



TREK 2000 INTERNATIONAL LTD (Registration Number 199905744N)

Third Quarter and 9 Months Financial Statements Announcement for the period ended 30 September 2017

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

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED RESULTS FOR THE THIRD QUARTER AND 9 MONTHS ENDED 30 SEPTEMBER 2017

(i) Consolidated Income Statement

	Third Quarter			9 Months Ended		
	2017 US\$'000	2016 US\$'000	Increase/ (Decrease) %	2017 US\$'000	2016 US\$'000	Increase/ (Decrease) %
Revenue	28,803	43,214	(33.35)	100,399	124,809	(19.56)
Cost of sales	(24,166)	(38,404)	(37.07)	(83,429)	(113,213)	(26.31)
Gross profit	4,637	4,810	(3.60)	16,970	11,596	46.34
Other items of income:						
Interest income	303	148	104.73	814	476	71.01
Other income	450	258	74.42	364	538	(32.34)
Other items of expense:						
Research and development	(508)	(813)	(37.52)	(1,810)	(3,187)	(43.21)
Marketing and distribution	(1,299)	(504)	157.74	(4,598)	(1,349)	240.85
General administration	(865)	(1,570)	(44.90)	(3,503)	(3,656)	(4.18)
Other expenses	(105)	(85)	23.53	(1,669)	(233)	616.31
Finance costs	–	(38)	(100.00)	(18)	(110)	(83.64)
Profit before income tax [1]	2,613	2,206	18.45	6,550	4,075	60.74
Income tax expense	(250)	(11)	2,172.73	(857)	(33)	2,496.97
Profit for the period	2,363	2,195	7.65	5,693	4,042	40.85
Profit for the period attributable to:						
Owners of the Company	2,207	1,780	23.99	5,512	3,607	52.81
Non-controlling interests	156	415	(62.41)	181	435	(58.39)
	2,363	2,195	7.65	5,693	4,042	40.85
Earnings per share attributable to owners of the Company (expressed in cents per share):						
– Basic	0.68	0.55		1.70	1.11	
– Diluted	0.68	0.55		1.70	1.11	

(ii) Breakdown and Explanatory Notes to Consolidated Income Statement

[1] Profit before income tax is stated after (charging)/crediting the following:

	Third Quarter			9 Months		
	2017	2016	Increase/ (Decrease)	2017	2016	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Interest income from:						
– Short-term deposits	83	71	16.90	216	124	74.19
– Quoted investments	220	77	185.71	598	352	69.89
Net gain on disposal of property, plant and equipment	–	5	(100.00)	–	18	(100.00)
Allowance for doubtful debts	–	(72)	(100.00)	(516)	(109)	373.39
Depreciation of property, plant and equipment	(77)	(470)	(83.62)	(330)	(1,355)	(75.65)
Amortisation of intangible assets	(222)	(86)	158.14	(667)	(670)	(0.45)
Net foreign exchange gain/(loss)	165	16	931.25	245	(203)	N.M.
Interest expense on:						
– Hire purchase payables	–	(4)	(100.00)	(2)	(12)	(83.33)
– Term loans and bank overdrafts	–	(34)	(100.00)	(16)	(98)	(83.67)

PS: N.M. – Not Meaningful

Statement of consolidated comprehensive income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial period

	Group					
	Third Quarter FY2017	Third Quarter FY2016	Increase/ (Decrease)	9 Months FY2017	9 Months FY2016	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Profit for the period	2,363	2,195	7.65	5,693	4,042	40.85
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Fair value changes on quoted investments	190	296	(35.81)	700	329	112.77
Foreign currency translation	(41)	(37)	10.81	411	582	(29.38)
Other comprehensive income for the period, net of tax	149	259	(42.47)	1,111	911	21.95
Total comprehensive income for the period	2,512	2,454	2.36	6,804	4,953	37.37
attributable to:						
Owners of the Company	2,356	1,907	23.54	6,604	4,204	57.09
Non-controlling interests	156	547	(71.48)	200	749	(73.30)
	2,512	2,454	2.36	6,804	4,953	37.37

