

**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 FIRST 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                  |                        |                | Note 1                 |
|-------------------------------------------------------------------|------------------------|------------------------|----------------|------------------------|
|                                                                   | 1Q<br>2016<br>US\$'000 | 1Q<br>2015<br>US\$'000 | Change<br>%    | 4Q<br>2015<br>US\$'000 |
| Revenue                                                           | 19,941                 | 22,759                 | -12.38%        | 39,876                 |
| Cost of sales                                                     | (15,926)               | (17,933)               | 11.19%         | (30,583)               |
| Gross profit                                                      | 4,015                  | 4,826                  | -16.80%        | 9,293                  |
| Gross profit %                                                    | 20.13%                 | 21.20%                 | -1.07%         | 23.30%                 |
| Other operating income                                            | 66                     | 75                     | -12.00%        | 42                     |
| Distribution costs                                                | (3,799)                | (4,260)                | 10.82%         | (3,582)                |
| Administrative expenses                                           | (2,898)                | (4,146)                | 30.10%         | (2,431)                |
| Other operating expenses                                          | 12                     | (369)                  | 103.25%        | (5,301)                |
| Finance costs                                                     | (329)                  | (147)                  | -123.81%       | (344)                  |
| Loss before income tax                                            | <b>(2,933)</b>         | <b>(4,021)</b>         | <b>27.06%</b>  | <b>(2,323)</b>         |
| Income tax expense                                                | (216)                  | (13)                   | -1561.54%      | (878)                  |
| Loss for the period                                               | <b>(3,149)</b>         | <b>(4,034)</b>         | <b>21.94%</b>  | <b>(3,201)</b>         |
| Loss attributable to:                                             |                        |                        |                |                        |
| Owners of the company                                             | (3,320)                | (3,847)                | 13.70%         | (3,387)                |
| Non-controlling interests                                         | 171                    | (187)                  | 191.44%        | 186                    |
| Loss for the period                                               | <b>(3,149)</b>         | <b>(4,034)</b>         | <b>21.94%</b>  | <b>(3,201)</b>         |
| PAT margin                                                        | -15.79%                | -17.72%                |                | -8.03%                 |
| <b>Other comprehensive income (loss):</b>                         |                        |                        |                |                        |
| Exchange differences arising on translation of foreign operations | 219                    | (193)                  | 213.47%        | 31                     |
| Remeasurement of employee benefit obligation                      | -                      | -                      |                | (78)                   |
| <b>Other comprehensive income (loss) for the period</b>           | <b>219</b>             | <b>(193)</b>           | <b>213.47%</b> | <b>(47)</b>            |
| <b>Total comprehensive loss for the period</b>                    | <b>(2,930)</b>         | <b>(4,227)</b>         | <b>30.73%</b>  | <b>(3,248)</b>         |
| <b>Total comprehensive loss attributable to:</b>                  |                        |                        |                |                        |
| Owners of the company                                             | (3,101)                | (4,040)                | 23.24%         | (3,434)                |
| Non-controlling interests                                         | 171                    | (187)                  | 191.44%        | 186                    |
| <b>Total comprehensive loss for the period</b>                    | <b>(2,930)</b>         | <b>(4,227)</b>         | <b>30.68%</b>  | <b>(3,248)</b>         |
|                                                                   |                        |                        |                |                        |

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

|                                                                 | Group                  |                        |             | Note 1                 |
|-----------------------------------------------------------------|------------------------|------------------------|-------------|------------------------|
|                                                                 | 1Q<br>2016<br>US\$'000 | 1Q<br>2015<br>US\$'000 | Change<br>% | 4Q<br>2015<br>US\$'000 |
| Interest income                                                 | 7                      | 62                     | -88.71%     | 17                     |
| Interest expenses                                               | (329)                  | (147)                  | -123.81%    | (344)                  |
| Net foreign exchange gain (loss)                                | 455                    | (443)                  | 202.71%     | 1,563                  |
| Decrease (increase) in allowance for doubtful trade receivables | 164                    | (46)                   | 456.52%     | (2,384)                |
| Reversal of(increase) in allowance for obsolete inventories     | 14                     | (3)                    | 566.67%     | (1,292)                |
| Amortisation expenses                                           | (165)                  | (137)                  | -20.44%     | (168)                  |
| Depreciation expenses                                           | (308)                  | (367)                  | 16.08%      | (388)                  |
| Fair value change of other financial assets                     | -                      | (43)                   | 100.00%     | -                      |
| Loss on write off of property, plant and equipment              | (1)                    | -                      |             | -                      |
| Loss on disposal of property, plant and equipment               | -                      | (2)                    | 100.00%     | (5)                    |
| Bad debt written off                                            | -                      | -                      |             | (1,452)                |
| Stock written off                                               | -                      | (138)                  | -100.00%    | -                      |

Note 1: 4Q2015 profit and loss statement is used for comparison purposes.

