sales	100.0%	89.5%		98.3%	86.6%	
Digital Media (TV related)	Digital Media Solutions	0.0	2.1	-100.0	0.8	5.2	-84.6
	as % of overall sales	0.0%	9.2%		1.7%	11.4%	
Mobile Solution Services	Mobile Solution Services	0.0	0.3	-100.0	0.0	0.9	-100.0
	as % of overall sales	0.0%	1.3%		0.0%	2.0%	
Total		26.6	22.9	16.2	46.6	45.7	2.0

Overview

The Group recorded a 16.2% year-on-year (“yoy”) increase in revenue to US\$26.6 million in 2Q2016 which leads to moderate 2.0% yoy with revenue at US\$46.6 million in 1H2016. The higher revenue was a result of recovery of Indonesia from the past trend of delaying “ICT” spending due to the economic uncertainties. The “ICT” division growth in Indonesia outweighs the decrease of “ICT” in matured markets such as Malaysia and the other business divisions such as “Digital Media” and “Mobile Solution Services” mainly in China.

ICT

The Group’s “ICT” division increased the revenue to US\$26.6 million in 2Q2016 with 29.8% yoy, however, which accounts for most part (100.0%) of the Group’s total revenue. While the “Services” segment grew at US\$6.2 million mainly due to the increase in Indonesia and Hong Kong. For 1H2016, the Group increased 15.7% yoy in revenue to US\$45.8 million and contributed to 98.3% of the Group’s total revenue.

Digital Media & Mobile Solution Services

The Group’s Digital Media and Mobile Solution Services registered no new order sales in 2Q2016 due to the restructuring in China for overall Group’s business optimization. China business operation is shifting to “ICT” division and to complete the work in progress for other divisions within this year.

Geographical Segment	2Q	2Q	YOY	1H	1H	YOY
	2016	2015		2016	2015	
	US\$’m	US\$’m		US\$’m	US\$’m	
China	5.2	5.5	-5.5	8.7	11.8	-26.3
as % of overall sales	19.5%	24.0%		18.7%	25.8%	
Indonesia	18.6	13.0	43.1	30.8	23.7	30.0
as % of overall sales	69.9%	56.8%		66.1%	51.9%	
Others	2.8	4.4	-36.4	7.1	10.2	-30.4
as % of overall sales	10.6%	19.2%		15.2%	22.3%	
Total	26.6	22.9	16.2	46.6	45.7	2.0

Revenue from “China” region declined 5.5% yoy to US\$5.2 million in 2Q2016 mainly due to slimming down “Digital Media” and “Mobile Solution Services”. Similarly for 1H2016, China reduced the revenue by 26.3% yoy to US\$8.7 million. As a result, China’s contribution reduced to 19.5% of the Group’s total revenue for 2Q2016.

Revenue from “Indonesia” grew 43.1% yoy to US\$18.6 million in 2Q2016 supported by the fundamental demand for “Infrastructure Upgrade” which also leads to stable growth of 30.0% yoy to US\$30.8 million in 1H2016. Indonesia’s contribution also increased to 69.9% in 2Q2016 and 66.1% in 1H2016 of the Group’s total revenue. The increase was mainly due to the constant booking of “ICT” projects after the slow ICT spending period, however, the Group remains cautious for challenging business environment in “Emerging market” due to the remaining capital intensive model for hardware systems integration business.

Meanwhile, the Group recorded 36.4% yoy drop to US\$2.8 million in 2Q2016 and 30.4% yoy decrease to US\$7.1 million in 1H2016 for “Others” outside of “China” and “Indonesia” as most other countries undergo a rapid shift from revenue-focused capital intensive business model into higher margin service-oriented solution. As a result, revenue contribution from “Others” decreased to 10.6% of the Group’s total revenue in 2Q2016 and to 15.2% in 1H2016.

Gross Margin

Gross margin declined 1.51% yoy to 21.33% in 2Q2016 which leads to 1.21% yoy decrease to 20.82% in 1H2016 due to the competitive “ICT” market environment in addition to the sharp decrease of revenue from higher margin divisions such as “Digital Media”. The Group slimmed down the operation of “Digital Media” due to the heavy overhead cost which resulted in loss making in China business operation.

Total Operating Expenses

The Group’s total operating expense decreased 15.7% yoy to US\$7.9 million in 2Q2016 and 18.5% yoy to US\$14.9 million for 1H2016. The Group has streamlined its headcount and resources over the last several quarters; resulting in lower operating expenses. The Group’s headcount as at 30 June 2016 was 432; compared to 497 in the previous corresponding period last year.

Loss Before Tax

The Group’s loss before tax was at the loss of US\$1.5 million in 2Q2016 compared to US\$4.1 million in 2Q2015 which leads to the loss of US\$4.4 million in 1H2016 reduced from loss of US\$8.1 million in 2H2015 as a result of streamlining the operation of China, Korea and Singapore.

Statements of Financial Position

The following paragraphs should be read in conjunction with our Statements of Financial Position as at 30 June 2016 as presented on Section 1(b) (i) of this document.

Total current assets decreased by US\$9.6 million to US\$69.6 million as at 30 June 2016 compared to the last year end unaudited figures. This was largely due to the net impact from:-

- US\$3.6 million decrease in cash and cash equivalents to US\$7.2 million;
- US\$1.3 million decrease in pledged and structured deposits;
- US\$10.3 million decrease in trade receivables to US\$27.0 million;
- US\$0.7 million decrease in other receivables, deposits and prepayments to suppliers; and
- US\$4.9 million increase in indent inventories.

