



TREK 2000 INTERNATIONAL LTD (Registration Number 199905744N)

Second Quarter and Half Yearly Financial Statements Announcement for the period ended 30 June 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 SECOND QUARTER AND FIRST HALF ENDED 30 JUNE 2017

(i) Consolidated Income Statement

	Second Quarter			First Half		
	2017	2016 (Restated) [2]	Increase/ (Decrease)	2017	2016 (Restated) [2]	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	29,825	48,750	(38.82)	71,596	81,595	(12.25)
Cost of sales	(24,162)	(45,195)	(46.54)	(59,263)	(74,451)	(20.40)
Gross profit	5,663	3,555	59.30	12,333	7,144	72.63
Other items of income:						
Interest income	274	179	53.07	511	327	56.27
Other income	32	225	(85.78)	164	351	(53.28)
Other items of expense:						
Research and development	(782)	(966)	(19.05)	(1,302)	(2,374)	(45.16)
Marketing and distribution	(1,501)	(354)	324.01	(3,299)	(846)	289.95
General administration	(1,175)	(1,247)	(5.77)	(2,638)	(2,086)	26.46
Other expenses	–	(119)	(100.00)	(1,814)	(219)	728.31
Finance costs	–	(38)	(100.00)	(18)	(72)	(75.00)
Profit before income tax [1]	2,511	1,235	103.32	3,937	2,225	76.94
Income tax expense	(301)	(11)	2,636.36	(607)	(21)	2,790.48
Profit for the period	2,210	1,224	80.56	3,330	2,204	51.09
Profit for the period attributable to:						
Owners of the Company	2,059	1,152	78.73	3,305	1,894	74.50
Non-controlling interests	151	72	109.72	25	310	(91.94)
	2,210	1,224	80.56	3,330	2,204	51.09
Earnings per share attributable to owners of the Company (expressed in cents per share):						
– Basic	0.64	0.36		1.02	0.58	
– Diluted	0.64	0.36		1.02	0.58	

(ii) Breakdown and Explanatory Notes to Consolidated Income Statement

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

	Second Quarter			First Half		
	2017 US\$'000	2016 Restated [2] US\$'000	Increase/ (Decrease) %	2017 US\$'000	2016 Restated [2] US\$'000	Increase/ (Decrease) %
Interest income from:						
– Short-term deposits	77	29	165.52	133	53	150.94
– Quoted investments	197	150	31.33	378	274	37.96
Net gain on disposal of property, plant and equipment	–	7	(100.00)	–	12	(100.00)
(Allowance)/Reversal for doubtful debts, net	(186)	(17)	994.12	(516)	(6)	8,500.00
Depreciation of property, plant and equipment	(69)	(272)	(74.63)	(253)	(527)	(51.99)
Amortisation of intangible assets	(223)	(294)	(24.15)	(445)	(584)	(23.80)
Intangible assets written off	–	–	–	–	(417)	(100.00)
(Allowance)/Reversal for stock obsolescence	(185)	577	N.M.	(409)	3,545	N.M.
Net foreign exchange gain/(loss)	26	(119)	N.M.	80	(219)	N.M.
Interest expense on:						
– Hire purchase payables	–	(4)	(100.00)	(2)	(8)	(75.00)
– Term loans and bank overdrafts	–	(11)	(100.00)	(16)	(24)	(33.33)

PS: N.M. – Not Meaningful

[2] Comparative results for the second quarter ended 30 June 2016 (“2QFY2016”) and the first half of FY2016 (“1HFY2016”) have been restated to include for the following items:

	2QFY2016 US\$'000	1HFY2016 US\$'000	Explanation
Decrease in cost of sales	(183)	(358)	Restatement of this was due to the adjustments to depreciation of fixed assets as fixed assets were previously injected as capital by the non-controlling shareholder in our subsidiary, Racer Technology Pte Ltd (“Racer Group”). The fixed assets were subsequently transferred back to the non-controlling shareholders resulting in the adjustments to depreciation required.
Increase in foreign currency translation	13	16	Restatement of these items was again due to the adjustments in fixed assets and transferred back of these assets to the non-controlling shareholders as explained above.
Increase in non-controlling interests	148	290	