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           |                       |
|---------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                             | 31-Mar-16<br>US\$'000 | 31-Dec-15<br>US\$'000 | 31-Mar-15<br>US\$'000 | 31-Mar-16<br>US\$'000 | 31-Dec-15<br>US\$'000 |
| <b>ASSETS</b>                               |                       |                       |                       |                       |                       |
| <b>Current assets:</b>                      |                       |                       |                       |                       |                       |
| Cash and cash equivalents                   | 7,055                 | 10,825                | 13,370                | 1,682                 | 2,233                 |
| Pledged bank deposits                       | 658                   | 2,070                 | 4,208                 | -                     | -                     |
| Trade receivables                           | 32,861                | 37,317                | 35,267                | -                     | -                     |
| Other receivables, deposits and prepayments | 6,703                 | 8,653                 | 14,156                | 41,210                | 40,717                |
| Tax recoverable                             | 46                    | 46                    | 32                    | -                     | -                     |
| Held for trading investments                | 14                    | 14                    | 2,612                 | -                     | -                     |
| Inventories                                 | 28,003                | 20,336                | 14,853                | -                     | -                     |
| Total current assets                        | 75,340                | 79,261                | 84,498                | 42,892                | 42,950                |
| <b>Non-current assets:</b>                  |                       |                       |                       |                       |                       |
| Property, plant and equipment               | 4,360                 | 4,505                 | 5,229                 | -                     | -                     |
| Goodwill                                    | 4,700                 | 4,700                 | 4,700                 | -                     | -                     |
| Intangible assets                           | 2,190                 | 2,358                 | 2,962                 | -                     | -                     |
| Investments in subsidiaries                 | -                     | -                     | -                     | 11,534                | 11,534                |
| Deferred tax assets                         | 321                   | 321                   | 355                   | -                     | -                     |
| Total non-current assets                    | 11,571                | 11,884                | 13,246                | 11,534                | 11,534                |
| <b>Total assets</b>                         | <b>86,911</b>         | <b>91,145</b>         | <b>97,744</b>         | <b>54,426</b>         | <b>54,484</b>         |
| <b>LIABILITIES AND EQUITY</b>               |                       |                       |                       |                       |                       |
| <b>Current liabilities:</b>                 |                       |                       |                       |                       |                       |
| Bank loans                                  | 17,623                | 17,162                | 10,836                | -                     | -                     |
| Trust receipt loans                         | -                     | -                     | 3,288                 | -                     | -                     |
| Trade payables                              | 24,538                | 27,676                | 19,492                | -                     | -                     |
| Other payables                              | 13,664                | 12,483                | 12,402                | 736                   | 662                   |
| Tax payables                                | 599                   | 397                   | 2,540                 | -                     | -                     |
| Current portion of finance lease payables   | 11                    | 11                    | 12                    | -                     | -                     |
| Total current liabilities                   | 56,435                | 57,729                | 48,570                | 736                   | 662                   |

|                                                         | The Group             |                       |                       | The Company            |                       |
|---------------------------------------------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|
|                                                         | 31-Mar-16<br>US\$'000 | 31-Dec-15<br>US\$'000 | 31-Mar-15<br>US\$'000 | 31-Mar -16<br>US\$'000 | 31-Dec-15<br>US\$'000 |
| <b>Non-current liabilities:</b>                         |                       |                       |                       |                        |                       |
| Bank loans                                              | 294                   | 295                   | -                     | -                      | -                     |
| Finance lease payables                                  | 4                     | 5                     | 15                    | -                      | -                     |
| Deferred tax liabilities                                | 1,079                 | 1,087                 | 1,223                 | -                      | -                     |
| Total non-current liabilities                           | 1,377                 | 1,387                 | 1,238                 | -                      | -                     |
| <b>Capital, reserves and non-controlling interests:</b> |                       |                       |                       |                        |                       |
| 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                    | 98                    | (121)                 | 446                   | -                      | -                     |
| Share option reserve                                    | 453                   | 453                   | 453                   | 453                    | 453                   |
| Accumulated loss                                        | (228,335)             | (225,015)             | (210,465)             | (199,917)              | (199,785)             |
| Equity attributable to owners of the Company            | 25,377                | 28,478                | 43,595                | 53,690                 | 53,822                |
| Non-controlling interests                               | 3,722                 | 3,551                 | 4,341                 | -                      | -                     |
| Total equity                                            | 29,099                | 32,029                | 47,936                | 53,690                 | 53,822                |
| <b>Total liabilities and equity</b>                     | <b>86,911</b>         | <b>91,145</b>         | <b>97,744</b>         | <b>54,426</b>          | <b>54,484</b>         |