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

BALANCE SHEETS AS AT	GROUP		COMPANY	
	30 Sep 2017 US\$'000	31 Dec 2016 US\$'000	30 Sep 2017 US\$'000	31 Dec 2016 US\$'000
Non-current assets				
Property, plant and equipment	1,781	10,314	10	13
Intangible assets	2,877	3,566	1,431	1,601
Investment in subsidiaries	–	–	1,603	3,485
Investment in associates	–	–	5	5
Quoted investments	16,468	12,244	16,468	12,244
Unquoted investments	–	180	–	–
	21,126	26,304	19,517	17,348
Current assets				
Inventories	6,495	10,294	–	–
Trade and other receivables	4,832	17,107	523	563
Prepayments	160	259	88	76
Short term deposits	19,632	16,519	7,405	7,794
Cash at banks and on hand	13,973	12,716	410	1,287
	45,092	56,895	8,426	9,720
Total assets	66,218	83,199	27,943	27,068
Current liabilities				
Trade payables and accruals	6,653	14,464	45	121
Other payables	7,873	5,106	3,122	1,069
Hire purchase payables	–	151	–	–
Term loans and bank overdrafts	–	1,241	–	–
Income tax payable	1,290	1,244	–	–
	15,816	22,206	3,167	1,190
Net current assets	29,276	34,689	5,259	8,530
Non-current liabilities				
Term loans	–	967	–	–
Deferred taxation	240	698	–	–
Hire purchase payables	–	159	–	–
	240	1,824	–	–
Total liabilities	16,056	24,030	3,167	1,190
Net assets	50,162	59,169	24,776	25,878
Equity attributable to the owners of the Company				
Share capital	37,828	37,828	37,828	37,828
Treasury shares	(262)	(298)	(262)	(262)
Revenue reserve	6,422	3,648	(14,288)	(12,473)
Capital reserve	2,717	2,717	–	–
Asset revaluation reserve	1,235	2,029	–	–
Translation reserve	(611)	(1,003)	–	–
Other reserves	1,459	(2,749)	1,498	785
	48,788	42,172	24,776	25,878
Non-controlling interests	1,374	16,997	–	–
Total equity	50,162	59,169	24,776	25,878
Total equity and liabilities	66,218	83,199	27,943	27,068

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

Amount repayable in one year or less, or on demand

As at 30 September 2017		As at 31 December 2016	
US\$'000		US\$'000	
Secured	Unsecured	Secured	Unsecured
–	–	1,392	–

Amount repayable after one year

As at 30 September 2017		As at 31 December 2016	
US\$'000		US\$'000	
Secured	Unsecured	Secured	Unsecured
–	–	1,126	–

Details of any collateral:

The Group's motor vehicles, plant and equipment with carrying amount of US\$ Nil (31 December 2016: US\$480,798) are pledged as collaterals to the hire purchase creditors.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED CASH FLOW STATEMENT for the periods ended 30 September

	Third Quarter FY2017 US\$'000	Third Quarter FY2016 US\$'000	9 Months FY2017 US\$'000	9 Months FY2016 US\$'000
Cash flow from operating activities:				
Profit before income tax	2,613	2,206	6,550	4,075
Adjustments for:				
Amortisation of intangible assets	222	86	667	670
Depreciation of property, plant and equipment	77	470	330	1,355
Fixed assets written off	–	2	–	2
Intangible assets written off	–	2	–	419
Impairment of property, plant and equipment	–	–	277	–
Loss/(Gain) on disposal of quoted investments	106	(64)	106	10
Loss on disposal of a subsidiary	–	–	1,303	–
Net gain on disposal of property, plant and equipment	–	(5)	–	(18)
Allowance for doubtful debts, net	–	72	516	109
(Reversal)/Allowance for stock obsolescence	(544)	1,203	(135)	(2,342)
Share based payment	5	–	15	–
Interest income	(303)	(148)	(814)	(476)
Interest expense	–	38	18	110
Unrealised foreign exchange gain	(43)	(91)	(112)	3
Operating profit before changes in working capital	2,133	3,771	8,721	3,917
(Increase)/Decrease in trade and other receivables, and prepayments	(659)	469	5,285	1,712
Decrease/(Increase) in inventories	3,304	3,604	(254)	16,653
Increase/(Decrease) in trade and other payables	875	474	(1,180)	(16,240)
Cash generated from operating activities	5,653	8,318	12,572	6,042
Income tax (paid)/refund	(252)	46	(524)	(45)
Interest received	83	71	216	124
Interest paid	–	(38)	(18)	(110)
Net cash generated from operating activities	5,484	8,397	12,246	6,011
Cash flow from investing activities				
Proceeds from disposal of property, plant and equipment	–	6	42	24
Proceeds from disposal of quoted investments	576	1,078	576	4,134
Purchase of property, plant and equipment	(7)	(125)	(31)	(1,291)
Purchase of quoted investments	(1,093)	–	(4,207)	(3,343)
Acquisition from minority shareholders	(363)	–	(363)	–
Net cash outflow from disposal of a subsidiary	–	–	(3,672)	–
Payment for patent and trademark registration expenses	–	(4)	–	(7)
Payment for development expenditures	–	(100)	(1)	(240)
Interest income from quoted investments	220	77	598	352
Net cash (used in)/generated from investing activities	(667)	932	(7,058)	(371)
Cash flow from financing activities				
Purchase of treasury shares	–	(1)	–	(15)
Proceeds from hire purchase	–	–	–	232
Repayment of hire purchase instalments	–	(71)	(30)	(172)
Repayment of term loans	–	(30)	(20)	(71)
Proceeds from term loans	–	–	–	452
Transaction costs on repurchase of shares	–	–	–	(1)
Net cash (used in)/generated from financing activities	–	(102)	(50)	425
Net (decrease)/increase in cash and cash equivalents	4,817	9,227	5,138	6,065
Cash and cash equivalents at beginning of period	28,788	20,340	28,423	23,453
Effect of foreign exchange difference	–	26	44	75
Cash and cash equivalents at end of period	33,605	29,593	33,605	29,593

