



DATAPULSE TECHNOLOGY

Company Registration No. 198002677D

Datapulse Technology Limited

Second Quarter Financial Statements and Dividend Announcement

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

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

Consolidated Statement of Profit or Loss

GROUP	Three Months Ended 31.01.17	Three Months Ended 31.01.16 <i>(Restated)</i>	Change %	Half Year Ended 31.01.17	Half Year Ended 31.01.16 <i>(Restated)</i>	Change %
	\$'000	\$'000		\$'000	\$'000	
<u>Continuing operations</u>						
Revenue	2,850	4,690	(39.2)	8,500	17,158	(50.5)
Other income	103	123	(16.3)	214	236	(9.3)
	<u>2,953</u>	<u>4,813</u>	(38.6)	<u>8,714</u>	<u>17,394</u>	(49.9)
Changes in inventories and raw materials usage	(687)	(1,261)	(45.5)	(2,092)	(4,426)	(52.7)
Depreciation	(695)	(795)	(12.6)	(1,412)	(1,621)	(12.9)
Staff costs	(1,646)	(2,243)	(26.6)	(3,853)	(4,961)	(22.3)
Other operating expenses	(623)	(1,103)	(43.5)	(1,418)	(3,115)	(54.5)
Total operating expenses	<u>(3,651)</u>	<u>(5,402)</u>	(32.4)	<u>(8,775)</u>	<u>(14,123)</u>	(37.9)
Results from operating activities	(698)	(589)	18.5	(61)	3,271	NM
Share of loss of associate	-	(4)	NM	-	(4)	NM
(Loss) / profit before tax	(698)	(593)	17.7	(61)	3,267	NM
Income tax expense	-	-	-	-	-	-
(Loss) / profit from continuing operations	(698)	(593)	17.7	(61)	3,267	NM
<u>Discontinued Operations**</u>						
Profit from discontinued operations (net of tax)	-	13	NM	5,549	26	NM
(Loss) / profit for the period attributable to owners of the Company	(698)	(580)	20.3	5,488	3,293	66.7

** The Group had on 7 July 2016 entered into a share sale and purchase agreement to dispose of its entire shareholding in One Global Inc ("OGI"), a wholly-owned subsidiary in Taiwan. Accordingly, the results of OGI were disclosed as discontinued operations in the Group's statement of profit or loss. The disposal was completed on 19 August 2016.

NM: Not meaningful.

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year. (cont'd)

<u>Consolidated Statement of Comprehensive income</u>	Three Months Ended 31.01.17	Three Months Ended 31.01.16	Change	Half Year Ended 31.01.17	Half Year Ended 31.01.16	Change
	\$'000	\$'000	%	\$'000	\$'000	%
GROUP						
(Loss) / profit for the period	(698)	(580)	20.3	5,488	3,293	66.7
<u>Other comprehensive income</u>						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences relating to financial statements of a foreign subsidiary	-	(2)	NM	-	(4)	NM
Foreign currency translation differences relating to financial statements of a foreign subsidiary reclassified to profit or loss, upon disposal	-	-	NM	299	-	NM
Share of foreign currency translation differences of associate	-	(4)	NM	-	(4)	NM
Other comprehensive income attributable to owners of the Company	-	(6)	NM	299	(8)	NM
Other comprehensive income for the period	-	(6)	NM	299	(8)	NM
Total comprehensive income for the period attributable to owners of the Company	(698)	(586)	19.1	5,787	3,285	76.2

NM: Not meaningful.

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year. (cont'd)

Notes

Other income:

Interest income
Sundry income

Three Months Ended 31.01.17			Three Months Ended 31.01.16			Change %
Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	
98	-	98	118	-	118	(16.9)
5	-	5	5	-	5	-
103	-	103	123	-	123	(16.3)
Other operating expenses include the following items:						
(112)	-	(112)	(168)	-	(168)	(33.3)
-	-	-	-	39	39	NM
(1)	-	(1)	-	-	-	NM

Notes

Other income:

Gain on disposal of a foreign subsidiary
Interest income
Sundry income

Half Year Ended 31.01.17			Half Year Ended 31.01.16			Change %
Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	
-	5,549	5,549	-	-	-	NM
203	-	203	225	-	225	(9.8)
11	-	11	11	-	11	-
214	5,549	5,763	236	-	236	NM
Other operating expenses include the following items:						
(389)	-	(389)	(168)	-	(168)	NM
-	-	-	-	79	79	NM
(1)	-	(1)	(1)	-	(1)	-

NM: Not meaningful.