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

| <b>Group Borrowings and Debts securities</b>               |                                             |                                             |
|------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
|                                                            | <b>Group</b>                                |                                             |
|                                                            | <b>As at 31 Mar 2016</b><br><b>US\$'000</b> | <b>As at 31 Dec 2015</b><br><b>US\$'000</b> |
| <u>Amounts repayable in one year or less, or on demand</u> |                                             |                                             |
| Unsecured                                                  | -                                           | -                                           |
| Secured                                                    | 17,634                                      | 17,173                                      |
|                                                            | 17,634                                      | 17,173                                      |
| <u>Amounts repayable after one year</u>                    |                                             |                                             |
| Unsecured                                                  | -                                           | -                                           |
| Secured                                                    | 298                                         | 300                                         |
|                                                            | 298                                         | 300                                         |
|                                                            |                                             |                                             |

**Details of any collateral:**

As at 31 March 2016, the Group and the Company respectively have:

- (1) pledged bank deposits of US\$658,110 (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**

|                                                                | 1Q<br>2016<br>US\$'000 | 1Q<br>2015<br>US\$'000 | Note 1<br>4Q<br>2015<br>US\$'000 |
|----------------------------------------------------------------|------------------------|------------------------|----------------------------------|
| <b>Operating activities:</b>                                   |                        |                        |                                  |
| Loss before income tax                                         | (2,933)                | (4,021)                | (2,323)                          |
| Adjustments for:                                               |                        |                        |                                  |
| Amortisation expense                                           | 165                    | 137                    | 168                              |
| Depreciation expense                                           | 308                    | 367                    | 388                              |
| Interest expenses                                              | 329                    | 147                    | 344                              |
| (Decrease)increase in allowance for doubtful trade receivables | (164)                  | 46                     | 2,384                            |
| (Reversal of) increase in allowance for obsolete inventories   | (14)                   | 3                      | 1,292                            |
| Fair value change of other financial assets                    | -                      | 43                     | -                                |
| Loss on write off of property, plant and equipment             | 1                      | -                      | -                                |
| Loss on disposal of property, plant and equipment              | -                      | 2                      | 5                                |
| Bad debt written off                                           | -                      | -                      | 1,452                            |
| Stock written off                                              | -                      | 138                    | -                                |
| Interest income                                                | (7)                    | (62)                   | (17)                             |
| Operating cash flows before movements in working capital       | (2,315)                | (3,200)                | 3,693                            |
| Decrease (increase) in trade receivables                       | 4,603                  | (2,187)                | (10,279)                         |
| Decrease in other receivables, deposits and prepayments        | 1,950                  | 496                    | 3,183                            |
| (Increase) decrease in inventories                             | (7,654)                | 2,014                  | (3,258)                          |
| (Decrease) increase in trade payables                          | (3,138)                | (9,681)                | 9,002                            |
| Increase (decrease) in other payables                          | 1,181                  | (1,263)                | 1,439                            |
| Cash (used in) generated from operating activities             | (5,373)                | (13,821)               | 3,780                            |
| Income taxes paid                                              | (22)                   | (656)                  | (3,367)                          |
| Interest paid                                                  | (329)                  | (147)                  | (344)                            |
| Interest received                                              | 7                      | 62                     | 17                               |
| <b>Net cash (used in) generated from operating activities</b>  | <b>(5,717)</b>         | <b>(14,562)</b>        | <b>86</b>                        |