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

The Group's cash and cash equivalents in the consolidated statement of cash flow consist of the following:

	30 Sep 2017 US\$'000	30 Sep 2016 US\$'000
Cash at banks and on hand	13,973	18,945
Short-term deposits	19,632	11,821
Bank overdrafts	–	(1,173)
	33,605	29,593

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Attributable to owners of the Company							Total US\$'000	Non- Controlling Interests US\$'000	Total Equity US\$'000
	Share Capital US\$'000	Treasury Shares US\$'000	Revenue Reserve US\$'000	Capital Reserve US\$'000	Asset Revaluation Reserve US\$'000	Translation Reserve US\$'000	Other Reserves US\$'000			
THE GROUP										
Balance as at 1 January 2016	37,829	(283)	(2,606)	2,717	2,029	(907)	(2,957)	35,822	15,601	51,423
Share buyback	–	(14)	–	–	–	–	–	(14)	–	(14)
Transaction costs	(1)	–	–	–	–	–	–	(1)	–	(1)
Total comprehensive income for the period	–	–	709	–	–	182	(39)	852	91	943
Balance as at 31 March 2016	37,828	(297)	(1,897)	2,717	2,029	(725)	(2,996)	36,659	15,692	52,351
Total comprehensive income for the period	–	–	1,118	–	–	255	72	1,445	111	1,556
Balance as at 30 June 2016	37,828	(297)	(779)	2,717	2,029	(470)	(2,924)	38,104	15,803	53,907
Total comprehensive income for the period	–	–	1,780	–	–	(169)	296	1,907	547	2,454
Balance as at 30 September 2016	37,828	(297)	1,001	2,717	2,029	(639)	(2,628)	40,011	16,350	56,361
Balance as at 1 January 2017	37,828	(298)	3,648	2,717	2,029	(1,003)	(2,749)	42,172	16,997	59,169
Disposal of a subsidiary	–	36	(2,738)	–	(794)	–	3,532	36	(15,499)	(15,463)
Grant of equity-settled share options to employees	–	–	–	–	–	–	5	5	–	5
Total comprehensive income for the period	–	–	1,246	–	–	370	253	1,869	(107)	1,762
Balance as at 31 March 2017	37,828	(262)	2,156	2,717	1,235	(633)	1,041	44,082	1,391	45,473
Grant of equity-settled share options to employees	–	–	–	–	–	–	5	5	–	5
Total comprehensive income for the period	–	–	2,059	–	–	63	257	2,379	151	2,530
Balance as at 30 June 2017	37,828	(262)	4,215	2,717	1,235	(570)	1,303	46,466	1,542	48,008

