



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

	Three Months Ended 31.01.18 \$'000	Three Months Ended 31.01.17 \$'000	Change %	Half Year Ended 31.01.18 \$'000	Half Year Ended 31.01.17 \$'000	Change %
GROUP						
<u>Continuing operations</u>						
Revenue	4,502	2,850	58.0	8,387	8,500	(1.3)
Other income	44,835	103	NM	44,952	214	NM
	<u>49,337</u>	<u>2,953</u>	NM	<u>53,339</u>	<u>8,714</u>	NM
Changes in inventories and raw materials usage	(2,081)	(687)	202.9	(3,082)	(2,092)	47.3
Depreciation	(198)	(695)	(71.5)	(758)	(1,412)	(46.3)
Staff costs	(6,709)	(1,646)	307.6	(8,454)	(3,853)	119.4
Impairment loss recognised on property, plant and equipment	(527)	-	100.0	(1,881)	-	100.0
Other operating expenses	(1,309)	(623)	110.1	(1,982)	(1,418)	39.8
Finance costs	(1)	-	100.0	(1)	-	100.0
Total operating expenses	<u>(10,825)</u>	<u>(3,651)</u>	196.5	<u>(16,158)</u>	<u>(8,775)</u>	84.1
Profit/(Loss) before tax	38,512	(698)	NM	37,181	(61)	NM
Income tax expense	(394)	-	100.0	(394)	-	100.0
Profit/(Loss) from continuing operations	38,118	(698)	NM	36,787	(61)	NM
<u>Discontinued Operations**</u>						
Profit from discontinued operations (net of tax)	-	-	NM	-	5,549	NM
Profit/(Loss) for the period attributable to owners of the Company	38,118	(698)	NM	36,787	5,488	NM

** 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)

Consolidated Statement of Comprehensive income

	Three Months	Three Months	Change	Half Year	Half Year	Change
	Ended	Ended		Ended	Ended	
GROUP	31.01.18	31.01.17	%	31.01.18	31.01.17	%
	\$'000	\$'000		\$'000	\$'000	
Profit/(Loss) for the period	38,118	(698)	NM	36,787	5,488	NM
<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 reclassified to profit or loss, upon disposal	-	-	-	-	299	NM
Foreign currency translation differences relating to financial statements of a foreign subsidiary	59	-	NM	59	-	NM
Other comprehensive income attributable to owners of the Company	59	-	NM	59	299	NM
Other comprehensive income for the period	59	-	NM	59	299	NM
Total comprehensive income for the period attributable to owners of the Company	38,177	(698)	NM	36,846	5,787	NM

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:

Gain on sale of leasehold property
Gain on sale of plant and equipment
Interest income
Sundry income

Three Months Ended 31.01.18		
Continuing operations	Discontinued operations	Total
\$'000	\$'000	\$'000
44,554	-	44,554
149	-	149
94	-	94
38	-	38
44,835	-	44,835
289	-	289
66	-	66
-	-	-
39	-	39

Other operating expenses include the following items:

Exchange gain
Allowance for inventory obsolescence
Bad debt recovered
Plant and equipment written off

Three Months Ended 31.01.17			Change %
Continuing operations	Discontinued operations	Total	
\$'000	\$'000	\$'000	
-	-	-	NM
-	-	-	NM
97	-	97	(3.1)
6	-	6	NM
103	-	103	NM
(112)	-	(112)	(358.0)
-	-	-	NM
(1)	-	(1)	NM
-	-	-	NM

Notes

Other income:

Gain on disposal of a foreign subsidiary
Gain on sale of leasehold property
Gain on sale of plant and equipment
Interest income
Sundry income

Half Year Ended 31.01.18		
Continuing operations	Discontinued operations	Total
\$'000	\$'000	\$'000
-	-	-
44,554	-	44,554
149	-	149
195	-	195
54	-	54
44,952	-	44,952
287	-	287
66	-	66
-	-	-
39	-	39

Other operating expenses include the following items:

Exchange loss / (gain)
Allowance for inventory obsolescence
Bad debt recovered
Plant and equipment written off