(iii) 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					
	US\$'000	%	Increase/ (Decrease)	US\$'000		%
	Q2FY2017	Q2FY2016 (Restated)*		1HFY2017	1HFY2016 (Restated)*	Increase/ (Decrease)
Profit for the period	2,210	1,224	80.56	3,330	2,204	51.09
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Fair value changes on quoted investments	257	72	256.94	510	33	1,445.45
Foreign currency translation	63	268	(76.49)	452	453	(0.22)
Other comprehensive income for the period, net of tax	320	340	(5.88)	962	486	97.94
Total comprehensive income for the period	2,530	1,564	61.76	4,292	2,690	59.55
attributable to:						
Owners of the Company	2,379	1,492	59.45	4,248	2,380	78.49
Non-controlling interests	151	72	109.72	44	310	(85.81)
	2,530	1,564	61.76	4,292	2,690	59.55

* – Refer to 1(a)(ii)[2]

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 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Property, plant and equipment	1,850	10,314	10	13
Intangible assets	3,099	3,566	1,488	1,601
Investment in subsidiaries	–	–	1,603	3,485
Investment in associates	–	–	5	5
Quoted investments	15,867	12,244	15,867	12,244
Unquoted investments	–	180	–	–
	20,816	26,304	18,973	17,348
Current assets				
Inventories	9,256	10,294	–	–
Trade and other receivables	3,886	17,107	525	563
Prepayments	447	259	84	76
Short term deposits	23,481	16,519	7,678	7,794
Cash at banks and on hand	5,307	12,716	435	1,287
	42,377	56,895	8,722	9,720
Total assets	63,193	83,199	27,695	27,068
Current liabilities				
Trade payables and accruals	7,475	14,464	41	121
Other payables	6,178	5,106	2,472	1,069
Hire purchase payables	–	151	–	–
Term loans and bank overdrafts	–	1,774	–	–
Income tax payable	1,292	1,244	–	–
	14,945	22,739	2,513	1,190
Net current assets	27,432	34,156	6,209	8,530

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 (cont'd)

	GROUP		COMPANY	
	30 Jun 2017 US\$'000	31 Dec 2016 US\$'000	30 Jun 2017 US\$'000	31 Dec 2016 US\$'000
Non-current liabilities				
Term loans	–	434	–	–
Deferred taxation	240	698	–	–
Hire purchase payables	–	159	–	–
	240	1,291	–	–
Total liabilities	15,185	24,030	2,513	1,190
Net assets	48,008	59,169	25,182	25,878
Equity attributable to the owners of the Company				
Share capital	37,829	37,829	37,829	37,829
Treasury shares	(263)	(299)	(263)	(263)
Revenue reserve	4,215	3,648	(13,689)	(12,473)
Capital reserve	2,717	2,717	–	–
Asset revaluation reserve	1,235	2,029	–	–
Translation reserve	(570)	(1,003)	–	–
Other reserves	1,303	(2,749)	1,305	785
	46,466	42,172	25,182	25,878
Non-controlling interests	1,542	16,997	–	–
Total equity	48,008	59,169	25,182	25,878
Total equity and liabilities	63,193	83,199	27,695	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 June 2017 US\$'000		As at 31 December 2016 US\$'000	
Secured	Unsecured	Secured	Unsecured
–	–	1,925	–

Amount repayable after one year

As at 30 June 2017 US\$'000		As at 31 December 2016 US\$'000	
Secured	Unsecured	Secured	Unsecured
–	–	593	–