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	Attributable to owners of the Company							Total US\$'000	Non- Controlling Interests US\$'000	Total Equity US\$'000
	Share Capital US\$'000	Treasury Shares US\$'000	Revenue Reserve US\$'000	Capital Reserve US\$'000	Asset Revaluation Reserve US\$'000	Translation Reserve US\$'000	Other Reserves US\$'000			
THE GROUP										
Balance as at 30 June 2017	37,828	(262)	4,215	2,717	1,235	(570)	1,303	46,466	1,542	48,008
Grant of equity-settled share options to employees	-	-	-	-	-	-	5	5	-	5
Share acquisition from minority shareholders	-	-	-	-	-	-	(39)	(39)	(324)	(363)
Total comprehensive income for the period	-	-	2,207	-	-	(41)	190	2,356	156	2,512
Balance as at 30 September 2017	37,828	(262)	6,422	2,717	1,235	(611)	1,459	48,788	1,374	50,162
THE COMPANY										
Balance as at 1 January 2016	37,829	(248)	3,714	-	-	-	639	41,934		
Share buyback	-	(14)	-	-	-	-	-	(14)		
Transaction costs	(1)	-	-	-	-	-	-	(1)		
Total comprehensive income for the period	-	-	(356)	-	-	-	(39)	(395)		
Balance as at 31 March 2016	37,828	(262)	3,358	-	-	-	600	41,524		
Total comprehensive income for the period	-	-	(552)	-	-	-	72	(480)		
Balance as at 30 June 2016	37,828	(262)	2,806	-	-	-	672	41,044		
Total comprehensive income for the period	-	-	(1,041)	-	-	-	296	(745)		
Balance as at 30 September 2016	37,828	(262)	1,765	-	-	-	968	40,299		
Balance as at 1 January 2017	37,828	(262)	(12,473)	-	-	-	785	25,878		
Grant of equity-settled share options to employees	-	-	-	-	-	-	5	5		
Total comprehensive income for the period	-	-	(471)	-	-	-	253	(218)		
Balance as at 31 March 2017	37,828	(262)	(12,944)	-	-	-	1,043	25,665		
Grant of equity-settled share options to employees	-	-	-	-	-	-	5	5		
Total comprehensive income for the period	-	-	(745)	-	-	-	257	(488)		
Balance as at 30 June 2017	37,828	(262)	(13,689)	-	-	-	1,305	25,182		
Grant of equity-settled share options to employees	-	-	-	-	-	-	5	5		
Total comprehensive income for the period	-	-	(599)	-	-	-	188	(411)		
Balance as at 30 September 2017	37,828	(262)	(14,288)	-	-	-	1,498	24,776		

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 period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles 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.

There were no changes in the issued and paid-up capital of the Company, since the previous period reported on.

During the third quarter ended 30 September 2017 ("3QFY2017"), no share options were granted under the Trek 2000 International Share Options Scheme 2011.

The outstanding share options under Trek 2000 International Share Options Scheme is as follows:

	Third Quarter Ended	
	FY2017	FY2016
Unexercised share options	No. of share options	No. of share options
Balance as at 1 January	4,982,500	6,727,500
Share options forfeited during the period	(1,102,500)	(350,000)
Balance as at 30 September	3,880,000	6,377,500

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 year.

As at 30 September 2017, the share capital of the Company (excluding treasury shares) is as follows:

Ordinary shares issued and fully paid	No. of shares	US\$
Balance as at 1 January 2017	322,887,925	37,566,187
Movement in ordinary shares during the period	-	-
Balance as at 30 September 2017	322,887,925	37,566,187

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 reported on.

During the period under review, no new treasury shares were acquired by the Company to acquire shares pursuant to the Share Purchase Mandate to be held as "Treasury Shares".

	Group		Company	
	No. of shares	US\$	No. of shares	US\$
Balance as at 1 January 2017	1,522,000	297,574	1,229,000	262,057
Disposal of a subsidiary	(293,000)	(35,517)	-	-
Balance as at 30 September 2017	1,229,000	262,057	1,229,000	262,057

As a result of the disposal of Racer Technology Pte Ltd and its subsidiaries ("Racer Group") in 1QFY2017, Racer Group's investment in the Company is no longer deemed as treasury shares.

	Group		Company	
	No. of shares	US\$	No. of shares	US\$
Balance as at 1 January 2016	1,450,100	283,123	1,157,100	247,606
Repurchase of shares and held as Treasury Shares	71,900	14,451	71,900	14,451
Balance as at 30 September 2016	1,522,000	297,574	1,229,000	262,057

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

The above figures have not been audited or reviewed by its auditors.