Half Year Ended 31.01.17			Change %
Continuing operations	Discontinued operations	Total	
\$'000	\$'000	\$'000	
-	5,549	5,549	NM
-	-	-	NM
-	-	-	NM
203	-	203	(3.9)
11	-	11	NM
214	5,549	5,763	NM
(389)	-	(389)	(173.8)
-	-	-	NM
(1)	-	(1)	NM
-	-	-	NM

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		
	31.01.18	31.07.17	Change	31.01.18	31.07.17	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Non-current assets						
Property, plant and equipment	2,277	2,731	(16.6)	11	2,731	(99.6)
Investment property	336	-	NM	-	-	-
Subsidiaries	-	-	-	3,445	- #	NM
Goodwill	1,029	-	NM	-	-	-
Deferred tax asset	28	-	NM	28	-	NM
	3,670	2,731	34.4	3,484	2,731	27.6
Current assets						
Inventories	437	784	(44.3)	-	784	(100.0)
Trade and other receivables	1,419	1,322	7.3	1,359	1,322	2.8
Cash and bank balances	87,215	39,522	120.7	87,185	39,510	120.7
Assets held for sale*	-	8,310	NM	-	8,310	NM
	89,071	49,938	78.4	88,544	49,926	77.4
Total assets	92,741	52,669	76.1	92,028	52,657	74.8
Equity attributable to owners of the Company						
Share capital	32,992	32,992	-	32,992	32,992	-
Reserves	52,679	16,927	211.2	52,572	10,813	386.2
Total equity	85,671	49,919	71.6	85,564	43,805	95.3
Non-current liabilities						
Deferred tax liabilities	44	370	(88.1)	-	370	NM
	44	370	(88.1)	-	370	(100.0)
Current liabilities						
Bank overdraft	139	-	NM	-	-	-
Trade and other payables	6,099	2,380	156.3	5,676	2,380	138.5
Amounts due to subsidiaries	-	-	-	-	6,102	NM
Current tax payable	788	-	NM	788	-	NM
	7,026	2,380	195.2	6,464	8,482	(23.8)
Total liabilities	7,070	2,750	157.1	6,464	8,852	(27.0)
Total equity and liabilities	92,741	52,669	76.1	92,028	52,657	74.8

NM: Not meaningful

#: Amount less than \$50

Notes:

* On 26 July 2017, the Company granted an option to purchase to an independent third party purchaser for the sale of its leasehold property at a consideration of \$53.5 million. The sale of the leasehold property is expected to be completed within the next 12 months. Accordingly, the leasehold property has been presented as "Assets held for sale" as at 31 July 2017. The sale of the leasehold property was completed on 31 January 2018.

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

Amount repayable in one year or less, or on demand

As at 31.01.18		As at 31.07.17	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
139	-	-	-

Amount repayable after one year

As at 31.01.18		As at 31.07.17	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The secured borrowings as at 31 January 2018 relates to bank overdraft of the Group's subsidiary, which is secured by a fixed charge over certain freehold land and building of the subsidiary and a personal guarantee from a director of the subsidiary.