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 June

	2QFY2017	2QFY2016	1HFY2017	1HFY2016
	US\$'000	(Restated) US\$'000	US\$'000	(Restated) US\$'000
Cash flow from operating activities:				
Profit before income tax	2,511	1,235	3,937	2,225
Adjustments for:				
Amortisation of intangible assets	223	294	445	584
Depreciation of property, plant and equipment	69	272	253	527
Intangible assets written off	–	–	–	417
Impairment of property, plant and equipment	277	–	277	–
Loss on disposal of a subsidiary	–	–	1,303	–
Net fair value gain on quoted investments (transferred from equity on disposal of quoted investments)	–	(63)	–	(69)
Net gain on disposal of property, plant and equipment	–	(7)	–	(12)
Allowance for doubtful debts, net	186	17	516	6
Allowance/(Reversal) for stock obsolescence	185	(577)	409	(3,545)
Share based payment	5	–	10	–
Interest income	(274)	(179)	(511)	(327)
Interest expense	–	15	18	32
Unrealised foreign exchange (gain)/loss	61	32	(70)	90
Operating profit/(loss) before changes in working capital	3,243	1,039	6,587	(72)
(Increase)/Decrease in trade and other receivables, and prepayments	(1,659)	2,121	5,944	1,282
(Increase)/Decrease in inventories	(122)	5,082	(3,558)	13,049
Decrease in trade and other payables	(4,880)	(5,616)	(2,055)	(16,714)
Cash (used in)/generated from operating activities	(3,418)	2,626	6,918	(2,455)
Income tax paid	(247)	(84)	(272)	(91)
Interest received	77	29	133	53
Interest paid	–	(15)	(18)	(32)
Net cash (used in)/generated from operating activities	(3,588)	2,556	6,761	(2,525)
Cash flow from investing activities				
Proceeds from disposal of property, plant and equipment	–	11	42	17
Proceeds from disposal of quoted investments	–	2,095	–	3,199
Purchase of property, plant and equipment	(10)	(142)	(23)	(658)
Purchase of quoted investments	(2,090)	(3,343)	(3,114)	(3,343)
Net cash outflow from disposal of a subsidiary	–	–	(3,672)	–
Payment for patent and trademark registration expenses	–	–	–	(3)
Payment for development expenditures	–	–	(1)	(140)
Interest income from quoted investments	197	150	378	274
Net cash used in investing activities	(1,903)	(1,229)	(6,390)	(654)
Cash flow from financing activities				
Purchase of treasury shares	–	–	–	(15)
Repayment of hire purchase instalments	–	(56)	(30)	(101)
Repayment of term loans	–	–	(20)	(41)
Proceeds from term loans	–	21	–	174
Net cash (used in)/generated from financing activities	–	(35)	(50)	17
Net (decrease)/increase in cash and cash equivalents	(5,491)	1,292	321	(3,162)
Cash and cash equivalents at beginning of period	34,279	19,005	28,423	23,453
Effect of foreign exchange difference	–	43	44	49
Cash and cash equivalents at end of period	28,788	20,340	28,788	20,340

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 June 2017 US\$'000	30 June 2016 US\$'000
Cash at banks and on hand	5,307	9,425
Short-term deposits	23,481	12,253
Bank overdrafts	–	(1,338)
	<u>28,788</u>	<u>20,340</u>

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	(284)	(2,470)	2,717	2,029	(925)	(2,958)	35,938	16,188	52,126
Share buyback	–	(15)	–	–	–	–	–	(15)	–	(15)
Total comprehensive income for the period	–	–	742	–	–	185	(39)	888	238	1,126
Balance as at 31 March 2016 (Restated)	<u>37,829</u>	<u>(299)</u>	<u>(1,728)</u>	<u>2,717</u>	<u>2,029</u>	<u>(740)</u>	<u>(2,997)</u>	<u>36,811</u>	<u>16,426</u>	<u>53,237</u>
Total comprehensive income for the period	–	–	1,152	–	–	268	72	1,492	72	1,564
Balance as at 30 June 2016 (Restated)	<u>37,829</u>	<u>(299)</u>	<u>(576)</u>	<u>2,717</u>	<u>2,029</u>	<u>(472)</u>	<u>(2,925)</u>	<u>38,303</u>	<u>16,498</u>	<u>54,801</u>
Balance as at 1 January 2017	37,829	(299)	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	<u>37,829</u>	<u>(263)</u>	<u>2,156</u>	<u>2,717</u>	<u>1,235</u>	<u>(633)</u>	<u>1,041</u>	<u>44,082</u>	<u>1,391</u>	<u>45,473</u>
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	<u>37,829</u>	<u>(263)</u>	<u>4,215</u>	<u>2,717</u>	<u>1,235</u>	<u>(570)</u>	<u>1,303</u>	<u>46,466</u>	<u>1,542</u>	<u>48,008</u>