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

Statements of Financial Position

	GROUP			COMPANY		
	31.01.17 \$'000	31.07.16 \$'000	Change %	31.01.17 \$'000	31.07.16 \$'000	Change %
Non-current assets						
Property, plant and equipment	12,634	14,034	(10.0)	12,634	14,034	(10.0)
Subsidiaries	-	-	-	2,875	2,903	(1.0)
Associate ⁽¹⁾	-	2,889	NM	-	-	-
	12,634	16,923	(25.3)	15,509	16,937	(8.4)
Current assets						
Inventories	781	1,050	(25.6)	781	1,050	(25.6)
Trade and other receivables	1,473	1,314	12.1	1,473	1,298	13.5
Cash and bank balances	37,281	31,874	17.0	37,269	31,468	18.4
Assets held for sale ⁽¹⁾⁽²⁾	2,889	6,527	(55.7)	-	-	-
	42,424	40,765	4.1	39,523	33,816	16.9
Total assets	55,058	57,688	(4.6)	55,032	50,753	8.4
Equity attributable to owners of the Company						
Share capital	32,992	32,992	-	32,992	32,992	-
Reserves	19,399	14,269	36.0	13,382	14,096	(5.1)
Total equity	52,391	47,261	10.9	46,374	47,088	(1.5)
Non-current liabilities						
Deferred tax liabilities	1,079	1,079	-	1,079	1,079	-
	1,079	1,079	-	1,079	1,079	-
Current liabilities						
Trade and other payables	1,588	3,005	(47.2)	1,569	2,584	(39.3)
Amount due to subsidiary	-	-	-	6,010	-	NM
Current tax payable	-	2	NM	-	2	NM
Liabilities held for sale ⁽²⁾	-	6,341	NM	-	-	-
	1,588	9,348	(83.0)	7,579	2,586	193.1
Total liabilities	2,667	10,427	(74.4)	8,658	3,665	136.2
Total equity and liabilities	55,058	57,688	(4.6)	55,032	50,753	8.4

Notes:

⁽¹⁾ The investment in associate was classified as "Assets held for sale" as at 31 January 2017, as the Group has the intention to dispose its entire interest in its associate, Goldprime Realty Pte Ltd ("Goldprime") within the next 12 months. On 2 December 2016, the Group entered into a share sale and purchase agreement to dispose its interest in Goldprime for a consideration of \$35,000. The disposal was completed on 17 February 2017.

⁽²⁾ The assets and liabilities of the Taiwan subsidiary, OGI, were classified as "Assets held for sale" and "Liabilities held for sale" respectively as at 31 July 2016.

NM: Not meaningful.

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

Amount repayable in one year or less, or on demand

As at 31.01.17		As at 31.07.16	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
-	-	6,226	-

Amount repayable after one year

As at 31.01.17		As at 31.07.16	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

At 31 July 2016, the liabilities held for sale included bank loan of \$6.2 million. The bank loan was secured by a charge over freehold property with net book value of \$5.5 million held by the Group's Taiwan subsidiary, OGI and corporate guarantee provided by the Company.

