ANNUAL REPORT 2016

DMX TECHNOLOGIES GROUP LIMITED

TABLE OF CONTENTS

OPERATION AND FINANCIAL REVIEW

Corporate Profile

DMX Technologies Group Limited (the "Company") is a leading information technology enabler and provider of a wide range of ICT solutions. The Group specialises in providing integrated IT solutions to enable telecom operators, cable TV operators, mobile operators, media corporations and enterprises to deliver enhanced services to their end users. Its solutions range from providing service operators and enterprises with network security, network management and optimization.

The Company (Registration Number: 31201) was incorporated in Bermuda as an exempted Company with limited liability under the Companies Act 1981 of Bermuda ("Bermuda Companies Act") with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. Its principal place of business is at Flat B, 9/F, World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong with effect from 11 April 2016. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

Opening Statement

Dear Shareholders,

We are sincerely grateful for the patience and understanding of all shareholders during this difficult time of the Group. We have taken painful but necessary measures, including the trade suspension, in order to preserve the share value for shareholders. Even though the investigations into the complex Transactions in Question ("TIQ", please refer to Note 3.2 of "Notes to the Consolidated Financial Statements") may not have been completed, we present to you, our annual report for the financial year ended 31 December 2016 ("FY2016"), including the consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for FY2016 (collectively, the "FY2016 Financial Statements"), which were authorised for issue by the Board of Directors (the "Board").

Background for the delayed issuance of Annual Report

In late 2014 to early 2015, the newly appointed auditor of the Company raised concerns on "TIQ", and requested for explanations from the former management of the Group about the business rationale and commercial substance of these transactions and detailed supporting documents for these transactions, in order to complete its audit for FY2014.

On 9 February 2015, the Board announced that Ms. Jismyl Teo Chor Khin, the Executive Director and Chief Executive Officer of the Company at that time ("former CEO") and Mr. Skip Tang, the Chief Financial Officer of the Company at that time ("former CFO"), were suspended from all executive duties with effect from 9 February 2015 for an indefinite period. The Board made its decision after it was informed by the former CEO that the former CEO and the former CFO were arrested by the Commercial Crime Bureau of the Hong Kong Police Force (the "HK Authorities") on 3 February 2015.

After the announcement on 9 February 2015 and the request for a trading halt on 20 March 2015, the Company subsequently announced that Hong Kong legal counsel ("HK Counsel") had been appointed to conduct investigations (the "Initial Investigations"), and had provided a report on the findings of its investigation (the "Findings") and its legal advice which raised certain issues which affected the completion and audit of the FY2014 Financial Statements. Specifically, the Findings indicated that there were irregular accounting practices at two of the Company's subsidiaries in 2008 and 2009. Based on the Findings, the Company was advised by HK Counsel to make a report to the Hong Kong Police Force and did so on 23 March 2015. In addition, HK Counsel was tasked by the Company to continue and expand the scope of its investigations (the "Expanded Investigations"). In view of the above, the Company had requested for the trading halt to be converted into a suspension of trading of the Company's shares on SGX-ST with effect on 25 March 2015.

The Board decided to suspend the Expanded Investigations in May 2016 primarily due to cost concerns. The Expanded Investigations have not been resumed up to the date of approval of these financial statements.

Since the trading suspension, the Company has worked closely with its advisors to take the appropriate steps going forward. The Company has initiated legal proceedings against various parties, including former management, and will also consider filing additional reports to the relevant authorities, as and when necessary. The Company has also taken steps to minimise operating costs by streamlining operations and to direct resources to the preservation of the Group's viable businesses by undertaking a restructuring of the Group.

OPERATION AND FINANCIAL REVIEW

The delays in the completion of the Expanded Investigations and audits have led to delays in the announcement of the unaudited financial statements and the holding of annual general meetings and the issuances of the annual reports for the financial years ended 31 December 2014, 31 December 2015 ("FY2015") and 31 December 2016 ("FY2016"). Where necessary, the Company has made applications to and been granted extensions of time from the relevant authorities, including the SGX-ST and the Bermuda Registrar, to announce its unaudited financial statements and hold its annual general meetings.

As disclosed in the announcements dated 31 August 2017 and 5 September 2017, the Company had completed the disposal of 60% of the entire issued and paid-up capital of PT Packet Systems Indonesia (the "PSI Disposal"), and part of the proceeds raised from the PSI Disposal has been used to fund the fees for the completion of the audit of the FY2014 Financial Statements, the financial statements for FY2015 (the "FY2015 Financial Statements") and the financial statements for FY2016 (the "FY2016 Financial Statements").

With the proceeds raised from the PSI Disposal, the Company has worked closely with its auditors to finalise the audited FY2014 Financial Statements, FY2015 Financial Statements and FY2016 Financial Statements for incorporation into the annual reports for the respective financial years.

Financial Results

The Group recorded a 1.7% year-on-year ("yoy") increase in revenue to US$104.9 million in FY2016. The reason for such increase was a result of 1) the recovery of "ICT" divisions especially in Indonesia which outweight; 2) the decreased revenue of a) restructuring divisions such as "Digital Media" and "Mobile Solution Services" in the People's Republic of China ("PRC"); and b) slimming down operations such as Korea and other countries. Gross margin declined by 0.96% to 21.29% in FY2016 due to the competitive "ICT" market environment. The Group's total operating expenses decreased by 25.3% yoy to US$31.1 million in FY2016. The Group's loss before tax was US$7.3 million in FY2016 following the loss before tax of US$18.4 million in FY2015 as a result of the positive impact of 1) the recovery of "ICT" divisions especially in Indonesia and the negative factor of 2) the restructuring expenses of US$4.2 million. The Group recorded a decrease in cash and cash equivalents at US$4.9 million in FY2016 compared to the decrease of US$26.5 million in FY2015.

Moving Forward

Going forward, the Board will continue to evaluate the various options available to the Group that will best serve the interests of the Company's shareholders. Further updates will be provided to shareholders as and when there are any material developments.

BOARD OF DIRECTORS

(As at 31 December 2017)

Iwao Oishi
Executive Director and Vice Chairman

Iwao Oishi was appointed as Acting Chief Executive Officer in February 2015. Mr Oishi is responsible for the strategic directions, management and financial well-being of our Group. Mr. Oishi has been the Executive Director and Vice Chairman since 2009 and 2013 respectively. Mr. Oishi is also responsible for the Group's business alliance with KDDI Corporation and to assist the financial issues for the development and growth for the Group including the co-ordination for financial reporting and policies under the Board's direction. Mr Oishi has more than 20 years of experience in the telecommunications industry. Prior to joining DMX, Mr Oishi was the senior manager and head of the overseas management section of the global business division of KDDI Corporation, responsible for the management of KDDI's overseas subsidiaries. Mr Oishi joined KDD Company Ltd in 1988 and held various positions within KDDI Corporation's Group, including that of manager of the finance department. Mr Oishi was also the managing director of KDDI Deutschland GmbH, subsidiary of KDDI Corporation. Mr Oishi graduated with a Bachelor of Commerce from the Waseda University (Japan) in 1988.

Takashi Eida
Non-Independent Non-Executive Director

Takashi Eida was appointed as a Non-Independent Non-Executive Director of our Company in May 2017. Mr. Eida was assigned of the position of Group Leader of Global Management Department since October 2013. Besides, Mr. Eida was held various positions in KDDI Corporation, including, Manager of Global Business Development Division from April 2011 to September 2013 and Manager of Global Business Planning Division from October 2006 to March 2011 accordingly.

Masatoshi Nobuhara
Non-Independent Non-Executive Director

Masatoshi Nobuhara was appointed as a Non- Independent Non-Executive Director of our Company in May 2015. Mr Nobuhara is the General Manager, Global Management Department, Global Business Sector of KDDI Corporation and working in KDDI Corpporation since 1992.

Keiji Ito
Non-Independent Non-Executive Director

Keiji Ito was appointed as a Non-Independent Non-Executive Director of our Company in May 2016. Mr. Ito held various positions in KDDI Corporation, including Head of Global ICT Business Division from April 2016, Chief Executive Officer of KDDI Rus LLC from October 2012 to March 2015, and General Manager of International Network Department from April 2009 to September 2012 accordingly.

Takuro Awazu
Independent Non-Executive Director

Takuro Awazu was appointed as an Independent Non-Executive Director of our Company in March 2011. Mr Awazu is an attorney-at-law registered in Japan, New York and California and is a partner of Soga Law Office. Prior to that, Mr Awazu was a partner of Soga, Uryu & Itoga from 2005 to January 2012 and before that had been the Deputy Director of Multilateral Trade System Department of Ministry of Economy, Trade and Industry of Japan from 2003 to 2005. He was in charge of anti-dumping and dispute resolution in the Ministry. Mr Awazu was an attorney-at-law (associate) at Itoga& Soga Law Office (former name of Soga, Uryu & Itoga) from 2001 to 2003 and an attorney-at-law (associate) at Anderson Mori Law Office from 1999 to 2000. Mr Awazu obtained his Bachelor of Law from the University of Tokyo in 1997 and his L.L.M from Tulane Law School in 2002.

BOARD OF DIRECTORS
(As at 31 December 2017)

Foo Meng Tong
Independent Non-Executive Director

Foo Meng Tong was appointed as an Independent Non-Executive Director of our Company in November 2002. Mr Foo worked in the Economic Development Board (EDB) for a total of 26 years until April 1993. His last appointment at the EDB was as the director of its Industry Development Division and the general manager of EDB Investments Pte Ltd. He was also the administrator of the Skills Development Fund from 1980 to 1986. He has served overseas as the regional director of EDB's offices in Europe (based in Paris) and North America (based in New York). From 1994 to 1997, Mr Foo was Singapore's Ambassador to France with concurrent accreditations to Spain, Portugal, Switzerland (1994 to 1996) and Israel (1996 to 1997). Mr Foo holds a Professional Diploma in Electrical Engineering from the Singapore Polytechnic and has attended the Stanford Executive Program at the Stanford University, USA in 1985. He is a Fellow of the Institution of Engineers, Singapore and a Fellow of the Singapore Institute of Directors.