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 COMPANY										
Balance as at 1 January 2016	37,829	(248)	3,714	–	–	–	639	41,934	–	41,934
Share buyback	–	(15)	–	–	–	–	–	(15)	–	(15)
Total comprehensive income for the period	–	–	(356)	–	–	–	(39)	(395)	–	(395)
Balance as at 31 March 2016	37,829	(263)	3,358	–	–	–	600	41,524	–	41,524
Total comprehensive income for the period	–	–	(551)	–	–	–	72	(479)	–	(479)
Balance as at 30 June 2016	37,829	(263)	2,807	–	–	–	672	41,045	–	41,045
Balance as at 1 January 2017	37,829	(263)	(12,473)	–	–	–	785	25,878	–	25,878
Grant of equity-settled share options to employees	–	–	–	–	–	–	5	5	–	5
Total comprehensive income for the period	–	–	(471)	–	–	–	253	(218)	–	(218)
Balance as at 31 March 2017	37,829	(263)	(12,944)	–	–	–	1,043	25,665	–	25,665
Grant of equity-settled share options to employees	–	–	–	–	–	–	5	5	–	5
Total comprehensive income for the period	–	–	(745)	–	–	–	257	(488)	–	(488)
Balance as at 30 June 2017	37,829	(263)	(13,689)	–	–	–	1,305	25,182	–	25,182

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 second quarter ended 30 June 2017 ("2QFY2017"), 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:

Unexercised share options	FY2017	FY2016
	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	(820,000)	(350,000)
Balance as at 30 June	4,162,500	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 June 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	322,594,925	37,530,669
Movement in ordinary shares during the period	293,000	35,517
Balance as at 30 June 2017	322,887,925	37,566,186

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	298,272	1,229,000	262,755
Disposal of a subsidiary	(293,000)	(35,517)	-	-
Balance as at 30 June 2017	1,229,000	262,755	1,229,000	262,755

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	15,149	71,900	15,149
Balance as at 30 June 2016	1,522,000	298,272	1,229,000	262,755

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, Moore Stephens LLP.

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	Second Quarter Ended		First Half Ended	
	FY2017	FY2016 (Restated)	FY2017	FY2016 (Restated)
Profit net of tax attributable to ordinary equity holders of the Company used in computation of basic earnings per share (US\$'000)	2,059	1,152	3,305	1,894
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)	324,117	324,186	324,117	324,186
(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)	0.64	0.36	1.02	0.58
(ii) Diluted earnings per share (in cents)	0.64	0.36	1.02	0.58

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 Jun 2017	31 Dec 2016	30 Jun 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	14.39	13.07	7.80	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 2QFY2017, the Group reported a 38.8% year-on-year ("yoy") decrease in revenue from US\$48.8 million for 2QFY2016 to US\$29.8 million. Gross profit increased by 59.3% from US\$3.6 million in 2QFY2016 to US\$5.7 million in 2QFY2017, while gross profit margin increased from 7.3% to 19.0%. The Group reported an increase in net profit after tax attributable to owners of the Company of 78.7% from US\$1.2 million in 2QFY2016 to US\$2.1 million in 2QFY2017.

For the first half of FY2017 ("1HFY2017"), the Group's revenue declined 12.3% yoy from US\$81.6 million for 1HFY2016 to US\$71.6 million for 1H2017. Gross profit increased by 72.6% from US\$7.1 million in 1HFY2016 to US\$12.3 million in 1HFY2017, while gross profit margin increased from 8.8% to 17.2%. The Group reported a 74.5% yoy increase in net profit after tax attributable to owners of the Company from US\$1.9 million in 1HFY2016 to US\$3.3 million in 1HFY2017.

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

Revenue

The 38.8% yoy decrease in revenue in 2QFY2017 was mainly due to the decrease in both 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 97.9% of the overall revenue in 2QFY2017.

Profitability

Gross profit margin improved from 7.3% in 2Q2016 to 19.0% in 2QFY2017. This was mainly attributed to an improved product mix and the containment of cost of goods sold with the disposal of the Racer Group.

Expenses

The Group's total expenses amounted to US\$3.5 million in 2QFY2017 (2QFY2016: US\$2.7 million) representing an increase of 26.9% yoy. The factors contributing to the increases are as follow:

- Research and development expenses reported a decrease of 19.1% yoy to US\$0.8 million in 2QFY2017 (2QFY2016: US\$1.0 million). The decrease was mainly due to decrease in amortisation expenses of intangible assets and offset by impairment of property, plant and equipment.
- Marketing and distribution expenses increased by 324.0% yoy to US\$1.5 million in 2QFY2017 (2QFY2016: US\$0.4 million). This was mainly due to increase in marketing activities, new product launches, and staff costs.
- General administrative expenses declined marginally from US\$1.25 million in 2QFY2016 to US\$1.18 million in 2QFY2017 was mainly due to lower audit fees, depreciation and staff costs.
- No other expenses were incurred in 2QFY2017 (2QFY2016: US\$0.1 million) as there was no interest expense and foreign exchange loss in the quarter.