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

Consolidated Statement of Cash Flows

	Three Months Ended 31.01.17 \$'000	Three Months Ended 31.01.16 \$'000	Half Year Ended 31.01.17 \$'000	Half Year Ended 31.01.16 \$'000
GROUP				
<u>Operating activities</u>				
(Loss) / profit for the period	(698)	(580)	5,488	3,293
Adjustments for:				
Bad debt recovered	(1)	-	(1)	(1)
Depreciation	695	812	1,412	1,654
Finance costs	-	39	-	79
Gain on disposal of a foreign subsidiary	-	-	(5,549)	-
Income tax expense	-	2	-	5
Interest income	(97)	(117)	(203)	(225)
Net change in fair value of derivative financial assets recognised in profit or loss	-	11	-	-
Share of loss of associate	-	4	-	4
Operating (loss) / profit before working capital changes	<u>(101)</u>	<u>171</u>	<u>1,147</u>	<u>4,809</u>
Changes in working capital:				
Inventories	48	404	269	58
Trade and other receivables	1,612	3,709	(141)	41
Trade and other payables	<u>(2,120)</u>	<u>(2,585)</u>	<u>(1,434)</u>	<u>(465)</u>
Cash (used in) / generated from operations	(561)	1,699	(159)	4,443
Income tax paid, net	-	1	(2)	(2)
Net cash (used in) / from operating activities	<u>(561)</u>	<u>1,700</u>	<u>(161)</u>	<u>4,441</u>
<u>Investing activities</u>				
Proceeds from disposal of discontinued operations, net of cash disposed of	-	-	5,829	-
Fixed deposits with maturity of more than three months	3,951	(6,386)	(2,099)	(6,386)
Interest received	85	124	185	234
Loan to associate	-	(2,855)	-	(2,855)
Purchase of plant and equipment	-	(20)	(13)	(30)
Net cash from / (used in) investing activities	<u>4,036</u>	<u>(9,137)</u>	<u>3,902</u>	<u>(9,037)</u>
<u>Financing activities</u>				
Dividends paid	(657)	(1,320)	(657)	(1,320)
Interest paid	-	(39)	-	(79)
Return of unclaimed dividends	-	5	-	5
Net cash used in financing activities	<u>(657)</u>	<u>(1,354)</u>	<u>(657)</u>	<u>(1,394)</u>
Net increase / (decrease) in cash and cash equivalents	2,818	(8,791)	3,084	(5,990)
Cash and cash equivalents at beginning of period *	32,176	34,797	32,080	31,975
Effect of exchange rate changes on balances held in foreign currency	188	26	18	47
Cash and cash equivalents at end of period	<u><u>35,182</u></u>	<u><u>26,032</u></u>	<u><u>35,182</u></u>	<u><u>26,032</u></u>

Note

Cash and bank balances at end of period comprise the following:

Fixed deposits with maturity of more than three months	2,099	6,386	2,099	6,386
Cash and cash equivalents	35,182	26,032	35,182	26,032
Cash and cash equivalents at end of period in the statement of financial position	<u><u>37,281</u></u>	<u><u>32,418</u></u>	<u><u>37,281</u></u>	<u><u>32,418</u></u>

* Including cash and cash equivalents of a subsidiary classified as assets held-for-sale of \$206,000

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

Consolidated Statement of Changes in Equity

	Share capital \$'000	Reserve for own shares \$'000	Legal reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
GROUP						
At 1 August 2016	32,992	(183)	17	(279)	14,714	47,261
Total comprehensive income for the period						
<i>Profit for the period</i>	-	-	-	-	6,186	6,186
<u>Other comprehensive income</u>						
Foreign currency translation differences relating to financial statements of a foreign subsidiary reclassified to profit or loss, upon disposal	-	-	-	299	-	299
<i>Total other comprehensive income</i>	-	-	-	299	-	299
Total comprehensive income for the period	-	-	-	299	6,186	6,485
Transactions with owners, recorded directly in equity						
<u>Contributions by and distributions to owners</u>						
Reserves relating to discontinued operation of a foreign subsidiary transferred to retained earnings, upon disposal	-	-	(17)	-	17	-
<i>Total contributions by and distributions to owners</i>	-	-	(17)	-	17	-
Total transactions with owners	-	-	(17)	-	17	-
At 31 October 2016	32,992	(183)	-	20	20,917	53,746
At 1 November 2016	32,992	(183)	-	20	20,917	53,746
Total comprehensive income for the period						
<i>Loss for the period</i>	-	-	-	-	(698)	(698)
<u>Other comprehensive income</u>						
<i>Total other comprehensive income</i>	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(698)	(698)
Transactions with owners, recorded directly in equity						
<u>Contributions by and distributions to owners</u>						
Final 1-tier tax-exempt dividend paid of 0.30 cents per share for FY2016	-	-	-	-	(657)	(657)
<i>Total contributions by and distributions to owners</i>	-	-	-	-	(657)	(657)
Total transactions with owners	-	-	-	-	(657)	(657)
At 31 January 2017	32,992	(183)	-	20	19,562	52,391