Mark Wang Yat-Yee
Independent Non-Executive Director

Mark Wang Yat-Yee was appointed as an Independent Non-Executive Director of our Company in November 2002. Mr Wang is currently a private investor in various businesses in Singapore and China. Prior to his retirement in June 2009, Mr Wang was the Group Vice President of Enterprise Solutions Group, Asia Pacific for Infor Global Solutions, a private application software company. Between 1974 and 1977, Mr Wang worked as an Economist for the Illinois Department of Transportation. He subsequently joined Xerox Corporation as a finance manager from 1977 to 1984. In 1984, he joined Computervision Corporation where he served in various positions, including business planning manager, sales manager (based in Shanghai) and regional sales manager for ASEAN. From 1988 to 1992, Mr Wang served as managing director for Central and Southeast Asia of Oracle Corporation. He joined Informix Corporation in 1992 as their vice president and general manager for the Asia Pacific region where he served until 1994. Mr Wang subsequently worked at Digital Equipment Corporation from 1994 to 1995 as the vice president, systems business unit, for the Asia Pacific region. From 1995 to 1998, he was senior vice president and general manager for the Asia Pacific region of Seer Technologies Corporation. He joined Candle Corporation in 1998 as vice president and general manager of the Asia Pacific Region and left in 2000. Mr Wang was the Senior Vice President and General Manager for Sybase Corporation in Asia Pacific region from 2000 to 2003. From 2003 to 2006, Mr Wang was a private investor in various businesses in Singapore and China. Mr Wang graduated with a degree in Applied Mathematics from the Massachusetts Institute of Technology in 1972 and also holds both an M.A in Economics and an MBA from the University of Chicago, United States

CORPORATE INFORMATION
(As at 31 December 2017)

Board of Directors

Iwao Oishi
(Executive Director, Vice Chairman and Acting Chief Executive Officer)

Foo Meng Tong
(Independent Non-Executive Director)

Mark Wang Yat-Yee
(Independent Non-Executive Director)

Takuro Awazu
(Independent Non-Executive Director)

Masatoshi Nobuhara
(Non-Independent Non-Executive Director)

Keiji Ito
(Non-Independent Non-Executive Director)

Takashi Eida
(Non-Independent Non-Executive Director)

Audit Committee

Foo Meng Tong (Chairman)
Mark Wang Yat-Yee
Takuro Awazu
Takashi Eida

Nominating Committee

Foo Meng Tong (Chairman)
Masatoshi Nobuhara
Mark Wang Yat-Yee
Takuro Awazu

Remuneration Committee

Mark Wang Yat-Yee (Chairman)
Foo Meng Tong
Takuro Awazu
Masatoshi Nobuhara

Key Management

Osamu Sekiyama
(Acting Chief Financial Officer)
Ashley Yau
(Regional Director)

Company Secretary

Lee Pay Lee

Registered Office

Canon's Court
22 Victoria Street,
Hamilton HM 12
Bermuda
Telephone: (441) 295 2244
Facsimile: (441) 292 8666

Bermuda Share Registrar

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Singapore Share Transfer Agent

Boardroom Corporate & Advisory Services Ptd Ltd.
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623
Telephone: (65) 6536 5355
Facsimile: (65) 6536 1360

Auditors
PricewaterhouseCoopers LLP
8 Cross Street
#17-00 PWC Building
Singapore 048424
Audit Partner: Tham Tuck Seng
Date of Appointment: 29 April 2014

Principal Bankers

Mizuho Corporate Bank, Ltd.

CORPORATE GOVERNANCE

Since 1 January 2016 to the date of this report (the "Relevant Period"), the composition of the Board of Directors ("Board") of DMX Technologies Group Limited (the "Company") has undergone a series of changes.

As set out earlier in the Operation and Financial Review, the Board, together with management, has over the Relevant Period, undertaken a series of actions in response to the various events that have occurred. The Board continues to be committed to maintaining a high standard of corporate governance within the Company and has put in place self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value.

The current Board is pleased to report compliance of the Company with the benchmarks set by the Code of Corporate Governance 2012 (the "Code"), except where otherwise stated. Where there are deviations from the recommendations of the Code, appropriate explanations have been provided.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Apart from its statutory duties and responsibilities, the Board effectively oversees the management and affairs of the Company. It focuses on strategies and policies which enhance the growth and financial performance of the Company. The Board works closely with management to achieve the long-term success of the Company.

The principal functions of the Board are:

(a) to ensure the necessary financial and human resources are in place for the Company to meet the Company's strategic business and financial objectives;

(b) to establish appropriate risk management system to ensure the key potential risks are identified and managed, including safeguarding of shareholders' interests and the Company's assets;

(c) to review the management's financial performance and compliance practices regularly;

(d) to identify the key stakeholder and recognise that their perceptions affect the Company's reputation;

(e) to set the Company's value and standards, and to ensure the obligations to shareholders and stakeholders are understood and met;

(f) to consider sustainability issues when formulating the Company's strategies;

(g) to approve the annual budget, major investments and divestments, and funding proposals;

(h) to oversee the process for evaluating the adequacy of internal controls, risk management, financial reporting and compliance; and

(i) to assume responsibility for corporate governance.

The Board discharges its responsibilities either directly or indirectly through various committees comprising members of the Board. All directors objectively make decisions in the interests of the Company.

The Board may delegate the formulation of business policies and day-to-day management to any board committee and Executive Directors.

The Board's approval is required for matters that are stated in the internal guidelines setting out the requisite authority for decision-making, which includes, among others, corporate restructuring, mergers and acquisitions, material investments or acquisitions and divestments or disposals of assets, major corporate policies on key areas of operations, acceptances of material bank facilities, annual budget, the release of the Company's quarterly and full year's results and interested person transactions of a material nature.

The Board currently holds at least four scheduled meetings each year to review and deliberate on the key activities and business strategies of the Company, including reviewing and approving internal guidelines on materiality of transactions, acquisitions, financial performance, and to endorse the release of the quarterly and annual financial results. When necessary, additional meetings may be held to address significant transactions or issues. The Company's Bye-Laws permit a Board meeting to be conducted by way of tele-conference and video-conference.

Every Director receives appropriate training to develop individual skills in order to discharge his or her duties. The Company also provides extensive information about its history, mission and values to the Directors. All newly appointed Directors will be given an orientation on the Company's business strategies and operations. The Company will issue a formal letter of appointment to new Directors setting out their duties and obligations when they are appointed.

During the financial year ended 31 December 2016 ("FY2016"), the Directors received updates on regulatory changes to the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and changes to the accounting standards. The Directors also received updates on the business of the Company through regular presentations and meetings. The Company shall be responsible for arranging and funding the training of Directors.

The number of meetings held and the attendance of each Director at every Board and Board Committee meetings for FY2016 are as follows:-

	Board		Audit Committee ("AC")		Nominating Committee ("NC")		Remuneration Committee ("RC")	
Name	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**
Mr Emmy Wu[1] (Executive Chairman)	4	4	N/A	N/A	2	2	N/A	N/A
Mr Iwao Oishi (Vice Chairman, Acting Chief Executive Officer and Executive Director)	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Ms Jismyl Teo Chor Khin[2] (Chief Executive Officer and Executive Director)	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Mr Thian Nie Khian[3] (Non-Independent Non-Executive Director)	4	4	4	4	N/A	N/A	2	2
Mr Shinichi Suzukawa[4] (Non-Independent Non-Executive Director)	4	4	4	4	2	2	2	2
Mr Kazuo Miwa[5] (Non-Independent Non-Executive Director)	4	1	N/A	N/A	N/A	N/A	N/A	N/A
Mr Kenichiro Uchimura[6] (Non-Independent Non-Executive Director)	4	3	4	3	N/A	N/A	N/A	N/A

Name	Board		Audit Committee ("AC")		Nominating Committee ("NC")		Remuneration Committee ("RC")	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Hidehiko Tajima[7] (Non-Independent Non-Executive Director)	4	1	N/A	N/A	2	1	2	1
Mr Foo Meng Tong (Independent Non-Executive Director)	4	4	4	4	2	2	2	2
Mr Mark Wang Yat-Yee (Independent Non-Executive Director)	4	4	4	4	2	2	2	2
Mr Takuro Awazu (Independent Non-Executive Director)	4	4	4	4	2	2	2	2
Mr Daniel Kung[8] (Independent Non-Executive Director)	4	4	4	4	2	2	2	2
Mr Yasuhiko Shiozaki[9] (Non-Independent Non-Executive Director)	4	3	N/A	N/A	N/A	N/A	N/A	N/A

Note:

N/A Not applicable

1 Mr Emmy Wu's employment as Executive Chairman and Executive Director was terminated with effect from 7 September 2015 and he was removed as Director and ceased to be a member of the Nominating Committee with effect from 5 April 2016.

2 Ms Jismyl Teo Chor Khin's employment as Chief Executive Officer and Executive Director was terminated with effect from 3 September 2015 and she was removed as Director with effect from 5 April 2016.

3 Mr Thian Nie Khian resigned as a Non-Independent Non-Executive Director with effect from 30 June 2016 and ceased to be a member of the Remuneration Committee on the same day.

4 Mr Shinichi Suzukawa resigned as a Non-Independent Non-Executive Director with effect from 31 March 2016 and ceased to be a member of the Audit, Nominating and Remuneration Committees on the same day.

5 Mr Kazuo Miwa retired as a Non-Independent Non-Executive Director with effect from 29 April 2014.

6 Mr Kenichiro Uchimura resigned as a Non-Independent Non-Executive Director with effect from 8 May 2015 and ceased to be a member of the Audit Committee on the same day.

7 Mr Hidehiko Tajima resigned as a Non-Independent Non-Executive Director with effect from 31 March 2017 and ceased to be a member of the Nominating and Remuneration Committees on the same day.

8 Mr Daniel Kung resigned as an Independent Non-Executive Director with effect from 26 January 2015 and ceased to be a member of the Audit, Nominating and Remuneration Committees on the same day.

9 Mr Yasuhiko Shiozaki was appointed as a Non-Independent Non-Executive Director with effect from 30 April 2014 and resigned as a Non-Independent Non-Executive Director with effect from 31 March 2017.

Principle 2: Board Composition and Guidance

For FY2016, the Board comprised 11 Directors: four Independent Non-Executive Directors, three Executive Directors and four Non-Independent Non-Executive Directors, as set out below:

Mr Emmy Wu (Executive Chairman)[1]
Mr Iwao Oishi (Executive Director, Vice Chairman and Acting Chief Executive Officer)
Ms Jismyl Teo Chor Khin (Executive Director and Chief Executive Officer)[2]
Mr Thian Nie Khian (Non-Independent Non-Executive Director)[3]
Mr Shinichi Suzukawa (Non-Independent Non-Executive Director)[4]
Mr Hidehiko Tajima (Non-Independent Non-Executive Director)[5]
Mr Foo Meng Tong (Independent Non-Executive Director)
Mr Mark Wang Yat-Yee (Independent Non-Executive Director)
Mr Takuro Awazu (Independent Non-Executive Director)
Mr Yasuhiko Shiozaki (Non-Independent Non-Executive Director)[6]
Mr Masatoshi Nobuhara (Non-Independent Non-Executive Director)[7]

Note:

1. Mr Emmy Wu's employment as Executive Chairman and Executive Director was terminated with effect from 7 September 2015 and he was removed as Director and ceased to be a member of the Nominating Committee with effect from 5 April 2016.
2. Ms Jismyl Teo Chor Khin's employment as Chief Executive Officer and Executive Director was terminated with effect from 3 September 2015 and she was removed as Director with effect from 5 April 2016.
3. Mr Thian Nie Khian resigned as a Non-Independent Non-Executive Director with effect from 30 June 2016 and ceased to be a member of the Remuneration Committee on the same day.
4. Mr Shinichi Suzukawa resigned as a Non-Independent Non-Executive Director with effect from 31 March 2016 and ceased to be a member of the Audit, Nominating and Remuneration Committees on the same day.
5. Mr Hidehiko Tajima resigned as a Non-Independent Non-Executive Director with effect from 31 March 2017 and ceased to be a member of the Nominating and Remuneration Committees on the same day.
6. Mr Yasuhiko Shiozaki resigned as a Non-Independent Non-Executive Director with effect from 31 March 2017.
7. Mr Masatoshi Nobuhara ceased as a member of the Audit Committee and appointed as a member of Remuneration and Nominating Committees on 9 May 2017.

Although the Chairman was part of the management team in FY2014, all the Board Committees in FY2014 were chaired by Independent Directors. With effect from 7 September 2015, the Company has terminated the employment of Mr Emmy Wu ("Mr Wu") when it came to the Company's attention that Mr Wu has acted negligently in the course of his duties in his position as an Executive Director. Upon the termination, Mr Wu ceased to be the Chairman of the Board.