|                                                                                                           | 1Q<br>2016<br>US\$'000 | 1Q<br>2015<br>US\$'000 | Note 1<br>4Q<br>2015<br>US\$'000 |
|-----------------------------------------------------------------------------------------------------------|------------------------|------------------------|----------------------------------|
| <b>Investing activities:</b>                                                                              |                        |                        |                                  |
| Addition to intangible assets                                                                             | -                      | (409)                  | (48)                             |
| Purchase of property, plant and equipment                                                                 | (131)                  | (360)                  | 85                               |
| Decrease in pledged bank deposits                                                                         | 1,412                  | 1,312                  | 1,539                            |
| Proceeds on disposal of property, plant and equipment                                                     | -                      | -                      | 4                                |
| <b>Net cash generated from investing activities</b>                                                       | <b>1,281</b>           | <b>543</b>             | <b>1,580</b>                     |
| <b>Financing activities:</b>                                                                              |                        |                        |                                  |
| Repayment of bank loans                                                                                   | (8,937)                | (17,167)               | (39,826)                         |
| Increase in trust receipts loans                                                                          | -                      | 958                    | -                                |
| Repayment of finance leases                                                                               | (2)                    | (3)                    | (4)                              |
| New bank loans raised                                                                                     | 9,386                  | 6,184                  | 39,426                           |
| Dividend paid to non-controlling interests                                                                | -                      | (291)                  | -                                |
| <b>Net cash generated from (used in) financing activities</b>                                             | <b>447</b>             | <b>(10,319)</b>        | <b>(404)</b>                     |
| Net effect of exchange rate changes on the balance of cash held in foreign currencies / other adjustments | 219                    | (218)                  | 32                               |
| Net (decrease) increase in cash and cash equivalents                                                      | (3,770)                | (24,556)               | 1,294                            |
| Cash and cash equivalent at beginning of period                                                           | 10,825                 | 37,926                 | 9,531                            |
| <b>Cash and cash equivalent at end of period</b>                                                          | <b>7,055</b>           | <b>13,370</b>          | <b>10,825</b>                    |
|                                                                                                           |                        |                        |                                  |

Note 1: 4Q2015 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**

| <b>GROUP</b>                            |               |               |                 |                     |               |                                      |                      |                  |          |                           |              |
|-----------------------------------------|---------------|---------------|-----------------|---------------------|---------------|--------------------------------------|----------------------|------------------|----------|---------------------------|--------------|
|                                         | 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 Jan 2016                   | 58,427        | 194,331       | (1,138)         | 1,534               | 7             | (121)                                | 453                  | (225,015)        | 28,478   | 3,551                     | 32,029       |
| Loss for the period                     | -             | -             | -               | -                   | -             | 219                                  | -                    | (3,320)          | (3,101)  | 171                       | (2,930)      |
| Total comprehensive loss for the period | -             | -             | -               | -                   | -             | 219                                  | -                    | (3,320)          | (3,101)  | 171                       | (2,930)      |
| Balance at 31 Mar 2016                  | 58,427        | 194,331       | (1,138)         | 1,534               | 7             | 98                                   | 453                  | (228,335)        | 25,377   | 3,722                     | 29,099       |
| Balance at 1 Jan 2015                   | 58,427        | 194,331       | (1,138)         | 1,534               | 7             | 586                                  | 453                  | (206,962)        | 47,238   | 4,606                     | 51,844       |
| Loss for the period                     | -             | -             | -               | -                   | -             | (193)                                | -                    | (3,847)          | (4,040)  | (187)                     | (4,227)      |
| Total comprehensive loss for the period | -             | -             | -               | -                   | -             | (193)                                | -                    | (3,847)          | (4,040)  | (187)                     | (4,227)      |
| Adjustments                             | -             | -             | -               | -                   | -             | 53                                   | -                    | 344              | 397      | (78)                      | 319          |
| Balance at 31 Mar 2015                  | 58,427        | 194,331       | (1,138)         | 1,534               | 7             | 446                                  | 453                  | (210,465)        | 43,595   | 4,341                     | 47,936       |