Aging of total trade receivables are as follows:-

	0-180 days	181-360 days	361-540 days	Over 540 days
30 June 2016	76%	9%	7%	8%
31 March 2016	84%	3%	8%	5%
31 December 2015	83%	7%	7%	3%
30 September 2015	65%	28%	1%	6%
30 June 2015	76%	16%	2%	6%

The above trade receivables are with credit worthy, reputable customers and all projects are irrevocable and not from any interested party. As the Group is undertaking many projects concurrently, a task force is in place in each country to work closely with each of the telecom and the enterprise customers on the progress of their projects.

Non-current assets decreased by US\$0.6 million to US\$11.2 million as at 30 June 2016 as capital expenditure on property, plant and equipment and intangibles were less than the depreciation and amortization expenses during the period.

Total current liabilities have been also decreased by US\$4.9 million to US\$52.8 million as at 30 June 2016. This was due mainly to a US\$6.5 million decrease in trade & other payable, US\$0.5 million increase in tax payable; offset by US\$1.1 million net increase in bank loans.

As at 30 June 2016, the Group's equity attributable to shareholders decreased by US\$5.3 million to US\$23.1 million mainly due to the loss of US\$5.4 million during 1H2016.

Statements of Cash Flows

The following paragraphs should be read in conjunction with our Statements of Cash Flows as of 30 June 2016 as presented on section 1(c) of this document.

The Group utilized US\$0.3 million of cash in operations in 2Q2016 compared to US\$2.0 million utilized in 2Q2015. The Group has used trade receivables by the decrease of US\$5.8 million and the decrease in inventories by US\$2.7 million; to outweigh the decrease in trade and other payables by US\$3.5 million and the increase of other receivables by US\$2.7 million in 2Q2016. As a result, cash utilization in 1H2016 amounted US\$6.0 million, which was an improvement compared to cash utilization of US\$16.6 million in 1H2015.

The Group generated US\$0.3 million of cash in investing activities for 2Q2016 as compared to US\$0.3 million cash generated 2Q2015. The proceeds on disposal of property amounted to US\$0.7 million.

The Group has generated US\$0.1 million from financing activities in 2Q2016. The Group utilized US\$13.7 million of cash in repayment of bank loans and raised the new bank loans of US\$14.1 million in 2Q2016. The Group generated US\$0.5 million from financing activities in 1H2016 by making slightly more new loans raised than the repayments 1H2016.

As a result of the above activities, the Group recorded an increase in cash and cash equivalents of US\$0.2 million in 2Q2016, compared to the decrease of US\$US\$1.8 million in 2Q2015.

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

Not applicable.

10. A commentary at the date of the announcement of the 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 Group remains cautious and continues to exercise prudence in view of the slower growth and challenging ICT business environment. As such, the Group is focusing on ICT business in emerging markets while shifting away from capital intensive hardware systems integration business and slimming down the operation in matured markets; which may result in lower revenue from "ICT" division.

However, the Group will continue to pursue opportunities in niche markets comprising IT security solutions, software, managed services and cloud computing. Although these solutions are relatively lower in business volume and market opportunities, they yield higher profitability and are in line with the Group's focus to generate more recurring revenue in software and services in the ICT division.

The Group sees the limitation of fund as a major obstacle in order to expand the business especially in emerging markets where capital intensive hardware systems integration is the major market opportunity.

Going forward, it is difficult for the Group to prospect for growth potential within the current "ICT" business division, while remaining vigilant due to the limitation of fund in undertaking projects with intensive working capital required.

11. Dividend

a. Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No.

Name of dividend	Not Applicable
Dividend Type	Not Applicable
Dividend amount per share (in S\$ cents)	Not Applicable
Tax Rate	Not Applicable

b. Corresponding Period of the immediately preceding financial year.

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

Name of dividend	Not Applicable
Dividend Type	Not Applicable
Dividend amount per share (in S\$ cents)	Not Applicable
Tax Rate	Not applicable

c. Date payable

Not Applicable.

d. Books Closure date.

Not Applicable.

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

No dividend has been declared / recommended.

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

Name of interested person	Aggregate value of all IPTs 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 IPTs conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
<u>Transactions for the sales of goods and services</u> KDDI Corporation and/or its Associates	-	US\$1.3m
<u>Transactions for the purchase of goods and services</u> KDDI Corporation and/or its Associates	-	US\$0.1m
Total Interested Person Transactions	-	US\$1.4m

14. Negative confirmation pursuant to Rule 705(5)

"We, Iwao Oishi and Masatoshi Nobuhara, being two directors of DMX Technologies Group Ltd (the "Company") wish to highlight that the preparation of the 2Q 2016 results is subject to the Limitations set out in the "Important Cautionary Note" on pages 1 to 2 of this announcement. As such, the financial information disclosed in this announcement may be subject to further adjustments and revisions depending on the outcome of the Expanded Investigations and the Extended Scope Audit.

Subject to the above, we hereby confirm on behalf of the Directors that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the Group's unaudited financial result for the 2nd quarter ended 30 June 2016 to be materially false or misleading."

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

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

By Order of the Board

Iwao Oishi
 Executive Director, Vice Chairman and Acting Chief Executive Officer
 31 March 2017