As at the date of this report, the Board comprises seven Directors: one Executive Director, three Independent Non-Executive Directors and three Non-Independent Non-Executive Directors. Their collective experience and contribution are valuable to the Company. The Directors as at the date of this report are listed as follows:-

Mr Iwao Oishi (Executive Director, Vice Chairman and Acting Chief Executive Officer)
Mr Foo Meng Tong (Independent Non-Executive Director)
Mr Mark Wang Yat-Yee (Independent Non-Executive Director)
Mr Takuro Awazu (Independent Non-Executive Director)
Mr Masatoshi Nobuhara[1] (Non-Independent Non-Executive Director)
Mr Keiji Ito[2] (Non-Independent Non-Executive Director)
Mr Takashi Eida[3] (Non-Independent Non-Executive Director)

Note:

1. Mr Masatoshi Nobuhara was appointed on 8 May 2015.
2. Mr Keiji Ito was appointed on 17 May 2016.
3. Mr Takashi Eida was appointed on 9 May 2017.

The Board is currently reviewing the composition of Independent Directors on the Board with a view that Independent Directors will make up at least half of the Board in accordance with the timeline specified under the guidelines of the Code.

The independence of each Director is reviewed by the Nominating Committee ("NC"). The NC adopts the definition of what constitutes an Independent Director from the Code. The Board believes that there is an independent element on the Board. The Board is able to exercise independent judgement on corporate affairs and provide management with a diverse and objective perspective on issues.

Mr Foo Meng Tong and Mr Mark Wang Yat-Yee have served on the Board for more than nine years. The NC, having taken into consideration Guideline 2.4 of the Code, conducted a rigorous review of their contributions to the Board to determine if each of them has maintained the status of independence as defined by Guideline 2.3 of the Code. The NC is satisfied that Mr Foo Meng Tong and Mr Mark Wang Yat-Yee have remained independent in their judgment and can continue to discharge their duties objectively. Mr Foo Meng Tong and Mr Mark Wang Yat-Yee abstained from deliberating in respect of their independence status respectively.

The Board considers that the present Board size facilitates effective decision making and is appropriate for the nature and scope of the Company's operations. The Board will constantly examine its size to determine its impact upon its effectiveness.

The Directors appointed are qualified professionals who possess a diverse range of expertise to provide a balanced view within the Board. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 04 to 06 of the Annual Report.

The Board and management recognise the benefits of open and constructive debates. Non-Executive Directors may challenge and help to develop proposals on strategy and guidance to the management, in the best interest of the Company.

Principle 3: Chairman and Chief Executive Officer

For FY2014, Mr Wu and Ms Jismyl Teo Chor Khin's ("Ms Teo") were the Chairman and Chief Executive Officer ("CEO") of the Company respectively. As stated above, Mr Wu's employment as Executive Chairman and Executive Director was terminated with effect from 7 September 2015 and Ms Teo's employment as CEO and Executive Director was terminated with effect from 3 September 2015. The Company has commenced an action in the High Court of the Hong Kong Special Administrative Region Court of First Instance on 7 April 2016 against, among others, Mr Wu and Ms Teo, for acting in breach of their fiduciary duties and/or duties of care owed to DMX Technologies (Hong Kong) Limited.

As at the date of this report, Mr Iwao Oishi ("Mr Oishi") is both the Executive Vice Chairman and Acting Chief Executive Officer ("CEO") of the Company. He is not an independent director. Since the Company has been through a period of sudden transition with a significant change in the management and has had to undertake a subsequent streamlining of business operations due to the "TIQ", the Vice Chairman has had to take on the role and the responsibilities of the Chairman including but not limited to the arrangement of board meetings as well as to promote a culture of openness and debate at the Board to ensure the Board's effectiveness. Besides ensuring that the Directors receive complete, adequate and timely information, the role of the Vice Chairman includes ensuring effective communication with shareholders and promoting high standards of corporate governance. The Vice Chairman also assumes the responsibilities of the Acting CEO which include assisting the Board in developing policies and strategies and ensuring that they are implemented effectively. In addition, the Vice Chair and Acting CEO sets the business strategies and directions of the Company and manages the business operations of the Company with the Chief Financial Officer ("CFO") and other key executive officers of the Company.

Although the roles of the Vice Chairman and CEO are not separated, the Board is of the view that no other person than the Vice Chairman could play a pivotal role during this difficult time of the Company. Given the scope and nature of business activities of the Group, the Board believes that even with Mr Oishi taking on the role of both Executive Vice Chairman and Acting CEO, there is a good balance of power and authority with all critical committees chaired by the independent directors.

Given that both the role of Executive Vice Chairman and Acting CEO are held by the same person, the Board is in the midst of making arrangements to appoint a lead independent director who would be available to shareholders where they have concerns and for which contact through the normal channels of the Vice Chairman, Acting CEO or CFO has failed to resolve their concerns or is inappropriate.

Principle 4: Board Membership

The Nominating Committee ("NC") comprises the following Directors, the majority of whom including the Chairman is independent. The Chairman of the NC is not associated with the substantial shareholders of the Company. The composition of the NC from FY2014 up till the date of this report is as set out below:

Mr Foo Meng Tong	Independent Non-Executive Director	(Chairman)
Mr Mark Wang Yat-Yee	Independent Non-Executive Director	(member)
Mr Takuro Awazu	Independent Non-Executive Director	(member)
Mr Daniel Kung[1]	Independent Non-Executive Director	(member)
Mr Emmy Wu[2]	Executive Director	(member)
Mr Hidehiko Tajima[3]	Non-Independent Non-Executive Director	(member)
Mr Shinichi Suzukawa[4]	Non-Independent Non-Executive Director	(member)
Mr Masatoshi Nobuhara[5]	Non-Independent Non-Executive Director	(member)

Note:

1 Mr Daniel Kung ceased to be a member of the NC on 26 January 2015.
2 Mr Emmy Wu ceased to be member of the NC on 5 April 2016.
3 Mr Hidehiko Tajima ceased to be a member of the NC on 31 March 2017.
4 Mr Shinichi Suzukawa ceased to be a member of the NC on 31 March 2016.
5 Mr Masatoshi Nobuhara was appointed as a member of the NC on 9 May 2017.

The NC has written terms of reference that describe the responsibilities of its members. The duties of the NC, among others, are as follows: -

(a) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;

(b) reviewing all candidates nominated for appointment as senior management staff;

(c) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive and Non-Executive, Independent and Non-Independent Directors and having regard at all times to the principles of corporate governance and the Code;

(d) identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the Directors' contribution and performance, including Independent Directors;

(e) determining whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors);

(f) making recommendations to the Board on matters relating to the review of training and professional development programs for the Board;

(g) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board;

(h) decide, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his duties as Director of the Company.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its substantial shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of Directors' independent business judgement with a view to the best interest of the Company and the Group. The NC has reviewed and determined that the said Directors are independent.

The NC has also reviewed the composition of the AC, NC and RC and is satisfied that it is adequate and appropriate for the Company.

At present, no alternate Director has been appointed to the Board.

All Directors are subject to the provisions of the Company's Bye-Laws whereby one-third of the Directors are required to retire and subject themselves for re-election by shareholders at every AGM. A newly-appointed Director will have to submit himself for re-election at the AGM immediately following his appointment and, thereafter, be subjected to the one-third rotation rule.

In accordance with the By-Laws of the Company, Mr Foo Meng Tong, Mr Masatoshi Nobuhara, Mr Keiji Ito and Mr Takashi Eida are subject to retirement by rotation at the forthcoming AGM. However, the Board received notice from Mr. Foo Meng Tong that he does not wish to stand for re-election. Consequently, NC recommended to the Board that Mr Masatoshi Nobuhara, Mr Keiji Ito and Mr Takashi Eida be nominated for re-election at the forthcoming AGM.

In making the recommendation, the NC had considered the Directors' overall contribution and performance.

The NC takes the lead in identifying, evaluating and selecting suitable candidate for new directorship. In its search and selection process, the NC considers factors such as the ability of prospective candidate to contribute to discussions, deliberations and activities of the Board and Board Committees.

The dates of initial appointment and last re-election/re-appointment of each of the Directors of the current Board are set out below:

DIRECTOR	NATURE OF APPOINTMENT	DATE OF INITIAL APPOINTMENT	DATE OF LAST RE-ELECTION	MEMBERSHIP OF THE BOARD COMMITTEE
Iwao Oishi	Executive Director, Vice Chairman and Acting Chief Executive Officer	1 December 2009	29 April 2013	None
Foo Meng Tong	Independent Non-Executive Director	12 November 2002	27 April 2012	Chairman of Audit and Nominating Committee Member of Remuneration Committee
Mark Wang Yat-Yee	Independent Non-Executive Director	12 November 2002	29 April 2013	Chairman of Remuneration Committee Member of Audit and Nominating Committees
Takuro Awazu	Independent Non-Executive Director	1 March 2011	27 April 2012	Member of Audit, Nominating and Remuneration Committees
Masatoshi Nobuhara[1]	Non-Independent Non-Executive Director	8 May 2015	Not Applicable	Member of Nominating and Remuneration Committees
Keiji Ito[2]	Non-Independent Non-Executive Director	17 May 2016	Not Applicable	None
Takashi Eida[3]	Non-Independent Non-Executive Director	9 May 2017	Not Applicable	Member of Audit Committee

Principle 5: Board Performance

The Company has implemented the Board-approved evaluation process and performance criteria to assess the performance of the Board. In drawing up the objective performance criteria for such evaluation and determination, the NC has considered a number of factors, including the achievement of financial targets, performance of the Board, performance of individual Director's vis-à-vis attendance and contributions during Board meetings.

The assessment process involves and includes input from the Board members, applying the performance criteria recommended by the NC and approved by the Board. The Directors' input are collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation.

As part of the process, the NC considered a general rule to address competing time commitments by Directors serving on multiple boards. As a general rule, a full time Director should not hold board seats in more than 4 listed companies and a professional Director should not hold board seats in more than 6 listed companies.

Although the Non-Executive Directors hold directorships in other companies which are not within the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective. The Board, excluding the Independent and Non-Executive Directors with multiple directorships, has confirmed that the Independent and Non-Executive Directors have committed sufficient time, attention, resources and expertise to the affairs of the Company.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. The Board is also provided with updates on the relevant new laws, regulations and changing commercial risks in the Company's operating environment through regular presentations and meetings. Orientation to the Company's business strategies and operations is conducted as and when required.

Directors are given board papers in advance of meetings, for them to be adequately prepared for the meeting.

All Directors have separate and independent access to senior management and to the Company Secretary. Directors may also request from Management such additional information as needed to make informed decisions, such information to be provided in a timely manner. Directors may also request from Management such additional information as needed to make informed decisions, such information to be provided in a timely manner.

The Company Secretary administers, attends and prepares minutes of Board meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and in compliance with the Company's Bye-Laws and relevant rules and regulations, including requirements of the Bermuda Companies Act and the Listing Manual of the SGX-ST ("Listing Manual"). The appointment and removal of the Company Secretary is a matter for the Board as a whole.