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

GROUP	Three Months Ended 31.01.18	Three Months Ended 31.01.17	Half Year Ended 31.01.18	Half Year Ended 31.01.17
	\$'000	\$'000	\$'000	\$'000
<u>Operating activities</u>				
Profit/(Loss) for the period	38,118	(698)	36,787	5,488
Adjustments for:				
Allowance for inventory obsolescence	66	-	66	-
Bad debt recovered	-	(1)	-	(1)
Depreciation	198	695	758	1,412
Finance costs	1	-	1	-
Gain on sale of leasehold property	(44,554)	-	(44,554)	-
Gain on sale of plant and equipment	(149)	-	(149)	-
Gain on disposal of a foreign subsidiary	-	-	-	(5,549)
Impairment loss recognised on property, plant and equipment	527	-	1,881	-
Income tax expense	394	-	394	-
Interest income	(94)	(97)	(195)	(203)
Plant and equipment written off	39	-	39	-
	<u>(5,454)</u>	<u>(101)</u>	<u>(4,972)</u>	<u>1,147</u>
Changes in working capital:				
Inventories	1,427	48	694	269
Trade and other receivables	1,351	1,612	208	(141)
Trade and other payables	2,663	(2,120)	3,606	(1,434)
Cash used in operations	<u>(13)</u>	<u>(561)</u>	<u>(464)</u>	<u>(159)</u>
Income tax paid, net	(2)	-	(2)	(2)
Net cash used in operating activities	<u>(15)</u>	<u>(561)</u>	<u>(466)</u>	<u>(161)</u>
<u>Investing activities</u>				
Acquisition of subsidiary, net of cash acquired	(3,541)	-	(3,541)	-
Deposit received for disposal of leasehold property	-	-	5,152	-
Cash in escrow account in relation of disposal of leasehold property	-	-	(5,152)	-
Release of cash from escrow account	5,152	-	5,152	-
Deposit and stamp duty paid for purchase of leasehold property	-	-	(1,360)	-
Deposit refunded for purchase of property	1,050	-	1,050	-
Fixed deposits with maturity of more than three months	-	3,951	-	(2,099)
Interest received	108	85	264	185
Proceeds from disposal of discontinued operations, net of cash disposed of	-	-	-	5,829
Receipt of balance proceeds from sale of leasehold property, net of expenses	47,513	-	47,513	-
Proceeds from disposal of plant and equipment	205	-	205	-
Purchase of plant and equipment	-	-	(6)	(13)
Net cash from investing activities	<u>50,487</u>	<u>4,036</u>	<u>49,277</u>	<u>3,902</u>

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 (cont'd)

Consolidated Statement of Cash Flows (cont'd)

GROUP	Three Months Ended 31.01.18 \$'000	Three Months Ended 31.01.17 \$'000	Half Year Ended 31.01.18 \$'000	Half Year Ended 31.01.17 \$'000
<u>Financing activities</u>				
Dividends paid	(1,095)	(657)	(1,095)	(657)
Interest paid	(1)	-	(1)	-
Amounts owing from related parties (non-trade)	(10)	-	(10)	-
Repurchase of own shares	(15)	-	(15)	-
Proceeds from sale of own shares	16	-	16	-
Net cash used in financing activities	(1,105)	(657)	(1,105)	(657)
Net increase in cash and cash equivalents	49,367	2,818	47,706	3,084
Cash and cash equivalents at beginning of period *	37,866	32,176	39,522	32,080
Effect of exchange rate changes on balances held in foreign currency	(157)	188	(152)	18
Cash and cash equivalents at end of period	87,076	35,182	87,076	35,182
<u>Note</u>				
Cash and cash equivalents at end of period comprise the following:				
Cash and bank balances (excluding fixed deposits with maturity of more than three months)	87,215	35,182	87,215	35,182
Bank overdraft	(139)	-	(139)	-
	87,076	35,182	87,076	35,182

* Cash and cash equivalents as at 31.7.16 included 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	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
GROUP					
At 1 August 2017	32,992	(183)	-	17,110	49,919
<i>Loss for the period</i>	-	-	-	(1,331)	(1,331)
<u>Other comprehensive income</u>					
<i>Total other comprehensive income</i>	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(1,331)	(1,331)
Transactions with owners, recorded directly in equity					
<i>Total contributions by and distributions to owners</i>	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
At 31 October 2017	32,992	(183)	-	15,779	48,588
At 1 November 2017	32,992	(183)	-	15,779	48,588
Total comprehensive income for the period					
<i>Profit for the period</i>	-	-	-	38,118	38,118
<u>Other comprehensive income</u>					
Foreign currency translation differences relating to financial statements of a foreign subsidiary	-	-	59	-	59
<i>Total other comprehensive income</i>	-	-	59	-	59
Total comprehensive income for the period	-	-	59	38,118	38,177
Transactions with owners, recorded directly in equity					
<u>Contributions by and distributions to owners</u>					
Final 1-tier tax-exempt dividend paid of 0.50 cents per share for FY2017	-	-	-	(1,095)	(1,095)
Own shares acquired	-	(15)	-	-	(15)
Own shares sold	-	11	-	5	16
<i>Total contributions by and distributions to owners</i>	-	(4)	-	(1,090)	(1,094)
Total transactions with owners	-	(4)	-	(1,090)	(1,094)
At 31 January 2018	32,992	(187)	59	52,807	85,671