| <b>COMPANY</b>                          |               |               |                 |                     |               |                                      |                      |                  |          |                           |              |
|-----------------------------------------|---------------|---------------|-----------------|---------------------|---------------|--------------------------------------|----------------------|------------------|----------|---------------------------|--------------|
|                                         | 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 Jan 2016                   | 58,427        | 194,331       | (1,138)         | 1,534               | -             | -                                    | 453                  | (199,785)        | 53,822   | -                         | 53,822       |
| Loss for the period                     | -             | -             | -               | -                   | -             | -                                    | -                    | (132)            | (132)    | -                         | (132)        |
| Total comprehensive loss for the period | -             | -             | -               | -                   | -             | -                                    | -                    | (132)            | (132)    | -                         | (132)        |
| Balance at 31 Mar 2016                  | 58,427        | 194,331       | (1,138)         | 1,534               | -             | -                                    | 453                  | (199,917)        | 53,690   | -                         | 53,690       |
| Balance at 1 Jan 2015                   | 58,427        | 194,331       | (1,138)         | 1,534               | -             | -                                    | 453                  | (192,884)        | 60,723   | -                         | 60,723       |
| Loss for the year                       | -             | -             | -               | -                   | -             | -                                    | -                    | (155)            | (155)    | -                         | (155)        |
| Total comprehensive loss for the period | -             | -             | -               | -                   | -             | -                                    | -                    | (155)            | (155)    | -                         | (155)        |
| Balance at 31 Mar 2015                  | 58,427        | 194,331       | (1,138)         | 1,534               | -             | -                                    | 453                  | (193,039)        | 60,568   | -                         | 60,568       |

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 January 2016 and 31 March 2016 | 1,168,546,867 | 58,427   |

### **Treasury Shares Changes**

|                                                | No. of shares | US\$'000 |
|------------------------------------------------|---------------|----------|
| Balance as at 1 January 2016 and 31 March 2016 | 5,152,125     | 1,138    |

### **Share Options & Contingent Shares**

| As at 31 March 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 31 Mar 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.

|                      | 31-Mar-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 31 March 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  |            |
|-----------------------------------------------------------------------------|--------|------------|------------|
|                                                                             |        | 1Q<br>2016 | 1Q<br>2015 |
| Based on the weighted average number of ordinary shares on issue (US cents) | Note 1 | -0.29      | -0.33      |
| On fully diluted basis (US Cents)                                           | Note 2 | -0.29      | -0.33      |

Note 1) The weighted average number of ordinary shares in issue for 1Q2016: 1,163,394,742 (1Q2015: 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 1Q2016: 1,163,394,742 (1Q2015: 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 |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-------------|-----------|
|                                                                                                                                                                | 31-Mar-16 | 31-Dec-15 | 31-Mar-16   | 31-Dec-15 |
| Net asset value per ordinary share (US cents)                                                                                                                  | 2.18      | 2.45      | 4.61        | 4.63      |
| Net asset value per ordinary share as at 31 March 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 31 March 2016 as presented on Section 1(a) of this document.*

#### Revenue

| Business Divisions             | Business Segments        | 1Q<br>2016<br>US\$'m | 1Q<br>2015<br>US\$'m | YOY<br>%     |
|--------------------------------|--------------------------|----------------------|----------------------|--------------|
| ICT                            | ICT Solutions            | 15.3                 | 14.4                 | 6.3          |
|                                | Services / Software      | 3.8                  | 4.7                  | -19.1        |
|                                | Sub-total                | 19.1                 | 19.1                 | 0.5          |
|                                | as % of overall sales    | 96.0%                | 83.8%                |              |
| Digital Media<br>(TV related)  | Digital Media Solutions  | 0.8                  | 3.1                  | -74.2        |
|                                | as % of overall sales    | 4.0%                 | 13.6%                |              |
| Mobile<br>Solution<br>Services | Mobile Solution Services | 0.0                  | 0.6                  | -100.0       |
|                                | as % of overall sales    | 0.0%                 | 2.6%                 |              |
| <b>Total</b>                   |                          | <b>19.9</b>          | <b>22.8</b>          | <b>-12.4</b> |

### Overview

The Group recorded a 12.4% year-on-year (“yoy”) decrease in revenue to US\$19.9 million in 1Q2016. The lower revenue was a result of slower 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 maintained the revenue at US\$19.1 million in 1Q2016 with 0.5%, which accounts for most part (96.0%) of the Group’s total revenue. While the “Services” segment decrease to US\$3.8 million mainly due to decrease in Korea and Malaysia.