In the event that the Directors, whether as a Company or individually, require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") is comprised entirely of Non-Executive Directors, the majority of whom, including the Chairman is independent. The composition of the RC from FY2014 up till the date of this report is as set out below:

Mr Mark Wang Yat-Yee	Independent Non-Executive Director	(Chairman)
Mr Foo Meng Tong	Independent Non-Executive Director	(member)
Mr Takuro Awazu	Independent Non-Executive Director	(member)
Mr Daniel Kung[1]	Independent Non-Executive Director	(member)
Mr Thian Nie Khian[2]	Non-Independent Non-Executive Director	(member)
Mr Hidehiko Tajima[3]	Non-Independent Non-Executive Director	(member)
Mr Shinichi Suzukawa[4]	Non-Independent Non-Executive Director	(member)
Mr Masatoshi Nobuhara[5]	Non-Independent Non-Executive Director	(member)

Note:

1 Mr Daniel Kung ceased to be a member of the RC on 26 January 2015.
2 Mr Thian Nie Khian ceased to be a member of RC on 30 June 2016.
3 Mr Hidehiko Tajima ceased to be a member of RC on 31 March 2017.
4 Mr Shinichi Suzukawa ceased to be a member of RC on 31 March 2016.
5 Mr Masatoshi Nobuhara was appointed as a member of RC on 9 May 2017.

The RC has written terms of reference that describe the responsibilities of its members. The duties of the RC among others are as follows: -

(a) recommending to the Board a framework of remuneration for the Board and the key management personnel of the Group covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

(b) proposing to the Board, appropriate and meaningful measures for assessing the performance of the Executive Directors;

(c) determining the specific remuneration package for each Executive Director and key management;

(d) considering the eligibility of Directors and key management personnel for benefits under long-term incentive schemes;

(e) administering the Company's share option schemes;

(f) considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors and key management personnel of the Company to those required by law or by the Code; and

(g) reviewing the Company's obligations arising in the event of termination of executive directors' and key management personnel's contracts of service, to ensure that such contracts of services contain fair and reasonable termination clauses which are not overly generous. The RC shall aim to be fair and avoid the rewarding of poor performance.

The members of the RC do not participate in any decisions concerning their own remuneration.

In carrying out their duties, the RC may obtain independent external legal and other professional advice as mentioned above, as it deems necessary, relating to the remuneration policy and in determining the level and mix of remuneration for Directors and key management personnel. The expenses of such advice shall be borne by the Company.

Principle 8 and 9: Level and Mix of Remuneration and Disclosure on Remuneration

The Company sets remuneration packages to align with the long-term interests and risk policies of the Company, and ensuring that it is competitive and sufficient to attract, retain and motivate Directors and senior management of the required experience and expertise to run the Company successfully. The RC, in establishing the framework of remuneration policies for its Directors and key executives is largely guided by the financial performance of the Company The following table shows a breakdown of the remuneration of Directors and Key Executives for FY2016:

Remuneration Bands	**Salary %**	**Performance Bonus %**	**Directors' fees %**	**Others %**	**Total Compensation %**
Executive Director Below S$250,000					
Iwao Oishi	100				100
Independent Directors Below S$250,000					
Foo Meng Tong			100		100
Mark Wang Yat-Yee			100		100
Takuro Awazu			100		100
Key Executive					
Below S$500,000					
Handy Surya Wirawan	69	31			100

Remuneration Bands	Salary %	Performance Bonus %	Directors' fees %	Others %	Total Compensation %
Key Executives					
Below S$250,000					
Choong Wai Hoong	77	23			100
Ashley Yau	98	2			100
Danny Li	97	3			100
Osamu Sekiyama	100				100

Total remuneration for FY2016 is as follows:

- Executive Directors: S$113,003
- Non-Executive Director: S$0
- Independent Non-Executive Directors: S$132,300
- Key Executives: S$1,122,556

For competitive reasons, the Company is not disclosing the exact details of remuneration of Directors and Key Executives. Instead, the Company is disclosing the remuneration of each Director and Key Executive in bands of S$250,000.00.

The Non-Independent Non-Executive Directors do not receive any remuneration from the Company. The Directors' fees for Independent Non-Executive Directors are set in accordance with a remuneration framework comprising basic fees and additional fees for serving on any of the committees. Directors' fees for FY2016 are subject to the approval of the shareholders as a lump sum payment at the AGM to be held on 31 January 2018. In view of the current circumstances of the Company, the current RC has recommended that, subject to the approval of shareholders at the upcoming AGM, a total sum of S$132,300 be payable to the Independent Non-Executive Directors as their Directors' fees for FY2016. This represents a 30% reduction in the fees paid to the Independent Non-Executive Directors as compared to the payment of $135,042 to the Independent Non-Executive Directors for the financial year ended 31 December 2015, being the last financial year that shareholders had approved the payment of Directors' fees.

The Executive Director of the Company does not receive directors' fees. He has entered into a separate service agreement with the Company. The service agreement covers the terms of employment, specifically salaries and bonuses and is renewed on a yearly basis. The Company does not have any employees who are immediate family members of a Director or the CEO, whose remuneration exceeded S$50,000 during FY2016. The Executive Director, Mr. Iwao Oishi, proposed a 30% reduction to his remuneration package and the Board approved it.

DMX Performance Share Plan ("Plan") which was adopted on 26 April 2011 as a share incentive scheme is designed to reward all eligible participants ("Participants") through the issue of fully-paid Shares according to the extent to which they complete certain time-based service conditions or achieve their performance targets over set performance periods. The Plan aims to motivate and incentive Participants to greater dedication, loyalty and higher standards of performance, and to give recognition to the employees and Non-Executive Directors who have contributed to the success and development of the Company, its subsidiaries and associated companies (as they may exist from time to time). The Plan is managed by the Administration Committee whose members are RC Members and Mr Iwao Oishi. As at the date of the Annual Report, a total of 506,875 shares have been granted under the Plan. No grants of shares were made in FY2016.

Accountability and Audit

Principle 10: Accountability

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis.

The management provides the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis.

As earlier disclosed, delays in the completion of the expanded investigations and the audits have led to delays in the announcements of the unaudited financial statements and the holding of the AGMs for FY2014, the financial year ended 31 December 2015 ("FY2015) and the financial year ended 31 December 2016 ("FY2016"). The Company had sought extensions of time from the SGX-ST and the Bermuda authorities to release such financial results and to hold the AGMs. The Company had announced the financial results for FY2014 and FY2015 on 30 December 2016 and the financial results for FY2016 on 31 March 2017 respectively. Since then, the Company has been compliant with the deadlines set out in the Listing Manual in respect of the release of its unaudited quarterly and full year financial statements.

Principle 11: Risk Management and Internal Controls

The Board acknowledges its responsibility to govern the risk and scope of significant risks which the Company is willing to take in achieving its strategic objectives, and to ensure that Management maintains a sound system of risk management and internal controls.

Although the Company has not established a separate board risk committee, the Company has engaged PricewaterhouseCoopers LLP ("PWC") in February 2014 to perform an exercise to facilitate its review of the Company's existing risk management processes, including processes for identification and assessment of business risks and appropriate measures to be taken to mitigate these risks.

Since 2015, the Company has been through a period of sudden transition with a significant change in the management and has had to undertake a subsequent streamlining of business operations due to the "TIQ". The Company does not have a Risk Management Committee and have not yet implemented the Enterprise Risk Management ("ERM") system within the group which the Company originally intended before the occurrence of "TIQ". However, the new Management regularly reviews its business and operational activities to identify areas of significant business risks and takes appropriate and immediate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. Further details of the Group's financial risk factors are set out under the "Notes to the Consolidated Financial Statements" as contained in this annual report.

The Board is responsible for the overall internal control framework and is fully aware of the need to strengthen the current system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The current system of internal controls established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities. On the basis of the findings and evidence from internal investigations on the "TIQ", the Board considered that "TIQ" were never carried out and that they should not have been recorded in the Group's consolidated financial statements for FY2014 and for the prior financial years. Accordingly, in view of the significance of the TIQ to the Group's results, the AC has recommended to the Board that they are of the opinion that the Group's internal controls addressing financial, operational and compliance risks related to TIQ for FY2014 may not be adequate and should be improved as at AC meeting held on 10 June 2016. The Board has endorsed the AC's recommendations.

Other than as disclosed above, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls in addressing financial, operational and compliance risks were adequate as at 31 December 2016.

Ms Teo and Mr Skip Tang, who were the CEO and CFO respectively during FY2014, are currently uncontactable and the Company is therefore unable to obtain assurances from them in relation to the financial records, or the effectiveness of the company's risk management and internal control systems. With the conclusion of the audit conducted by PWC, the Board has received assurance from the current Acting CEO and Acting CFO that, save as disclosed above:

a. the financial records of the Company have been properly maintained and the financial statements for FY2016 as disclosed in this Annual Report give a true and fair view of the company's operations and finances and are in accordance with the relevant accounting standards; and

b. they have evaluated the effectiveness of the Company's risk management and internal controls systems as at the date of this report and have discussed with the Company's external auditors of their reporting points and note that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise or report financial data as of the date of this report.

Principle 12: Audit Committee

The Audit Committee ("AC") is comprised entirely of Non-Executive Directors, majority of whom including the Chairman is independent. The composition of the AC from FY2014 up till the date of this report is as set out below:

Mr Foo Meng Tong	Independent Non-Executive Director	(Chairman)
Mr Mark Wang Yat-Yee	Independent Non-Executive Director	(member)
Mr Takuro Awazu	Independent Non-Executive Director	(member)
Mr Daniel Kung[1]	Independent Non-Executive Director	(member)
Mr Thian Nie Khian[2]	Non-Independent Non-Executive Director	(member)
Mr Kenichiro Uchimura[3]	Non-Independent Non-Executive Director	(member)
Mr Shinichi Suzukawa[4]	Non-Independent Non-Executive Director	(member)
Mr Masatoshi Nobuhara[5]	Non-Independent Non-Executive Director	(member)
Mr Takashi Eida[6]	Non-Independent Non-Executive Director	(member)

Note:

1 Mr Daniel Kung ceased to be a member of the AC on 26 January 2015.
2 Mr Thian Nie Khian ceased to be a member of the AC on 30 June 2016.
3 Mr Kenichiro Uchimura ceased to be a member of the AC on 8 May 2015.
4 Mr Shinichi Suzukawa ceased to be a member of the AC on 31 March 2016.
5 Mr Masatoshi Nobuhara ceased to be a member of the AC on 9 May 2017.
6 Mr Takashi Eida was appointed to be a member of the AC on 9 May 2017.

The AC has written terms of reference that describe the responsibilities of its members. The duties of the AC are as follows: -

a) reviewing with external auditors the audit plan, and results of the internal auditors' examination and evaluation of the system of internal accounting controls;

b) reviewing the Group's financial results and the announcements before submission to the Board for approval;

c) reviewing the assistance given by management to external auditors;

d) considering and recommending the appointment/re-appointment of the external auditors;

e) reviewing the adequacy of the Company's internal controls, including financial, operational, compliance, information technology controls and risk management policies and systems established by the management at least once a year;

f) reviewing the scope, results and cost-effectiveness of internal audit procedures as well as the effectiveness of the Company's internal audit function;

g) reviewing annually the nature and extent of non-audit services (where these are substantial) provided by the external auditors to the Company to ensure that these are provided objectively, on a value-for-money basis;

h) reviewing interested person transactions periodically to ensure that they comply with the internal control procedures and such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee;

i) approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/ auditing firm or corporation to which the internal audit function is outsourced;

j) undertaking such other reviews and projects as may be requested by the Board;

k) reviewing the policy and arrangement by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and

l) performing other functions and duties as required by law or the Code.

During FY2016, the AC had met four times, one of which was with external auditors to discuss and review the audit plan, the audit report and to evaluate the system of internal controls. The AC had met with the external auditors without the presence of the management to review the overall scope of the external audits, and the assistance given by the management to the auditors at least once annually.