3. Whether the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

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

THE GROUP	Third Quarter Ended		9 Months Ended	
	FY2017	FY2016	FY2017	FY2016
Profit net of tax attributable to ordinary equity holders of the Company used in computation of basic earnings per share (US\$'000)	2,207	1,780	5,512	3,607
Weighted average number of ordinary shares for basic earnings per share computation (in '000)	324,117	324,117	324,117	324,117
Weighted average number of ordinary shares for diluted earnings per share computation (in '000)	324,142	324,136	324,142	324,136
(Amount in USD cents)				
Earnings per ordinary share for the period after deducting any provision for preference dividends:-				
(i) Basic earnings per share (in cents)	0.68	0.55	1.70	1.11
(ii) Diluted earnings per share (in cents)	0.68	0.55	1.70	1.11

Note:

Basic earnings per share amounts are calculated by dividing profit for the period that is attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share amounts are calculated by dividing profit for the period that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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	GROUP		COMPANY	
	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
Number of ordinary shares (in'000)	322,888	322,595	322,888	322,888
(Amount in USD cents)				
Net asset value per ordinary share based on issued share capital at the end of the period	15.11	13.07	7.67	8.01

Net asset value represents total assets less total liabilities and non-controlling interests.

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

For 3QFY2017, the Group reported a 33.4% quarter on quarter ("qoq") decrease in revenue from US\$43.2 million for 3QFY2016 to US\$28.8 million. Gross profit decreased by 3.6% from US\$4.8 million in 3QFY2016 to US\$4.6 million in 3QFY2017, while gross profit margin increased from 11.1% to 16.1%. The Group reported an increase in net profit after tax attributable to owners of the Company of 24.0% from US\$1.8 million in 3QFY2016 to US\$2.2 million in 3QFY2017.

For the nine months ended 30 September 2017 ("9MFY2017"), the Group reported a year-on-year ("yoy") decrease of 19.6% in revenue from US\$124.8 million for 9MFY2016 to US\$100.4 million. Gross profit increase by 46.3% from US\$11.6 million in 9MFY2016 to US\$17.0 million in 9MFY2017, while gross profit margin increased from 9.3% to 16.9%. The Group reported an increase in net profit after tax attributable to owners of the Company of 52.8% from US\$3.6 million in 9MFY2016 to US\$5.5 million in 9MFY2017.

The Group's performance is attributable to the following factors:

Revenue

The decrease in revenue of 33.4% in 3QFY2017 was mainly due to decrease in Interactive Consumer Solutions ("ICS") division and the disposal of Racer Group in the first quarter of FY2017. The Group's ICS division continues to be a key revenue generator, accounting for 97.1% of the overall revenue in 3QFY2017.

Profitability

Gross profit margin improved from 11.1% to 16.1% qoq in 3QFY2017, and this was mainly attributed to the Group's containment of cost of goods sold.

Expenses

The Group's total expenses amounted to US\$2.78 million in 3QFY2017 (3QFY2016: US\$3.01 million) representing a decrease of 7.7% qoq. The factors contributing to the decreases are as follow:

- Research and development expenses reported a decrease of 37.5% qoq to US\$0.5 million in 3QFY2017 (3QFY2016: US\$0.8 million). The decrease was mainly due to the decrease in staff and patent maintenance costs.
- Marketing and distribution expenses increased by 157.7% qoq to US\$1.3 million in 3QFY2017 (3QFY2016: US\$0.5 million). This was mainly due to increase in the marketing activities and new product launches.
- General administrative expenses decreased from US\$1.6 million in 3QFY2016 to US\$0.9 million in 3QFY2017 due mainly to lower professional fees, depreciation and staff-related costs.
- Other expenses increased from US\$0.09 million in 3QFY2016 to US\$0.11 million in 3QFY2017 due mainly to losses incurred upon disposal of quoted investments.

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 (cont'd)**

Net profit after tax attributable to owners of the Company

The Group reported a net profit attributable to owners of the Company of US\$2.2 million in 3QFY2017 (3QFY2016: US\$1.8 million) and US\$5.5 million in 9MFY2017 (9MFY2016: US\$3.6 million) despite the challenging environment.