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

COMPANY	Share capital \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total equity \$'000
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
Transactions with owners, recorded directly in equity	-	-	-	-
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

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

COMPANY	Share capital \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total equity \$'000
At 1 August 2017	32,992	(183)	10,996	43,805
Total comprehensive income for the period				
<i>Loss for the period</i>	-	-	(1,331)	(1,331)
<i>Total other comprehensive income</i>	-	-	-	-
Total comprehensive income for the period	-	-	(1,331)	(1,331)
Transactions with owners, recorded directly in equity	-	-	-	-
At 31 October 2017	32,992	(183)	9,665	42,474
At 1 November 2017	32,992	(183)	9,665	42,474
Total comprehensive income for the period				
<i>Profit for the period</i>	-	-	44,184	44,184
<i>Total other comprehensive income</i>	-	-	-	-
Total comprehensive income for the period	-	-	44,184	44,184
Transactions with owners, recorded directly in equity				
<u>Contributions by and distributions to owners</u>				
Final 1-tier tax-exempt dividend paid of 0.50 cents per share for FY2017	-	-	(1,095)	(1,095)
Own shares acquired	-	(15)	-	(15)
Own shares sold	-	11	5	16
<i>Total contributions by and distributions to owners</i>	-	(4)	(1,090)	(1,094)
Total transactions with owners	-	(4)	(1,090)	(1,094)
At 31 January 2018	32,992	(187)	52,759	85,564

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 2018, a total of 50,000 ordinary shares were bought back by way of market acquisitions and held as treasury shares. For the same period, the Company sold 50,000 of its treasury shares held.

Except for the above, there were no other changes to the share capital of the Company.

As at 31 January 2018, the Company held 829,600 treasury shares (31 January 2017: 829,600).

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 31.01.18	As at 31.07.17
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.

For the quarter ended 31 January 2018, the Company sold 50,000 of its treasury shares held.

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 2017.

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 2017. 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					
	Quarter ended 31.01.2018			Quarter ended 31.01.2017			Half year ended 31.01.2018			Half year ended 31.01.2017		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit/(Loss) attributable to owners of the Company (\$'000)	38,118	-	38,118	(698)	-	(698)	36,787	-	36,787	(61)	5,549	5,488
Weighted average no. of shares used in computation of basic earning per shares (in million)	219.07	219.07	219.07	219.07	-	219.07	219.07	219.07	219.07	219.07	219.07	219.07
Earnings per share												
(a) Based on the weighted average number of shares in issue	17.40 cents	-	17.40 cents	(0.32) cents	-	(0.32) cents	16.79 cents	-	16.79 cents	(0.03) cents	2.53 cents	2.50 cents
(b) On a fully diluted basis	17.40 cents	-	17.40 cents	(0.32) cents	-	(0.32) cents	16.79 cents	-	16.79 cents	(0.03) cents	2.53 cents	2.50 cents

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 31.01.18	As at 31.07.17	As at 31.01.18	As at 31.07.17
Net Asset Value per ordinary share based on issued share capital at the end of the period	39.11 cents	22.79 cents	39.06 cents	20.00 cents

Note: The Net Asset Value per ordinary share is calculated based on 219.07 million (31 July 2017: 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 31.01.18 ("2Q FY2018")

For 2Q FY2018, the Group registered a 58.0% increase in revenue as compared to the three months ended 31.01.17 ("2Q FY2017") from \$2.9 million to \$4.5 million. The increase in revenue was mainly due to revenue from a one-off special project with one of the Group's customers of \$1.3 million during 2Q FY2018 and revenue attributed to the newly acquired subsidiary, Wayco Manufacturing (M) Sdn Bhd ("Wayco") of \$0.2 million.

Other income was higher in 2Q FY2018 due mainly to gain recognised on sale of its leasehold property at 15A Tai Seng Drive (the "Tai Seng Property") of \$44.6 million. The sale was completed on 31 January 2018.