The AC also met with the external auditors to discuss the results of their examinations and their evaluations of the systems of internal accounting controls. The external auditors provide regular updates and briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

The AC has been given full access to and obtained the co-operation of the Company's management. The AC has full discretion to invite any Director or key executive to attend its meetings and reasonable resources to enable it to discharge its functions properly. The AC also has explicit authority to investigate any matters within its terms of reference.

The AC has reviewed the volume of non-audit services to the Company by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The audit and non-audit fees paid to external auditors for FY2016 were US$1,076,000 and US$ Nil respectively. Please refer to Note 30 for details of the audit and non-audit fees.

The Company has appointed different auditors for certain overseas subsidiaries. The Board and the AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Company views that it is in compliance with Rule 712 and Rule 715 of the Listing Rules of the SGX-ST.

The Board is of the view that the AC members, including the AC Chairman, have accounting and related financial management expertise and experience and are appropriately qualified to discharge their responsibilities. Please refer to pages 04 to 05 of the Annual Report for key information regarding the Directors' academic and professional qualifications.

Principle 13: Internal Audit

Since 2015, the Company has been through a period of sudden transition with a significant change in the management and has had to undertake a subsequent streamlining of business operations due to the "TIQ". The Company has not been able to exercise any internal audit during FY2015 and FY2016, however, the new Management regularly reviews its business and operational activities to identify areas of significant business risks and takes appropriate and immediate measures to control and mitigate these risks. The AC has reviewed the internal audit programme, the scope and results of internal audit procedures. In view of the significance of the TIQ to the Group's results, the AC has recommended to the Board that they are of the opinion that the Group's internal controls addressing financial, operational and compliance risks related to TIQ may not be adequate and should be improved as at AC meeting held on 10 June 2016. The Board has endorsed the AC's recommendations

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principles 14 and 15: Shareholder Rights and Communication with Shareholders

The Company does not practise selective disclosure. Information on any new initiatives is disseminated via SGXNET, news releases and the Company's website. Price-sensitive information is publicly released on an immediate basis where required under the Listing Manual. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have a fair access to the information.

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. The Board has taken steps to solicit and understand the view of shareholders through analyst briefings and investor roadshows conducted during the year. All shareholders will receive the Annual Report and the notice of AGM. At the AGM, shareholders will be given the opportunity to voice their views, vote, and to direct questions regarding the Company to the Directors including the chairman of each of the Board committees.

The Company noted that the AGM for FY2016 was not convened in a timely manner due to the suspension of trading in connection with Hong Kong counsel's findings of its investigation which brought up certain issues that affected the completion and audit for the FY2014 Financial Statements. As a consequence of the delay in the release of the audited FY2014 Financial Statements, the Company was not in a position to issue the Annual Report for FY2016 in time to hold the AGM for FY2016.

The Company does not currently have a fixed policy on payments of dividends. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. No dividend will be declared for the current financial year pursuant to the operating losses suffered by the Company.

Principle 16: Conduct of Shareholder Meetings

The Company's Bye-Laws allow a member of the Company (other than the Central Depository (Pte.) Limited), to appoint one or two proxies to attend and vote at general meetings. The Central Depository (Pte.) Limited may appoint more than two proxies or a corporate representative to attend and vote at the same annual general meeting. The Chairmen of the AC, NC and RC are usually present and available to address shareholders, queries at general meetings. The external auditors are also generally present to assist the Directors in addressing any relevant queries from the shareholders.

The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company will review its Bye-Laws from time to time and make such amendments to the Bye- Laws to be in line with the applicable requirements or rules and regulations governing the Listing Manual.

The Company Secretary prepares minutes of the annual general meetings and special general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management. Such meeting minutes are made available to the shareholders upon their request.

The Company conducts voting by poll and makes an announcement on the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

SECURITIES TRANSACTIONS
(Listing Manual Rule 1207(19))

The Company has put in place an internal code on dealings in securities by Directors and officers of the Group. Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before announcement of the Group's quarterly results and one month before the announcement of the Group's yearly results and ending on the date of announcements of such results, or when they are in possession of unpublished price-sensitive information on the Group. The Directors, management and officers of the Group are also prohibited from dealing in the Company's shares on short-term considerations. To provide further guidance to employees on dealing in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares. The code of conduct was modeled after the best practices on dealings in securities of the SGX-ST with some modifications.

No notifications on the closed window period have been issued since the suspension of the Company's shares took effect on 25 March 2015.

MATERIAL CONTRACTS
(Listing Manual Rule 1207(8))

Save for the service agreements between the Executive Directors and the Company, there were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholders subsisting as at FY2016.

CODE OF CONDUCT AND PRACTICE

The Company has a code of internal corporate governance practices, policy statements and standards, as described in this report, and makes this code available to Board members as well as employees of the Group. The processes and standards in the code are intended to enhance investor confidence and rapport, and to ensure that decision-making is properly carried out in the best interests of the Group. The code is reviewed from time to time and updated to reflect changes to the existing systems or the environment in which the Group operates.

The Company also has a code of conduct that applies to all employees. The code sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with the Company, its competitors, customers, suppliers and the community. The code of conduct covers areas such as workplace health and safety, conduct in the workplace, business conduct, protection of the Company's assets, proprietary information and intellectual property, confidentiality, conflict of interest, and non-solicitation of customers and employees. The code is posted on the Company's internal website and a summarised version is accessible from the Company corporate website. Policies and standards are clearly stipulated to guide our people in carrying out their daily tasks.

The Company has established an escalation process so that the Board, senior management, and internal and external auditors are kept informed of corporate crises in a timely manner, according to their severity. Such crises may include violations of the code of conduct and/or applicable laws and regulations, as well as loss events which have or are expected to have a significant impact, financial or otherwise, on the Group's business and operations.

WHISTLE-BLOWING POLICY

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Company undertakes to investigate complaints of suspected fraud in an objective manner and has put in place a whistle-blowing policy and procedures which provide employees with well-defined and accessible channels within the Group. The policy aims to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, protected from reprisal. On an ongoing basis, the whistle-blowing policy is covered in the Company's Staff Handbook.

During FY2016, there were no whistle blowing reports received by the AC.

INTERESTED PARTY TRANSACTIONS
(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm's length basis.

The aggregate value of interested person transactions entered into for FY2016 is as follows:

Name of interested person	Aggregate value of all interested person transactions 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 interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Transactions for the sales of goods and services KDDI Corporation and/or its Associates	Nil	US$1.7m
Transactions for the purchase of goods and services KDDI Corporation and/or it's Associates	Nil	US$0.2m
Total Interested Person Transaction	Nil	US$1.9m

USE OF PROCEEDS

The Company has fully utilised the proceeds of S$183.2 million raised from the placement of 588,772,535 new ordinary shares on 9 November 2009.

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position of the Company and statement of changes in equity of the Group and the Company for the financial year ended 31 December 2016.

1. DIRECTORS

The directors of the Company in office at the date of this report are:

Foo Meng Tong
Mark Wang Yat-Yee
Iwao Oishi
Takuro Awazu
Masatoshi Nobuhara
Keiji Ito
Takashi Eida

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in paragraph 5 of the Report of the Directors.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company except as follows:

	Shareholdings registered in name of the director		Shareholdings in which directors are deemed to have an interest	
	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year
The Company				
Ordinary share of US$0.05 each				
Foo Meng Tong	227,933	227,933	–	–
Mark Wang Yat-Yee	225,000	225,000	–	–
Takuro Awazu	5,000	5,000	–	–

The directors' interests in shares of the Company as at 21 January 2017 were the same as those at the end of the financial year.

4. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the consolidated financial statements.

5. SHARE OPTIONS

(a) Options to take up unissued shares

On 12 November 2002, the Company adopted the DMX Employee Share Option Scheme (the "Scheme") to grant share options to eligible employees, including the executive directors and non-executive directors of the Company and its subsidiaries.

The options under the Scheme grant the right to the holder to subscribe for new ordinary shares of the Company at a discount to market price of the share (subject to a maximum limit of 20%) or at a price equal to the average of the closing prices of the shares on the Singapore Exchange Securities Trading Limited on the five trading days immediately preceding the date of the grant of the option. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant.

Each option grants the holder the right to subscribe for one ordinary share of US$0.05 each in the Company. The options may be exercised in full or in part thereof. The holders do not have the right to participate by virtue of the options in any share issue of the other companies in the Group. Options granted are cancelled when the holder is no longer a full-time employee of the Company or any corporations in the Group subject to certain exceptions at the discretion of the Remuneration Committee.

The above share option scheme is administered by a Remuneration Committee which has been authorised to determine the terms and conditions of the grant of the options.

The members of Remuneration Committee are:

Mark Wang Yat-Yee (Chairman)
Foo Meng Tong
Takuro Awazu
Masatoshi Nobuhara

(b) Unissued shares under option and options exercised

During the financial year, the following options in respect of unissued ordinary shares in the Company were exercised:

Date of grant	Balance at beginning of year	Exercised during the year	Cancelled during the year	Balance at end of year	Exercise price per share	Exercise period
25 April 2008	3,886,858	–	–	3,886,858	S$0.226	24 April 2009 to 25 April 2018
28 November 2008	7,471,000	–	–	7,471,000	S$0.093	27 November 2009 to 28 November 2018
	11,357,858	–	–	11,357,858		

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option except for the scheme disclosed above and as disclosed in Note 25 of the consolidated financial statements.

5. SHARE OPTIONS - continued

(b) Unissued shares under option and options exercised - continued

The details of share options granted under the Scheme to the directors of the Company are as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme up to the end of financial year	Aggregate options exercised since commencement of the Scheme up to the end of financial year	Aggregate options cancelled since commencement of the Scheme up to the end of financial year	Aggregate options outstanding as at end of financial year
Foo Meng Tong	–	1,763,986	(220,000)	(821,329)	722,657
Mark Wang Yat-Yee	–	1,763,986	(220,000)	(821,329)	722,657
	–	3,527,972	(440,000)	(1,642,658)	1,445,314

There is no option granted or cancelled in both years.

Except as disclosed above, there were no participants to the scheme who are controlling shareholders of the Company and their associates. No participants to the scheme received options which represents 5% or more of the total number of shares available under the above scheme and no shares were issued at a discount to the market price.

6. AUDIT COMMITTEE

The Audit Committee ("AC") is comprised entirely of Non-Executive Directors, majority of whom including the Chairman is independent. The composition of the AC from FY2014 up till the date of this report is as set out below:

Mr Foo Meng Tong Independent Non-Executive Director (Chairman)
Mr Mark Wang Yat-Yee Independent Non-Executive Director (member)
Mr Takuro Awazu Independent Non-Executive Director (member)
Mr Daniel Kung[1] Independent Non-Executive Director (member)
Mr Thian Nie Khian[2] Non-Independent Non-Executive Director (member)
Mr Kenichiro Uchimura[3] Non-Independent Non-Executive Director (member)
Mr Shinichi Suzukawa[4] Non-Independent Non-Executive Director (member)
Mr Masatoshi Nobuhara[5] Non-Independent Non-Executive Director (member)
Mr Takashi Eida[6] Non-Independent Non-Executive Director (member)

Note:

1 Mr Daniel Kung ceased to be a member of the AC on 26 January 2015.
2 Mr Thian Nie Khian ceased to be a member of the AC on 30 June 2016.
3 Mr Kenichiro Uchimura ceased to be a member of the AC on 8 May 2015.
4 Mr Shinichi Suzukawa ceased to be a member of the AC on 31 March 2016.
5 Mr Masatoshi Nobuhara ceased to be a member of the AC on 9 May 2017.
6 Mr Takashi Eida was appointed to be a member of the AC on 9 May 2017.