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

Consolidated Statement of Changes in Equity

	Share capital \$'000	Reserve for own shares \$'000	Legal reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
GROUP						
At 1 August 2015	32,992	-	9	(295)	15,132	47,838
Total comprehensive income for the period						
<i>Profit for the period</i>	-	-	-	-	3,873	3,873
<u>Other comprehensive income</u>						
Foreign currency translation differences relating to financial statements of a foreign subsidiary	-	-	-	(2)	-	(2)
<i>Total other comprehensive income</i>	-	-	-	(2)	-	(2)
Total comprehensive income for the period	-	-	-	(2)	3,873	3,871
At 31 October 2015	32,992	-	9	(297)	19,005	51,709
At 1 November 2015	32,992	-	9	(297)	19,005	51,709
Total comprehensive income for the period						
<i>Loss for the period</i>	-	-	-	-	(580)	(580)
<u>Other comprehensive income</u>						
Foreign currency translation differences relating to financial statements of a foreign subsidiary	-	-	-	(2)	-	(2)
Share of foreign currency translation differences of associate	-	-	-	(4)	-	(4)
<i>Total other comprehensive income</i>	-	-	-	(6)	-	(6)
Total comprehensive income for the period	-	-	-	(6)	(580)	(586)
Transactions with owners, recorded directly in equity						
<u>Contributions by and distributions to owners</u>						
Final 1-tier tax-exempt dividend paid of 0.20 cents per share for FY2015	-	-	-	-	(1,320)	(1,320)
Return of unclaimed dividends	-	-	-	-	5	5
<i>Total contributions by and distributions to owners</i>	-	-	-	-	(1,315)	(1,315)
Total transactions with owners	-	-	-	-	(1,315)	(1,315)
At 31 January 2016	32,992	-	9	(303)	17,110	49,808

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

Statement of Changes in Equity

	Share capital \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total equity \$'000
COMPANY				
At 1 August 2016	32,992	(183)	14,279	47,088
Total comprehensive income for the period				
<i>Profit for the period</i>	-	-	638	638
<i>Total other comprehensive income</i>	-	-	-	-
Total comprehensive income for the period	-	-	638	638
At 31 October 2016	32,992	(183)	14,917	47,726
At 1 November 2016	32,992	(183)	14,917	47,726
Total comprehensive income for the period				
<i>Loss for the period</i>	-	-	(695)	(695)
<i>Total other comprehensive income</i>	-	-	-	-
Total comprehensive income for the period	-	-	(695)	(695)
Transactions with owners, recorded directly in equity				
<u>Contributions by and distributions to owners</u>				
Final 1-tier tax-exempt dividend paid of 0.30 cents per share for FY2016	-	-	(657)	(657)
<i>Total contributions by and distributions to owners</i>	-	-	(657)	(657)
Total transactions with owners	-	-	(657)	(657)
At 31 January 2017	32,992	(183)	13,565	46,374
At 1 August 2015	32,992	-	14,733	47,725
Total comprehensive income for the period				
<i>Profit for the period</i>	-	-	3,861	3,861
<i>Total other comprehensive income</i>	-	-	-	-
Total comprehensive income for the period	-	-	3,861	3,861
At 31 October 2015	32,992	-	18,594	51,586
At 1 November 2015	32,992	-	18,594	51,586
Total comprehensive income for the period				
<i>Loss for the period</i>	-	-	(590)	(590)
<i>Total other comprehensive income</i>	-	-	-	-
Total comprehensive income for the period	-	-	(590)	(590)
Transactions with owners, recorded directly in equity				
<u>Contributions by and distributions to owners</u>				
Final 1-tier tax-exempt dividend paid of 0.20 cents per share for FY2015	-	-	(1,320)	(1,320)
Return of unclaimed dividends	-	-	5	5
<i>Total contributions by and distributions to owners</i>	-	-	(1,315)	(1,315)
Total transactions with owners	-	-	(1,315)	(1,315)
At 31 January 2016	32,992	-	16,689	49,681

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

For the quarter ended 31 January 2017, there was no change to the share capital of the Company.

As at 31 January 2017, the Company held 829,600 treasury shares (31 January 2016: Nil).