Net profit after tax attributable to owners of the Company

The Group reported a net profit attributable to owners of the Company of US\$2.1 million in 2QFY2017 (2QFY2016: US\$1.2 million) and US\$3.3 million in 1HFY2017 (1HFY2016: US\$1.9 million) despite the challenging environment.

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)**

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\$0.5 million was mainly due to amortisation of project costs during the year.
- **Quoted investments** – The Group's investment in quoted investment increased by US\$3.7 million to US\$15.9 million as at 30 June 2017 (31 December 2016: US\$12.2 million). This was mainly due to additional investments made in quoted investments.
- **Inventories** – The Group's inventories amounted US\$9.3 million as at 30 June 2017, a decrease by US\$1.0 million from US\$10.3 million as at 31 December 2016. Inventory turnover days amounted 29 days in 1HFY2017 (1HFY2016: 25 days).
- **Trade and other receivables** – The decrease in the Group's trade and other debtors was mainly due to the receivables of Racer Group not taken into the group, as this subsidiary was disposed in the first quarter of 2017, and higher receipts received from customers and other debtors.
- **Trade payables and accruals** – The Group's trade payables and accruals amounted to US\$7.5 million as at 30 June 2017 as compared to US\$14.5 million as at 31 December 2016. This was due to the payables of Racer Group not taken into the group as this subsidiary was disposed in the first quarter of 2017, and the higher payments made to vendors. Trade payable turnover is 23 days in 1HFY2017 (1HFY2016: 35 days).

Cashflow

The Group's net cash and cash equivalents as at 30 June 2017 amounted US\$28.8 million compared to US\$28.4 million as at 31 December 2016. The main movements in the cash position in the first half of 2017 were the cash inflow of US\$6.8 million generated from the operations and the cash outflow of US\$6.4 million from the investment activities (net cash outflow for purchases of quoted investments and disposal of Racer Group).

IPT inquiry and 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**

The Group will continue to invest and further develop its innovative solutions in order to capture the growing Internet of Things ("IoT") market which is forecasted to grow 16.7% yoy to US\$800 billion in 2017¹. In line with its existing growth strategy, the Group will focus on penetrating the IoT market in consumer wearables, medical and cloud technologies.

As at 30 June 2017, the Group's financial position has improved with US\$28.8 million in net cash and cash equivalents, and quoted investments amounting US\$15.9 million. This should bode well for the Group in a global business landscape characterised by uncertainty and increased competition.

Barring any unforeseen circumstances, the Group remains cautiously optimistic for the second half of 2017.

¹ IDC, Worldwide Spending on the Internet of Things Forecast to Reach Nearly \$1.4 Trillion in 2021, 14 June 2017

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 (cont'd)**

IPT inquiry and 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.

IPT inquiry and 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 August 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 31 March 2017 to be false and misleading in any material aspect.

On behalf of the Directors

Signed

HENN TAN
Director

7 August 2017

Signed

EDWIN LONG MING FAI
Director

Appendix

CAUTIONARY STATEMENT

For the period commencing from 25 February 2016 to date, announcements have been made by the Company in relation to *inter alia* (1) the IPT Inquiry by TSMP Law Corporation on certain interested party transactions involving T-Data Systems (S) Pte. Ltd. ("T-Data"), (2) documentation deficiencies observed by the auditors, and following which, the report made by the auditors to the Accounting and Corporate Regulatory Authority (ACRA) in respect of matters that have come to their attention in the course of their audit of the FY2015 financial statements, and (3) investigations conducted by the Commercial Affairs Department (CAD) as announced on 1 June 2016. 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 and 18 July 2017.

As announced on 8 June 2016, RSM Corporate Advisory Pte Ltd ("RSM") had been appointed as forensic accountants to review and carry out inquiry on *inter alia* the interested party transactions involving T-Data, and opine on the financial impact of such transactions on the Group. On 18 July 2017, the Company announced the completion of the IPT Inquiry by RSM and the Executive Summary of the IPT Inquiry Report was released on the SGXNET. Pending further review, there are uncertainties as to the full implications and impact of the aforesaid developments on the FY2015 and FY2016 financial statements, in particular, as to whether adjustments are required to be made.

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.