The AC has written terms of reference that describe the responsibilities of its members. The duties of the AC are as follows: -

a) reviewing with external auditors the audit plan, and results of the internal auditors' examination and evaluation of the system of internal accounting controls;

b) reviewing the Group's financial results and the announcements before submission to the Board for approval;

c) reviewing the assistance given by management to external auditors;

d) considering and recommending the appointment/re-appointment of the external auditors;

e) reviewing the adequacy of the Company's internal controls, including financial, operational, compliance, information technology controls and risk management policies and systems established by the management at least once a year;

f) reviewing the scope, results and cost-effectiveness of internal audit procedures as well as the effectiveness of the Company's internal audit function;

g) reviewing annually the nature and extent of non-audit services (where these are substantial) provided by the external auditors to the Company to ensure that these are provided objectively, on a value-for-money basis;

h) reviewing interested person transactions periodically to ensure that they comply with the internal control procedures and such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee;

i) approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/ auditing firm or corporation to which the internal audit function is outsourced;

j) undertaking such other reviews and projects as may be requested by the Board;

k) reviewing the policy and arrangement by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and

l) performing other functions and duties as required by law or the Code.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of PricewaterhouseCoopers LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

On behalf of the Board of Directors

Iwao Oishi

Takashi Eida

Hong Kong
22 December 2017

INDEPENDENT AUDITOR'S REPORT

To the member of DMX Technologies Group Limited

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of DMX Technologies Group Ltd (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company because of the significance of matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of the Company and the Group comprising:

- the consolidated balance sheet of the Group as at 31 December 2016;
- the balance sheet of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income of the Group for the year then ended
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Disclaimer of Opinion

(1) Financial information of PT Packet Systems Indonesia and DMX Technologies (India) Private Limited

As set out in Note 35(a) to the accompanying financial statements, the Group sold:

(1) its entire shareholding in PT Packet Systems Indonesia, a then 60% owned subsidiary, to independent third parties on 4 September 2017, and

(2) entire business, including sales contracts, assets and liabilities of DMX Technologies (India) Private Limited ("DMX India"), a wholly owned subsidiary of the Company, to a company owned by DMX India's management with effect from 1 August 2017.

As disclosed in Note 35(a) to the accompanying financial statements, PT Packet Systems Indonesia and DMX India collectively accounted for approximately 74%, -36% and 63% of the consolidated revenue, net profit and total assets of the Group, respectively, as at and for the year ended 31 December 2016.

Since the completion of these disposal transactions, the Group no longer had equity interest and/or management representation in the aforementioned entities, and neither we nor management of the Group had been given access to the books and records thereof. We were therefore unable to obtain sufficient appropriate audit evidence to determine whether the financial results, assets and liabilities of the aforementioned entities which have been consolidated in the Group's consolidated financial statements as at and for the year ended 31 December 2016 were free from material misstatement, nor did we have any alternative means to do so. We were also not able to perform procedures on the related opening balances as at 1 January 2016 and any audit procedures of the related financial information of aforementioned entities for the year ended 31 December 2016.

(2) Consolidation of financial information of certain domestic enterprises established in the People's Republic of China under variable interest entity ("VIE") arrangement

As set out in Note 16 to the accompanying financial statements, the Group has consolidated the financial results of 1MP (HK) Limited, Beijing AVN Film Development Company Limited and Beijing DMX Xingnet Information Technology Limited (collectively the "Xingnet Companies"), which are domestic enterprises established in the People's Republic of China and held by the Group through variable-interest-entity ("VIE") arrangements, in the Group's consolidated financial statements as at and for the year ended 31 December 2016, on the basis that the management of the Company believed that the Group had the power to direct the relevant activities which significantly affect the entities' returns, and the Group was entitled to substantially all the operating profits and residual interests generated by them. As disclosed in Note 16 to the accompanying financial statements, the Xingnet Companies collectively accounted for approximately 0%, 7% and 1% of the consolidated revenue, net profit and total assets of the Group, respectively, as at and for the year ended 31 December 2016.

During the audit, the management was not able to provide sufficient appropriate documentary evidence to support the basis for consolidating the financial information of the VIE arrangements with the Xingnet Companies as described above. We were also not able to gain access to the legal representatives of the Xingnet Companies to confirm the VIE arrangements. Since we did not have any alternative means to obtain sufficient appropriate audit evidence to determine whether the consolidation of the financial information of the Xingnet Companies is appropriate, we were unable to determine whether any adjustment to the Group's consolidated financial statements was necessary.

(3) Investigations and transactions recorded in certain subsidiaries and other scope limitations

During the course of our audit of the accompanying financial statements, we noted a number of transactions, described as Transactions in Question in Note 3.2 to the financial statements, for which management was unable to provide us with satisfactory explanations and documentary evidence, including the details and background of the import and export firms and the relevant customers and suppliers, as well as the relevant documents to support delivery of goods and fulfilment of service obligations with respect to these Transactions in Question. Further to the findings from the Initial Investigation and the partially completed Expanded Investigation, as described in Note 3.2 to the financial statements, management has made several prior year adjustments which have resulted in reducing the retain earnings as at 1 January 2016 by US$340,165,000.

As the aforementioned Expanded Investigation was incomplete as of the date of this report, we were unable to perform appropriate procedures to ascertain if the prior year adjustments were appropriate, complete and accurate.

Management was also unable to provide adequate supporting documents to enable us to satisfactorily complete our independent confirmation procedures and physical verification procedures in relation to the amounts and balances related to the Transactions in Question, which may affect several elements of the accompanying financial statements for the year ended 31 December 2016.

In addition, as management was unable to provide adequate accounting records and supporting documents to enable us to identify related party transactions and balances, we were unable to assess whether the related party transactions and balances were complete, fully supported by documentary evidences, and properly disclosed in the financial statements for the year ended 31 December 2016.

Furthermore, as a result of the Group having downsized its operations and having ceased business relationships with many customers and suppliers subsequent to 2015, management was not able to address our requests for documentary evidence and explanations for certain transactions and balances due to limitation of staff resources and inadequate records available. We were therefore unable to satisfactorily complete our independent verification and other audit procedures on those transactions and balances.

Because of the above scope limitations, there were no alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence over most elements of the accompanying financial statements for the year ended 31 December 2016. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the elements making up the financial statements for the year ended 31 December 2016.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements of the Company and the Group in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Tham Tuck Seng.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 22 December 2017

STATEMENTS OF FINANCIAL POSITION

(As at 31 December 2016)

		THE GROUP		THE COMPANY	
	NOTES	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
ASSETS					
Current assets:					
Cash and cash equivalents	8	6,174	10,825	364	2,233
Pledged bank deposits	8	1,037	2,070	–	–
Trade receivables	9	29,789	37,317	–	–
Other receivables, deposits and prepayments	10	7,851	8,653	8,919	9,140
Tax recoverable		60	46	–	–
Held for trading investments	11	14	14	–	–
Inventories	12	18,901	20,336	–	–
Total current assets		63,826	79,261	9,283	11,373
Non-current assets:					
Property, plant and equipment	13	3,475	4,505	–	–
Goodwill	14	2,700	4,700	–	–
Intangible assets	15	62	2,358	–	–
Investments in subsidiaries	16	–	–	–	–
Deferred tax assets	17	434	321	–	–
Total non-current assets		6,671	11,884	–	–
Total assets		70,497	91,145	9,283	11,373

See accompanying notes to financial statements

STATEMENTS OF FINANCIAL POSITION
(As at 31 December 2016)

	NOTES	THE GROUP 2016 US$'000	THE GROUP 2015 US$'000	THE COMPANY 2016 US$'000	THE COMPANY 2015 US$'000
LIABILITIES AND EQUITY					
Current liabilities:					
Borrowings	18	9,637	17,162	–	–
Trade payables	19	20,618	27,676	–	–
Other payables	20	13,092	12,480	766	662
Tax payables		2,137	397	–	–
Current portion of finance lease payables	21	37	11	–	–
Total current liabilities		45,521	57,726	766	662
Non-current liabilities:					
Borrowings	18	1,363	295	–	–
Finance lease payables	21	22	5	–	–
Deferred tax liabilities	17	–	1,087	–	–
Total non-current liabilities		1,385	1,387	–	–
Capital, reserves and non-controlling interests:					
Share capital	22	58,427	58,427	58,427	58,427
Share premium		194,331	194,331	194,331	194,331
Treasury shares	22	(1,138)	(1,138)	(1,138)	(1,138)
Contributed surplus		1,534	1,534	1,534	1,534
Legal reserve		7	7	–	–
Foreign currency translation reserve		37	(121)	–	–
Share option reserve	23	453	453	453	453
Accumulated losses		(234,443)	(225,015)	(245,090)	(242,896)
Equity attributable to owners of the Company		19,208	28,478	8,517	10,711
Non-controlling interests		4,383	3,554	–	–
Total equity		23,591	32,032	8,517	10,711
Total liabilities and equity		70,497	91,145	9,283	11,373

See accompanying notes to financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	THE GROUP 2016 US$'000	2015 US$'000
Revenue	24	104,932	103,097
Cost of sales		(82,597)	(80,165)
Gross profit		22,335	22,932
Other operating income	25	1,506	331
Distribution costs		(10,821)	(15,476)
Administrative expenses	26	(12,980)	(18,280)
Other operating expenses	27	(6,005)	(7,122)
Finance costs	28	(1,343)	(796)
Loss before income tax		(7,308)	(18,411)
Income tax expense	29	(794)	(899)
Loss for the year	30	(8,102)	(19,310)
Other comprehensive income/(loss)			
Exchange differences arising on translation of foreign operations		158	(708)
Remeasurement of employee benefit obligation		–	(78)
Total comprehensive loss for the year		(7,944)	(20,096)
Loss for the year attributable to:			
Owners of the Company		(9,428)	(18,255)
Non-controlling interests		1,326	(1,055)
		(8,102)	(19,310)
Total comprehensive loss attributable to:			
Owners of the Company		(9,270)	(19,041)
Non-controlling interests		1,326	(1,055)
		(7,944)	(20,096)
Loss per share for loss attributable to Owners of the Company (US cents)			
Basic	31	(0.81)	(1.57)
Diluted	31	(0.81)	(1.57)

See accompanying notes to financial statements

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital	Share premium	Treasury shares	Contributed surplus (note i)	Legal reserve (note ii)	Foreign currency translation reserve (note iii)	Share option reserve	Accumulated profits	Attributable to owners of the Company	Non-controlling interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
GROUP											
Balance at 1 January 2015	58,427	194,331	(1,138)	1,534	7	587	453	(206,682)	47,519	4,609	52,128
Loss for the year	–	–	–	–	–	–	–	(18,255)	(18,255)	(1,055)	(19,310)
Other comprehensive loss for the year	–	–	–	–	–	(708)	–	(78)	(786)	–	(786)
Total comprehensive loss for the year	–	–	–	–	–	(708)	–	(18,333)	(19,041)	(1,055)	(20,096)
Balance at 31 December 2015	58,427	194,331	(1,138)	1,534	7	(121)	453	(225,015)	28,478	3,554	32,032
Loss for the year	–	–	–	–	–	–	–	(9,428)	(9,428)	1,326	(8,102)
Other comprehensive loss for the year	–	–	–	–	–	158	–	–	158	–	158
Dividend to NCI	–	–	–	–	–	–	–	–	–	(497)	(497)
Balance at 31 December 2016	58,427	194,331	(1,138)	1,534	7	37	453	(234,443)	19,208	4,383	23,591
COMPANY											
Balance at 1 January 2015	58,427	194,331	(1,138)	1,534	–	–	453	(235,995)	17,612	–	17,612
Total comprehensive loss for the year	–	–	–	–	–	–	–	(6,901)	(6,901)	–	(6,901)
Balance at 31 December 2015	58,427	194,331	(1,138)	1,534	–	–	453	(242,896)	10,711	–	10,711
Total comprehensive loss for the year	–		–	–	–	–	–	–	(2,194)	(2,194)	–
Balance at 31 December 2016	58,427	194,331	(1,138)	1,534	–	–	453	(245,090)	8,517	–	8,517

Notes:

(i) Contributed surplus represents the difference between the underlying net tangible assets of the subsidiaries which were acquired by the Company as at 31 December 2001 and the nominal amount of the shares issued by the Company under the restructuring exercise in 2002.