Other Financial Highlights

- **Property, plant and equipment** – The decrease in the Group's property, plant and equipment was mainly due to the disposal of Racer Group's property, plant and equipment in the first quarter of 2017.
- **Intangible assets** – The Group's intangible assets decreased by US\$0.7 million and this was mainly due to amortisation of project costs during the year.
- **Quoted investments** – The Group's investment in quoted investment increased by US\$4.2 million to US\$16.5 million in September 2017 (December 2016: US\$12.2 million). This was mainly due to additional investments made in quoted investments.
- **Inventories** – The Group's inventories amounted to US\$6.5 million as at 30 September 2017, a decrease by US\$3.8 million from US\$10.3 million in 31 December 2016. Inventory turnover days in 9MFY2017 were 28 days (9MFY2016: 27 days).
- **Trade and other receivables** – The decrease in the Group's trade and other debtors was mainly due to higher receipts received from customers and other debtors, and the disposal of the Racer Group in first quarter of 2017 as less receivables were carried in our books.
- **Trade payables and accruals** – The Group's trade payables and accruals amounted to US\$6.7 million as at 30 September 2017 as compared to US\$14.5 million as at 31 December 2016. This was due to the higher payments made to vendors and the disposal of the Racer Group in first quarter of 2017 as less payables were carried in our books. Trade payable turnover days were 29 days in 9MFY2017 (9MFY2016: 37 days).

Cashflow

The Group's cash and cash equivalent as at 30 September 2017 amounted to US\$33.6 million compared to US\$28.4 million as at 31 December 2016. The main increase in the cash position in 9MFY2017 was mainly due to the cash inflow of US\$12.2 million generated from the operations, which was partly offset by the cash outflow of US\$7.1 million from the investment activities (net cash outflow for purchases of quoted investments and disposal of Racer Group).

Other matters

Apart from the above, shareholders and investors are advised to refer to the cautionary statement set out in the Appendix on page 14.

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

Not Applicable.

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**

Heading into the remainder of the year, the Group continues to execute its overarching growth strategy of penetrating the Internet of Things ("IoT") market in consumer wearable, medical and cloud technologies. While charting steady growth, the Group continues to explore strategic partnerships to ensure the long-term sustainability of the Group's operations.

In the near-term, the acute supply of strategic components may impact the Group's revenue for 4Q2017. Nevertheless, the Group continues to strive to enhance long-term shareholder value. Barring any further unforeseen circumstances, the Group expects improved profit for FY2017 as compared to FY2016.

As at 30 September 2017, the Group's balance sheet continued to strengthen as net cash and cash equivalents increased to US\$33.6 million while quoted investments increased to US\$16.5 million. Amid an

uncertain business landscape, the Group's improved financial position provides the impetus for it to execute its growth strategies.

Other matters

Apart from the above, shareholders and investors are advised to refer to the cautionary statement set out in the Appendix on page 14.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? **NO**

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial period? **NO**

(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 interim dividend has been declared/(recommended) for the current period under review.

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

The Company does not have any general mandate from shareholders pursuant to Rule 920.

Other matters

Shareholders and investors are advised to refer to the cautionary statement set out in the Appendix on page 14.

14. If the case of an announcement of interim financial statement (quarterly or half-yearly), the issuer's directors must confirm that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial results to be false or misleading, in any material aspect. Please confirm that such a statement has been made.

The Company has not issued any interim financial statements which may render the interim financial statements to be false or misleading, in any material aspect pursuant to Rule 705(5).

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

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors and executive officers.

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

- 16. 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.

- 17. 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.

- 18. A breakdown of sales**

Not applicable.

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

Not applicable.

BY ORDER OF THE BOARD

EDWIN LONG MING FAI

Executive Director
7 November 2017

CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

The directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render to the unaudited financial statements for the period ended 30 September 2017 to be false and misleading in any material aspect.

On behalf of the Directors

Signed

HENN TAN
Director

7 November 2017

Signed

EDWIN LONG MING FAI
Director

Appendix

CAUTIONARY STATEMENT

As previously announced, the Company is co-operating with the CAD in its on-going investigations relating to document deficiencies. In addition, RSM is currently in the midst of the Phase 2 Review. Pending the completion of such investigation/review, the company may make adjustments to FY2015 & FY2016 financial statements, if required.

Further information can be found in the announcements dated 25 February 2016, 1 March 2016, 14 March 2016, 17 March 2016, 7 April 2016, 26 April 2016, 25 May 2016, 1 June 2016, 8 June 2016, 18 July 2017 and 8 September 2017.

In view of the foregoing, shareholders and investors are advised to carefully monitor and refer to further announcements released by the Company for updates, and to consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take. They are therefore cautioned against placing undue reliance on the same.