Total operating expenses increased by 196.5% from \$3.7 million in 2Q FY2017 to \$10.8 million in 2Q FY2018. The increase in cost of raw materials usage was due mainly to cost of raw materials usage for a one-off special project with one of the Group's customers of \$1.1 million during 2Q FY2018 and cost of raw materials usage attributed to Wayco of \$0.1 million, and was consistent with the higher revenue recorded for 2Q FY2018. Depreciation was lower in line with lower net book value of the Company's property, plant and equipment. The Group recognised additional impairment loss on property, plant and equipment of \$0.5 million in 2Q FY2018. The recoverable amount is estimated based on the value in use derived using certain assumptions regarding the intended use of property, plant and equipment as at 31 January 2018. The staff costs for 2Q FY2018 was \$6.7 million compared to \$1.6 million in 2Q FY2017. The increase was mainly due to redundancy payments made in 2Q FY2018 as a result of the scaling down of the Company's operations. Other operating expenses increased by 110.1% from \$0.6 million to \$1.3 million due mainly to higher exchange loss recognised in 2Q FY2018 and higher legal and professional costs incurred in 2Q FY2018.

The income tax expense for 2Q FY2018 mainly relates to estimated income tax payable on chargeable income arising from the sale of the Tai Seng Property, offset by the unutilized losses and unabsorbed capital allowances of the Company brought forward from the prior years.

As a result of the above, the Group's recognised a net profit of \$38.1 million in 2Q FY2018, as compared to a net loss of \$0.7 million in 2Q FY2017.

Excluding the gain on sale of the leasehold property of \$44.6 million, the Group would have recognised a loss before tax of \$6.0 million.

Half Year ended 31.01.18 ("1H FY2018")

For 1H FY2018, the Group registered a slight drop in revenue of 1.3% as compared to 1H FY2017 from \$8.5 million to \$8.4 million.

Total operating expenses increased by 84.1% from \$8.8 million in 1H FY2017 to \$16.2 million in 1H FY2018. The increase in cost of raw materials usage of 47.3% was due mainly to cost of raw materials usage for a one-off special project with one of the Group's customers undertaken during 1H FY2018. Depreciation was lower in line with lower net book value of the Company's property, plant and equipment. The Group recognised impairment loss on property, plant and equipment of \$1.9 million in 1H FY2018. The recoverable amount is estimated based on the value in use derived using certain assumptions regarding the intended use of property, plant and equipment as at 31 January 2018. Staff costs increased by 119.4% from \$3.9 million in 1H FY2017 to \$8.5 million for 1H FY2018 mainly due to redundancy payments made in 2Q FY2018 as a result of the scaling down of the Company's operations. Other operating expenses increased by 39.8% from \$1.4 million to \$2.0 million due mainly to higher exchange loss recognised in 1H FY2018 and higher legal and professional costs incurred during 1H FY2018, partially offset by lower royalties paid as a result of lower sales volume for 1H FY2018.

The income tax expense for 1H FY2018 mainly relates to estimated income tax payable on chargeable income arising from the sale of the Tai Seng Property, offset by the unutilized losses and unabsorbed capital allowances of the Company brought forward from the prior years.

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

As a result of the above, the Group's net profit increased from \$5.5 million in 1H FY2017 to \$36.8 million in 1H FY2018.

Excluding the gain on sale of the leasehold property of \$44.6 million, the Group would have recognised a loss before tax of \$7.4 million.

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.

Financial Position and Cash flow

The Group's financial position remained healthy with strong net cash position of \$87.1 million as at 31 January 2018, which was equivalent to 39.75 cents of cash per share. Cash and cash equivalents increased by 120.3% from \$39.5 million as at 31 July 2017 to \$87.1 million as at 31 January 2018 due mainly to the receipt of balance proceeds from the sale of the Tai Seng Property of \$47.5 million.

On 26 July 2017, the Company granted an option to purchase to an independent third party purchaser for the sale of the Tai Seng Property at a consideration of \$53.5 million. The sale of the Tai Seng Property was completed on 31 January 2018.