The Company did not have any outstanding share options and convertibles 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.

1(d)(iii) Total number of issued shares excluding treasury shares (a) as at the end of the current financial period and (b) as at the end of the immediately preceding year.

	COMPANY	
	As at 31.01.17	As at 31.07.16
Number of issued ordinary shares, excluding treasury shares, at the end of the period	219,074,844	219,074,844

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.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

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 a 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.

Except as disclosed in paragraph 5, the financial statements have been prepared using the same accounting policies and methods of computation as presented in the audited financial statements for the financial year ended 31 July 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.

The Group has adopted all applicable new and revised Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") which became effective for accounting period beginning on 1 August 2016. The adoption of these new and revised FRS and INT FRS did not result in any significant financial impact on the Group's financial statements for the current financial period reported on.

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.

	GROUP						GROUP					
	Three Months ended 31.01.2017			Three Months ended 31.01.2016			Half Year ended 31.01.2017			Half Year ended 31.01.2016		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
(Loss) / Profit attributable to owners of the Company (\$'000)	(698)	-	(698)	(593)	13	(580)	(61)	5,549	5,488	3,267	26	3,293
Weighted average no. of shares used in computation of basic earning per shares (in million)	219.07	0.00	219.07	219.91	219.91	219.91	219.07	219.07	219.07	219.91	219.91	219.91
(Loss) / Earnings per share												
(a) Based on the weighted average number of shares in issue (cents)	(0.32)	-	(0.32)	(0.27)	0.01	(0.26)	(0.03)	2.53	2.50	1.49	0.01	1.50
(b) On a fully diluted basis (cents)	(0.32)	-	(0.32)	(0.27)	0.01	(0.26)	(0.03)	2.53	2.50	1.49	0.01	1.50

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

	GROUP		COMPANY	
	As at 31.01.17	As at 31.07.16	As at 31.01.17	As at 31.07.16
Net Asset Value per ordinary share based on issued share capital at the end of the period (cents)	23.91	21.57	21.17	21.49

Note: The Net Asset Value per ordinary share is calculated based on 219.07 million (31 July 2016: 219.07 million) ordinary shares in issue at the end of the financial period.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) 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; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Three Months ended 31.01.17 ("2Q FY2017")

For 2Q FY2017, the Group registered a 39.2% drop in revenue as compared to 2Q FY2016 from \$4.7 million to \$2.9 million. The decrease in revenue was a result of weaker demand for media storage products and services during the quarter.

Total operating expenses decreased by 32.4% from \$5.4 million in 2Q FY2016 to \$3.7 million in 2Q FY2017. The decrease in cost of raw materials usage of 45.5% was in tandem with the lower revenue during 2Q FY2017. Depreciation was lower due to more assets becoming fully depreciated and there were minimal property, plant and equipment investments. The reduction in staff costs by 26.6% from \$2.2 million to \$1.6 million and other operating expenses by 43.5% from \$1.1 million to \$0.6 million were mainly attributed to lower business activities and cost management measures undertaken by the management of the Group.

As a result of the above, the Group's net loss increased by 20.3% from \$0.6 million in 2Q FY2016 to \$0.7 million in 2Q FY2017.

Half Year ended 31.01.17 ("1H FY2017")

For 1H FY2017, the Group registered a 50.5% drop in revenue as compared to 1H FY2016 from \$17.2 million to \$8.5 million. The decrease in revenue was a result of weaker demand for media storage products and services during the period.

Total operating expenses decreased by 37.9% from \$14.1 million in 1H FY2016 to \$8.8 million in 1H FY2017. The decrease in cost of raw materials usage of 49.9% was in tandem with the lower revenue during 1H FY2017. Depreciation was lower due to more assets becoming fully depreciated and there were minimal property, plant and equipment investments. The reduction in staff costs by 22.3% from \$5.0 million to \$3.9 million and other operating expenses by 54.5% from \$3.1 million to \$1.4 million were mainly attributed to lower business activities and cost management measures undertaken by the management of the Group.

Profit from discontinued operations was due to recognition of gain on disposal of subsidiary of \$5.5 million in 1Q FY2017 upon completion of the disposal of OGI during the period.

