
RESPONSE TO SGX QUERIES ON ANNOUNCEMENT OF UNAUDITED FULL YEAR 2015 RESULTS IN COMPARISON WITH THE PRECEDING PERIOD

The Board of Directors of DMX Technologies Group Limited (“the Company”, together with its subsidiaries, the “Group”) wishes to announce its response to the queries raised by the Singapore Exchange Securities Trading Limited (“SGX”) in connection with the announcement made by the Company on 30 December 2016, with regards to the unaudited financial results for the financial year ended 31 December 2015 (the “FY2015 Financial Statements”).

SGX Queries

We note that ‘inventories’ had increased by 57.7% from US\$12.9 million (Full Year 2014) to US\$20.3 million (Full Year 2015), when ‘Revenue’ had decreased by 18.0%. In this respect, please provide the following information:-

- (a) Breakdown of major items contributing to increase in ‘Inventories’;
- (b) Elaborate on the reasons for the increase in ‘Inventories’; and
- (c) Disclose any risk of inventory obsolescence or diminution in value, and the basis for views.

Company’s response to Queries
(a) Breakdown of inventories

	2015 US'000	2014 US'000	Change US'000
Finished goods	22,535	13,956	8,579
Raw materials	-	-	-
Work-in-process	-	-	-
Provision for stock obsolescence	(2,199)	(1,059)	(1,140)
	20,336	12,897	7,439

Note: The Group’s inventories consist only of “finished goods” due to the nature of its system integration business. In general, such inventories were stock accumulated to meet the anticipated sales orders of customers within the current financial year (especially the fourth quarter) as well as subsequent financial year(s) pursuant to long-term projects undertaken by the Group.

(b) Reason for the increase

The major contributions to the increase in inventories in 2015 were from Indonesia (approximately US\$4.6 million) and China (approximately US\$4.0 million).

The increase in inventories for both Indonesia and China was due to the anticipated sales within the current financial year as well as the anticipated sales for the subsequent financial year(s) pursuant to long-term projects undertaken by the Group. It should be noted that the inventories may be adjusted through the audit process on the FY2015 Financial Statements where the goods were delivered to the customers and sales invoices were not issued prior to the final acceptance of these goods by such customers. These adjustments may include, but is not limited to reclassifying these

goods as “trade receivable”.

(c) Risk of inventory obsolescence or diminution in value, and the basis for views

The further breakdown of inventories based on the status of delivery and invoicing as well as the aging analysis of stock-holding with the relevant provision for stock obsolescence are shown in the following tables:

	2015 US'000	2014 US'000	Change US'000
Inventory balance			
Stock delivered to customer but not billed yet	17,318	12,078	5,240
Stock held for :			
Not more than 360 days	2,571	691	1,880
More than 360 days but not more than 720 days	448	10	438
More than 720 days	2,198	1,177	1,021
	22,535	13,956	8,579
Provision for stock obsolescence			
Stock delivered to customer but not billed yet	-	-	-
Stock held for :			
Not more than 360 days	-	-	-
More than 360 days but not more than 720 days	215	5	210
More than 720 days	1,984	1,054	930
Total	2,199	1,059	1,140

The provision for stock obsolescence as shown above is estimated based on the age, historical and expected future use of inventories. It should be noted that the inventories may be adjusted through the audit process.

The Company wishes to highlight that the contents of this announcement is subject to the background and limitations as set out in the “Important Cautionary Note” in the announced financial statements for the financial year ended 31 December 2014 (annual) and the financial year ended 31 December 2015 (both annual and quarterly).

By Order of the Board

Iwao Oishi
 Executive Director, Vice Chairman and Acting Chief Executive Officer
 17 February 2017