Property, plant and equipment decreased from \$2.7 million as at 31 July 2017 to \$2.3 million as at 31 January 2018 due mainly to impairment loss recognised on property, plant and equipment of \$1.9 million and depreciation on property, plant and equipment of \$0.8 million, partially offset by property, plant and equipment of Wayco acquired of \$2.2 million.

The investment property and goodwill balance as at 31 January 2018 relates to Wayco, which was acquired by the Group during 2Q FY2018.

Inventories decreased from \$0.8 million as at 31 July 2017 to \$0.4 million as at 31 January 2018, due mainly to sale of inventories during 1H FY2018 of \$0.7 million and provision of allowance for inventory obsolescence of \$0.1 million, partially offset by inventories of Wayco acquired of \$0.4 million.

The decrease in deferred tax liabilities was due mainly to reversal of temporary differences on the Company's property, plant and equipment during 1H FY 2018.

Trade and other payables increased by 156.3% from \$2.4 million to \$6.1 million mainly because of the receipt of goods and services tax relating to the Tai Seng Property sale transaction of \$3.4 million, which will be paid to the tax authorities in the next quarter.

Current tax payable of \$0.8 million was estimated as at 31 January 2018, taking into consideration the chargeable income arising from the sale of the Tai Seng Property, offset by the unutilized losses and unabsorbed capital allowances of the Company brought forward from the prior years.

On 12 December 2017, the Group entered into a share purchase agreement ("SPA") to acquire 100% interests in Wayco. The acquisition of Wayco was completed on 15 December 2017, and the consideration paid for the acquisition of Wayco, net of cash acquired is, \$3.5 million.

Pursuant to a supplemental agreement dated 15 December 2017 and entered into between the Company and the vendor of Wayco ("Vendor"), the Vendor gave an undertaking to the Company ("Buyback Undertaking") whereby the Company shall have the right to require the Vendor to buy back 100% of Wayco at the same effective purchase consideration paid by the Company, within one year from the date of completion of the acquisition of Wayco, if the Company reasonably ascertains that there are any material adverse events or matters affecting or relating to the assets, liabilities and/or business of Wayco to such a material extent which, if it had been known to the Company as at the date of the SPA, would have reasonably affected the Company's decision to enter into the SPA and to complete the acquisition of Wayco and/or the terms upon which it agrees to do so.

The Group paid a final one-tier tax-exempt dividend of 0.50 cents per share for FY2017, totaling \$1.0 million during 2Q FY2018.

With the termination of the option to purchase an industrial property located in Toa Payoh, the Group received a refund of the deposit paid for the said property of \$1.0 million during 2Q FY2018.

Use of proceeds raised from private placement

The Company will continue to make periodic announcements on the utilisation of the net placement proceeds from the issuance of shares to Lian Beng Group Ltd in FY2015 of \$7.2 million as and when such proceeds are materially disbursed.

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.

With the completion of the sale of the Tai Seng Property on 31 January 2018, the Company's business of manufacturing of media storage products ("Existing Business") is currently dormant. The Company still retains part of its manufacturing equipment, and there may be a possibility that the Company could consider re-starting manufacturing activities if it can find suitable premises to relocate to, although that would depend, *inter alia*, on how soon this can be done, and any changes to the Company's business direction or strategy in the meantime.

Even assuming the Company can re-commence the Existing Business, given the deterioration in the Company's financial results in recent financial years and the increasingly challenging conditions that the Group faces in the media storage products industry, the Board has come to a view that it may not be viable for the Company to engage in the Existing Business as its sole or primary core business due to the limited prospects for profitability and/or growth for the Existing Business.

In relation to the acquisition of Wayco, the Company is engaged in ongoing review and investigations into the financial affairs and business and operations of Wayco, *inter alia*, in order to enable the Company to assess and determine whether the Buyback Undertaking needs to be exercised.

In its announcement dated 27 February 2018, the Company announced that it will be holding an Extraordinary General Meeting ("EGM") on 20 April 2018 to consider the Proposed Business Diversification, proposed change of the Board of Directors and a special one-tier tax exempt dividend. Further details of the EGM will be set out in a circular to the shareholders in due course.

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.

Not applicable.

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
Interim CEO

15 March 2018