### Digital Media & Mobile Solution Services

The Group’s Digital Media and Mobile Solution Services registered no new order sales in 1Q2016 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.

| <b>Geographical Segment</b>  | <b>1Q<br/>2016<br/>US\$'m</b> | <b>1Q<br/>2015<br/>US\$'m</b> | <b>YOY<br/>%</b> |
|------------------------------|-------------------------------|-------------------------------|------------------|
| <b>China</b>                 | 3.5                           | 6.3                           | -44.4            |
| <i>as % of overall sales</i> | 17.6%                         | 27.6%                         |                  |
| <b>Indonesia</b>             | 12.2                          | 10.7                          | 14.0             |
| <i>as % of overall sales</i> | 61.3%                         | 46.9%                         |                  |
| <b>Others</b>                | 4.2                           | 5.8                           | -27.6            |
| <i>as % of overall sales</i> | 21.1%                         | 25.4%                         |                  |
| <b>Total</b>                 | <b>19.9</b>                   | <b>22.8</b>                   | <b>-12.4</b>     |

Revenue from “China” region declined 44.4% yoy to US\$3.5 million in 1Q2016 mainly due to slimming down “Digital Media” and “Mobile Solution Services”. As a result, China’s contribution reduced to 17.6% of the Group’s total revenue for 1Q2016.

Revenue from “Indonesia” grew 14.0% yoy to US\$12.2 million in 1Q2016 supported by the fundamental demand for “Infrastructure Upgrade”. Indonesia’s contribution also increased to 61.3% in 1Q2016 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 27.6% yoy drop to US\$4.2 million in 1Q2016 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 21.1% of the Group’s total revenue in 1Q2016.

Gross Margin

Gross margin declined 1.07% yoy to 20.13% in 1Q2016 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 21.4% yoy to US\$7.0 million in 1Q2016. The Group has streamlined its headcount and resources over the last several quarters; resulting in lower operating expenses. The Group’s headcount as at 31 March 2016 was 450; compared to 472 in the previous corresponding period last year.

Loss Before Tax

The Group’s loss before tax was at the loss of US\$2.9 million in 1Q2016 compared to US\$4.0 million in 1Q2015 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 31 March 2016 as presented on Section 1(b) (i) of this document.*

Total current assets decreased by US\$3.9 million to US\$75.3 million as at 31 March 2016 compared to the last year end unaudited figures. This was largely due to the net impact from:-

- US\$3.8 million decrease in cash and cash equivalents to US\$7.0 million;
- US\$1.4 million decrease in pledged and structured deposits;
- US\$4.4 million decrease in trade receivables to US\$32.9 million;
- US\$1.9 million increase in other receivables, deposits and prepayments to suppliers; and
- US\$7.7 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 |
|-------------------|------------|--------------|--------------|---------------|
| 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%            |
| 31 March 2015     | 90%        | 2%           | 1%           | 7%            |

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\$0.3 million to US\$11.6 million as at 31 March 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\$1.3 million to US\$56.4 million as at 31 March 2016. This was due mainly to a US\$1.9 million decrease in trade & other payable; and US\$0.5 million net increase in bank and trust receipt loans.

As at 31 March 2016, the Group's equity attributable to shareholders decreased by US\$3.1 million to US\$25.4 million mainly due to the loss of US\$3.3 million during 1Q2016.

### **Statements of Cash Flows**

*The following paragraphs should be read in conjunction with our Statements of Cash Flows as of 31 March 2016 as presented on section 1(c) of this document.*

The Group utilized US\$5.7 million of cash in operations in 1Q2016 compared to US\$14.6 million utilized in 1Q2015. The Group had the decrease of trade receivables of US\$4.6 million and other receivable of US\$1.9 million and the increase in inventories of US\$7.6 million; of which less than the decrease in trade payables of US\$3.1 million and the increase of other payable of US\$1.2 million in 1Q2016.

The Group generated US\$1.3 million of cash in investing activities for 1Q2016 as compared to US\$0.5 million cash generated 1Q2015.

The Group has generated US\$0.4 million of cash in financing activities in 1Q2016. The Group utilized US\$8.9 million of cash in repayment of bank loans and raised the new bank of US\$9.4 million in 1Q2016. The Group generated US\$0.5 million from financing activities in 1Q2016 by making slightly more new loans raised than the repayments.

As a result of the above activities, the Group recorded a decrease in cash and cash equivalents of US\$3.8 million in 1Q2016, compared to the decrease of US\$24.5 million in 1Q2015.

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) |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>Transactions for the sales of goods and services</u></b><br><br>KDDI Corporation and/or its Associates    | -                                                                                                                                                                                            | US\$0.5m                                                                                                                             |
| <b><u>Transactions for the purchase of goods and services</u></b><br><br>KDDI Corporation and/or its Associates | -                                                                                                                                                                                            | US\$0.1m                                                                                                                             |
| <b>Total Interested Person Transactions</b>                                                                     | -                                                                                                                                                                                            | <b>US\$0.6m</b>                                                                                                                      |

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 1Q 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 1st quarter ended 31 March 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