As a result of the above, the Group's profit increased by 66.7% from \$3.3 million in 1H FY2016 to \$5.5 million in 1H FY2017.

Financial Position and Cash Flow

The Group's financial position remained healthy with strong cash position of \$37.3 million as at 31 January 2017 after the payment of final one-tier tax exempt dividend of 0.30 cents per share for FY2016 amounting to \$0.7 million on 09 December 2016.

The Group recorded a negative cash flow from operating activities of \$0.6 million during 2Q FY2017 and \$0.2 million during 1H FY2017. This was mainly due to decrease in trade and other payables during the periods.

On 7 July 2016, the Group entered into a share sale and purchase agreement to dispose of its entire shareholding in OGI for a consideration of TWD 144.5 million (equivalent to \$6.1 million). Consequently, the assets and liabilities of OGI had been reclassified to assets held for sale and liabilities held for sale in the Group's statement of financial position as at 31 July 2016. The disposal was completed on 19 August 2016 and the Group received proceeds from discontinued operations, net of cash disposed amounting to \$5.8 million in 1H FY2017.

The decrease in property, plant and equipment was attributed mainly to depreciation charge for the period.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) 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; and

(b) 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)

Associate at the Group level of \$2.9 million as at 31 July 2016 comprised mainly a long term shareholders' loan extended to a 20% owned associate, Goldprime Realty Pte Ltd ("Goldprime"), for a property development project in Australia. The investment in associate and the shareholders' loan had been reclassified to assets held for sale in the Group's statement of financial position as at 31 January 2017 as the Group has the intention to dispose of its interest in Goldprime within the next 12 months. On 2 December 2016, the Group entered into a share sale and purchase agreement to dispose of its 20% interest in Goldprime for a consideration of \$35,000.

Inventories as at 31 January 2017 were \$0.8 million compared to \$1.1 million as at 31 July 2016, a decrease of 25.6%.

Trade and other receivables increased by 12.1% from \$1.3 million to \$1.5 million due mainly to higher revenue of \$2.9 million recorded during 2Q FY2017 compared to revenue of \$2.6 million registered during 4Q FY2016.

Trade and other payables were lower by 47.2% from \$3.0 million to \$1.6 million due to payments of accrued operating expenses during 2Q FY2017.

Reserves as at 31 January 2017 were higher by \$5.1 million due mainly to 1H FY2017's profit of \$5.5 million, which was offset by the payment of final one-tier tax exempt dividend of \$0.7 million on 09 December 2016.

Use of proceeds raised from private placement

A portion of the proceeds raised from the issuance of shares to Lian Beng Group Ltd in FY2015, amounting to approximately \$2.87 million had been extended to the Group's associate, Goldprime, by way of a long term interest-free shareholders' loan for use on a property development project in Australia.

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.

On 2 December 2016, the Group entered into a share sale and purchase agreement to dispose of its entire interest in a 20% owned associate, Goldprime. The disposal was completed on 17 February 2017.

The outlook for the Singapore manufacturing sector remains weak, on the back of the global economic uncertainties. Operating environment in the media storage industry continues to be challenging due to weak market demand for media storage products and services.

The Group will continue to focus on increasing its revenue base through an expansion of its customer base and providing more value added services to its customers and managing its operating costs by improving yield and production efficiencies. It will also be keeping a close tab on the technological and business developments within the media storage industry and explore other investment and business opportunities.

At the same time, the Group will actively re-define its business strategies, and continue to explore measures to optimize utilisation of its resources efficiently.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared or recommended for the current financial period reported on? None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared or recommended for the corresponding period of the immediately preceding financial year? None.

(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 for the quarter ended 31 January 2017.

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.

No IPT mandate has been obtained from shareholders.

14. Negative confirmation pursuant to [Rule 705\(5\)](#).

The directors confirm that, to the best of their knowledge, nothing has come to their attention which may render these interim financial statements to be false or misleading in any material aspect.

15. Confirmation pursuant to [Rule 720\(1\)](#).

We confirm that the Company has procured undertakings to comply with the Listing Manual of the Singapore Exchange Securities Trading Limited from all its Directors and executive officers.

BY ORDER OF THE BOARD

Lee Kam Seng
Chief Financial Officer

07 March 2017