(ii) Legal reserve is a reserve required by the relevant laws in Macau applicable to the Group's subsidiary established in Macau.

(iii) Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into United States dollars ("US$") are brought to account by recognising those exchange differences in other comprehensive income and accumulating them under the foreign currency translation reserve.

See accompanying notes to financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 US$'000	2015 US$'000
Operating activities:		
Loss before income tax	(7,308)	(18,411)
Adjustments for:		
Amortisation expense	629	678
Depreciation expense	1,154	1,333
Interest expenses	1,343	796
Provision for doubtful trade receivables	647	3,520
Provision for obsolete inventories	82	1,297
Net fair value change of other financial assets	–	20
Loss on write off of property, plant and equipment	342	–
Gain on disposal of property, plant and equipment	(733)	(33)
Bad debt written off	602	1,464
Inventories write down	200	138
Interest income	(39)	(143)
Provision for impairment of intangible assets	1,563	–
Provision for impairment of goodwill	2,000	–
Operating cash flows before changes in working capital	482	(9,341)
Decrease/(increase) in trade receivables	6,580	(5,635)
Decrease in other receivables, deposits and prepayments	802	5,978
Decrease/(increase) in inventories	1,182	(8,716)
Decrease in trade payables	(7,058)	(646)
Increase/(decrease) in other payables	362	(1,510)
Cash generated from/(used in) operating activities	2,350	(19,870)
Income taxes paid	(277)	(3,981)
Interest paid	(1,343)	(796)
Interest received	39	143
Net cash generated from/(used in) operating activities	769	(24,504)
Investing activities:		
Purchase of intangible assets	(2)	(447)
Purchase of property, plant and equipment	(740)	(686)
Decrease in pledged bank deposits	1,033	3,449
Proceeds on disposal of property, plant and equipment	755	64
Disposal of held for trading investments	–	2,636
Net cash generated from investing activities	1,046	5,016

See accompanying notes to financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 US$'000	2015 US$'000
Financing activities:		
Repayment of bank loans	(39,526)	(90,780)
Decrease in trust receipt loans	–	(2,330)
Dividends paid	(247)	(291)
Repayment of finance leases	(50)	(13)
New bank loans raised	33,150	86,417
Net cash used in financing activities	(6,673)	(6,997)
Net decrease in cash and cash equivalents	(4,858)	(26,485)
Cash and cash equivalents at the beginning of the year	10,825	37,926
Net effect of exchange rate changes on the balance of cash held in foreign currencies	207	(616)
Cash and cash equivalents at the end of the year	6,174	10,825

See accompanying notes to financial statements

1. GENERAL

The Company (Registration Number: 31201) was incorporated in Bermuda as an exempted Company with limited liability under the Companies Act 1981 of Bermuda with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. Its principal place of business is at Flat B, 9/F, World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong with effect from 11 April 2016. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX"). The financial statements are expressed in United States dollars.

The principal activities of the Company are those of an investment holding company.

The principal activities of the subsidiaries are described in Note 16.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors at their meeting held on 8 December 2017.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The following standards, amendments and interpretations to existing standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

IFRS 10, IFRS 12 and IFRS 27 (2011) (Amendment)	Investment entities
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC-INT 21	Levies

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IAS 16 and 38 (Amendment)	Classification of acceptable methods of depreciation and amortisation[1]
IFRS 9	Financial instruments[2]
IFRS 11 (Amendment)	Accounting for acquisition of interest in joint operations[1]
IFRS 14	Regulatory deferral accounts[1]
IFRS 15	Revenue from contracts with customers[2]
IAS 27 (Amendment)	Equity method[1]
IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture[1]
Annual Improvement Project	Annual improvements 2012 – 2014 cycles[1]

1 Effective for the Group for annual period beginning 1 January 2016
2 Effective for the Group for annual period beginning 1 January 2018

Management is in the process of making an assessment on the impact of these standards and amendments to existing IFRS and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where estimates and judgements are significant to the consolidated financial statements are disclosed in Note 4.

The Group incurred a net loss of approximately US$8,102,000 for the year ended 31 December 2016, and had accumulated losses of approximately US$234,443,000 as at 31 December 2016. Subsequent to 31 December 2016, the Group's management has continued to streamline the Group's operations and raised funds through the disposal of a major operating subsidiary to independent third parties (Note 35) to fund the working capital requirements of the Group so as to enable the Group to meet its liabilities as and when they fall due and to enable the Group to continue operating for the foreseeable future. Consequently, the management of the Company have prepared the consolidated financial statements on a going concern basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Investigations and transactions recorded in certain subsidiaries

Prior to the year ended 31 December 2016, when the Company was under the management of the former management of the Group, certain subsidiaries of the Group sold products to import/export firms ("I/E firms") and other customers in the People's Republic of China (the "PRC"), which would then purportedly sell these products to the end customers. These subsidiaries also purchased the related products from certain counter-parties, which would then purportedly place similar orders with certain ultimate suppliers. These products were purportedly delivered to the end customers without the direct involvement of the Group, and these subsidiaries engaged external consultants to conduct installation and other related services at the premises of the end customers. In addition, a subsidiary purchased spare equipment (recorded by the Group as property, plant and equipment) and software (recorded by the Group as intangible assets) from various suppliers for the use of the end customers, and these goods were purportedly delivered directly from the suppliers to the various sites of the end customers for temporary storage. Tripartite settlement arrangements were in most cases executed with the Group's suppliers and the I/E firms and other customers to offset the relevant trade receivables against the relevant purchase payables, such that there were minimal cash settlements of these balances. These transactions are hereinafter collectively referred to as the "Transactions in Question".

In late 2014 to early 2015, the then newly appointed auditor of the Company raised concerns on the Transactions in Question, and requested the former management of the Group for explanations about the business rationale, commercial substance and detailed supporting documents for these transactions. Consequently, the Board of Directors appointed independent investigation consultants to conduct an investigation (the "Initial Investigation") and subsequently, a second investigation (the "Expanded Investigation") into the abovementioned and other matters. While the Initial Investigation has been completed, the Board of Directors decided to suspend the Expanded Investigation in May 2016 primarily due to cost concerns. The Expanded Investigation has not been resumed up to the date of approval of these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

3.2 Investigations and transactions recorded in certain subsidiaries – continued

Despite the suspension of the Expanded Investigation, the Board of Directors has considered the findings from the investigations and other evidences, including (but not limited to) (i) concerns on the existence of certain counterparties (both I/E firms, PRC and other customers) and occurrence of physical delivery of goods and fulfilment of services; (ii) the long outstanding and significant accounts receivable balances that were not settled and could not be confirmed; and (iii) possible connection of certain former senior management and staff with these counterparties. On the bases of these findings and evidences, the Board of Directors considered that the Transactions in Question were never carried out and that they should not have been recorded in the Group's consolidated financial statements for the year ended 31 December 2015 and for the prior years. In preparing the consolidated financial statements for the year ended 31 December 2015 and for the prior years, adjustments were therefore raised to reverse the Transactions In Question consummated in the year then ended. As a result, revenue of US$27,003,000 and net profit of US$8,714,000 for the year ended 31 December 2015 and revenue of US$248,765,000 and net profit of US$35,819,000 for the year ended 31 December 2014 were reversed from the Company's consolidated financial statements for the respective years. The retained earnings as at 1 January 2014 was reduced by US$313,660,000 for prior years.

The Board of Directors of the Company, based on the relevant and available information and supporting evidences, considered that no Transactions in Question had been consummated and recorded in the Group's consolidated financial statements as at and for the year ended 31 December 2016. As a result, no adjustments relating to Transactions in Question had been made as at and for the year ended 31 December 2016.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interest in subsidiaries are presented separately from the Group's equity therein.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

3.3 Basis of consolidation - continued

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, for the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Business combination

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis. Non-controlling interest in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at rather fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.5 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services that are of a short duration is recognised as and when the services are completed, based on the final user acceptance.

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3.7 Property, plant and equipment

Land and buildings comprise mainly factories, retail outlets and offices. Leasehold land classified finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.7 Property, plant and equipment - continued

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.16).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating expenses' in the income statement.

3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised directly in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.9 Foreign currencies

The financial statements of each individual group entity, are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the financial position and statement of changes in equity of the Company are presented in United States dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. in United States dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuates significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributable to non-controlling interests as appropriate).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.9 Foreign currencies - continued

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised to profit or loss.

Goodwill and fair value adjustments on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period.

3.10 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets in deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.11 Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payment made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

3.12 Employee leave entitlement

Employee entitlement to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

3.13 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to extent that it related to items recognised in other comprehensive income or directly in equity, In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the counties where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.13 Taxation - continued

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax in not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary difference arising from investments in subsidiaries, associates and joint arrangements except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidies, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.14 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.14 Intangible assets - continued

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.15 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.16 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.16 Impairment of tangible and intangible assets other than goodwill - continued

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

3.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing inventories to their present location and condition. Cost is calculated using the first-in-first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

3.18 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income are recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.18 Financial instruments - continued

Financial assets - continued

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial asset held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in "other operating income" or "other operating expenses" in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Notes 11.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, and bank deposits with maturity period over three months and pledged bank deposits) are measured at amortised cost using the effective interest method, less any identified impairment loss.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity instruments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.18 Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by the group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.18 Financial instruments - continued

Financial liabilities and equity instruments - continued

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and trust receipt loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.19 Provisions

Provision for environmental restoration, restricting costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.20 Share-based payment transactions

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis, over the vesting period, based on the Group's estimate of number of shares that will eventually vest.

At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Critical judgements in applying accounting policies - continued

Revenue recognition

For certain telecommunication products, management estimates that 5% of the sales amount relate to installation fee. 95% of the sales amount is recognised when the goods are delivered to the customers and the remaining 5% of the sales amount is recognised when the installation work is completed and the final acceptance issued by the customers.

In making this judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 *Revenue* and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. Management is satisfied that the significant risks and rewards have been transferred and that recognition of the revenue is appropriate.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for bad and doubtful debts

Allowance for bad and doubtful debts is based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. When the expected outcome is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed. As at 31 December 2016, the carrying amount of trade receivables and other receivables is approximately US$29.8 million and US$2.9 million (2015: US$37.3 million and US$4.0 million) respectively.

Impairment of intangible assets and goodwill

Determining whether intangible assets and goodwill are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As at 31 December 2016, the carrying amount of intangible assets and goodwill is approximately US$62,000 and US$2.7 million, respectively (2015: US$2.4 million and US$4.7 million).

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments at the end of the reporting period:

	THE GROUP		THE COMPANY	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Financial assets				
Fair value through profit or loss ("FVTPL") Held for trading investments	14	14	–	–
Loans and receivables (including cash and cash equivalents)	39,908	54,229	41,816	42,924
Financial Liabilities				
Amortised cost	54,103	54,283	766	662

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - continued

(b) Financial risk management policies and objectives

The Group has risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The risks associated with the Group's financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects of financial performance of the Group.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures these risks.

(i) Currency risk management

The Group transacts business in various foreign currencies, including the United States dollars, Hong Kong dollars, Macao Pataca, Singapore dollars, India Rupees, Indonesian Rupiah, Korean Won, Malaysia Ringgit and Chinese Renminbi and therefore is exposed to foreign exchange risk. The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arises.

As at the end of the reporting period, as the monetary assets and monetary liabilities of the Group and the Company are substantially denominated in the respective entities' functional currencies, the exposure of the Group and the Company to foreign currency fluctuations is limited, as such no sensitivity analysis is prepared.

(ii) Interest rate risk management

Interest rate risk arises from the potential changes in interest rates that may have an adverse effect on the Group's result for the current reporting period and in future years.

The Group is exposed to interest rate risk arising from the volatility of benchmark interest rates in United States dollars, as a majority of bank loans and trust receipt loans are on floating rate basis. The Group generally does not take a speculative view on the movement in interest rates and, therefore, does not actively use interest rate derivative instruments to hedge exposed risks.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for the financial instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit before income tax for the year ended 31 December 2016 would increase/decrease by US$2,000 (2015: US$2,000). A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings, bank balances and structured deposits.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the decrease in bank balances and trust receipt loans.

The Company has limited interest rate risk exposure.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - continued

(b) ***Financial risk management policies and objectives*** - continued

(iii) Credit risk management - continued

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the Group and the Company's statements of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced. As at 31 December 2016, the Group has five customers which comprises 43% (2015: 24%) of the Group's outstanding trade receivables, which are located in Indonesia and the People's Republic of China (the "PRC").

Further details of credit risk on trade receivables are disclosed in Note 9.

(iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. The Group finances its liquidity through internally generated cash flows, short-term bank loans, and trust receipt loans facilities and minimises liquidity risk by keeping committed credit lines available.

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities in the consolidated statement of financial position. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - continued

(b) Financial risk management policies and objectives - continued

(iv) Liquidity risk management - continued

Liquidity and interest risk analysis - continued

Non-derivative financial liabilities - continued

GROUP	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Total discounted cash flow US$'000	Carrying amount US$'000
2016					
Non-interest bearing	–	24,217	–	24,217	24,217
Finance lease liability (fixed rate)	4.26	59	–	59	59
Fixed interest rate instruments	5.28	9,637	1,435	11,072	11,000
		33,913	1,435	35,348	35,276

GROUP	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Total discounted cash flow US$'000	Carrying amount US$'000
2015					
Non-interest bearing	–	30,652	–	30,652	30,652
Finance lease liability (fixed rate)	4.26	11	5	16	16
Fixed interest rate instruments	5.78	16,775	695	17,470	17,456
Variable interest rate instruments	–	–	–	–	–
		47,438	700	48,138	48,124

The Company does not have any significant non-derivative financial liabilities for both years.

Non-derivative financial assets

The following table details the Group's and the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's and the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial assets in the Group and the Company's statements of financial position.

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - continued

(b) Financial risk management policies and objectives - continued

(iv) Liquidity risk management - continued

Liquidity and interest risk analysis - continued

Non-derivative financial assets - continued

GROUP	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Total discounted cash flow US$'000	Carrying amount US$'000
2016					
Non-interest bearing	–	31,341	1,380	32,721	32,721
Fixed interest rate instruments	0.11	1,052	–	1,052	1,052
Variable interest rate instruments	0.40	6,159	–	6,159	6,148
		38,552	1,380	39,932	39,921
2015					
Non-interest bearing	–	40,175	1,185	41,360	41,360
Fixed interest rate instruments	0.06	2,220	–	2,220	2,212
Variable interest rate instruments	0.62	10,702	–	10,702	10,670
		53,097	1,185	54,282	54,242

COMPANY	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Total discounted cash flow US$'000	Carrying amount US$'000
2016					
Non-interest bearing	–	42,064	–	42,064	42,064
Fixed interest rate instruments	–	–	–	–	–
Variable interest rate instruments	–	364	–	364	364
		42,428	–	42,428	42,428
2015					
Non-interest bearing	–	40,691	–	40,691	40,691
Fixed interest rate instruments	–	–	–	–	–
Variable interest rate instruments	–	2,233	–	2,233	2,233
		42,924	–	42,924	42,924

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - continued

(b) Financial risk management policies and objectives - continued

(v) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, fixed bank deposits with maturity period over three months, pledged bank deposits, trade and other receivables and payables and other liabilities recorded at amortised cost approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the consolidated financial statements.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at 31 December 2016, the fair value measurements of held for trading investments of US$14,000 (2015: US$14,000) are derived from inputs other than quoted prices that are observable for the assets indirectly (i.e. derived from prices). These financial assets are classified as Level 2.

(c) Capital risk management policies and objectives

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total liabilities divided by equity. Total liabilities is "liabilities" as shown in the consolidated statement of financial position, excluding deferred tax liabilities, and equity is "equity" attributable to owners of the Company as shown in the consolidated statement of financial position.

The debt to equity ratios at 31 December 2016 and 2015 were as follows:

	THE GROUP	
	2016	**2015**
	US$'000	**US$'000**
Total liabilities	46,906	58,026
Equity	19,208	28,478
Debt to equity ratio	2.44	2.04

The capital structure of the Group consists of net debts (which includes bank loans (Note 18)) and equity attributable to owners (which comprises issued share capital, various reserves and accumulated profits).

The Group balances its overall capital structure through the payment of dividends, new share issues as well as the issuance of new debts or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2016.

6. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company's holding company is KDDI Corporation, incorporated in Japan. Related companies refer to members of the holding company's group of companies.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Some of the Group's transactions and arrangements are between members of the holding company's group and the effect of these on the basis determined between the parties is reflected in these consolidated financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Trading transactions

During the year, Group entities entered into the following trading transactions with related companies that are not members of the Group:

	2016 US$'000	2015 US$'000
Sales of goods to related companies	1,724	3,990
Purchase of goods from related companies	157	275

7. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management during the year was as follows:

	THE GROUP	
	2016 US$'000	2015 US$'000
Short-term benefits	1,122	2,009
Post-employment benefits	21	30
Total	1,143	2,039

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

8. CASH AND CASH EQUIVALENTS, FIXED BANK DEPOSITS WITH A MATURITY PERIOD OVER THREE MONTHS AND PLEDGED BANK DEPOSITS

	THE GROUP		THE COMPANY	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Cash at banks	5,716	10,348	364	2,233
Fixed bank deposits with a maturity period less than three months	446	465	–	–
Cash on hand	12	12	–	–
Total cash and cash equivalents	6,174	10,825	364	2,233
Pledged bank deposits	1,037	2,070	–	–
Total	7,211	12,895	364	2,233

Fixed bank deposits with a maturity period less than three months bear an average effective interest rate of 2% (2015: 3.2%) per annum and for a tenure of approximately 7 days (2015: 76 days).

As at 31 December 2016, bank deposits of US$1,037,000 (2015: US$2,070,000) of the Group were pledged to financial institutions to secure general banking facilities granted to the Group.

8. **CASH AND CASH EQUIVALENTS, FIXED BANK DEPOSITS WITH A MATURITY PERIOD OVER THREE MONTHS AND PLEDGED BANK DEPOSITS - continued**

The Group and Company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	THE GROUP		THE COMPANY	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
United States dollars	3	746	–	–
Singapore dollars	54	149	4	12
Hong Kong dollars	369	1,097	–	–
Indonesia Rupiah	2,249	539	–	–
Chinese Renminbi	3	4	3	4
Macao Pataca	–	5	–	–

9. TRADE RECEIVABLES

	THE GROUP	
	2016 US$'000	2015 US$'000
Trade receivables from related companies (Note 6)	25	265
Trade receivables from outside parties	34,941	41,883
Less: Allowance for trade receivables - outside parties	(5,177)	(4,831)
Total	29,789	37,317

The average credit period on sales of goods to non-telecommunication customers is 60 days (2015: 60 days). The payment terms for telecommunication customers are based on milestones as defined by each sales contract. No interest is charged on outstanding trade receivables. The Group reviews the customer's credit quality regularly and defines credit limits by customer. The allowance for trade receivables is provided based on management's estimation of irrecoverable amounts to third parties after reviewing the aging profile of the customers. Trade receivables are considered past due for (i) non-telecommunication customers when the trade receivables are past their credit periods and (ii) telecommunication customers when the trade receivables are past their payment terms.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further impairment allowance required in excess of the allowance for trade receivables.

Of the trade receivable balances at the end of the reporting period, 43% (2015: 24%) are due from the Group's five largest customers which are located in Indonesia and PRC.

Included in the Group's trade receivables balance are debtors with a carrying amount of US$11,434,000 (2015: US$9,606,000) which are past due at the end of the reporting period for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. On average, these receivables are past due for less than 6 months (2015: less than 6 months).

9. TRADE RECEIVABLES - continued

Movement in the allowance for trade receivables

	THE GROUP	
	2016	2015
Balance at the beginning of the year	4,831	1,617
Increase in allowance recognised in profit or loss	647	3,520
Bad debt written off	(212)	(12)
Exchange difference	(89)	(294)
Balance at the end of the year	5,177	4,831

The Group's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	THE GROUP	
	2016 US$'000	2015 US$'000
Hong Kong dollars	228	248
Singapore dollars	–	60
Indonesia Rupiah	15,020	20,798
US dollars	27	–

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Advances to subsidiaries (Note 16)	–	–	8,910	9,114
Prepayments	4,429	3,753	9	26
Other non-refundable deposits	514	883	–	–
Others (Note)	2,908	4,017	–	–
Total	7,851	8,653	8,919	9,140
Analysed as:				
Current	7,851	8,653	8,919	9,140
Non-current	–	–	–	–
	7,851	8,653	8,919	9,140

Note: "Others" includes receipts collected on the Group's behalf by certain import/export agents.

The advances to subsidiaries are interest-free and repayable on demand and the average age of these receivables is less than 180 days (2015: less than180 days).

11. HELD FOR TRADING INVESTMENTS

The Group's held for trading investments pertain to investments in gold.

12. INVENTORIES

	THE GROUP	
	2016 US$'000	2015 US$'000
Finished goods:		
- At cost	21,152	22,535
Less: Allowance for obsolete inventories	(2,251)	(2,199)
Total	18,901	20,336
Movement in allowance for obsolescence:		
Balance at beginning of the year	2,199	1,059
Allowance for obsolescence	82	1,297
Exchange difference	(30)	(157)
Total	2,251	2,199

Allowance for obsolete inventories amounting to US$2,251,000 (2015: US$2,199,000) has been estimated based on the age, historical and expected future use of inventories.

The cost of inventories recognised as expense and included in "cost of sales" amounted to US$82,597,000 (2015: US$80,165,000).

13. PROPERTY, PLANT AND EQUIPMENT

	Building US$'000	Leasehold improvements US$'000	Furniture and fixtures US$'000	Computer equipment US$'000	Other office equipment US$'000	Total US$'000
THE GROUP						
Cost:						
At 1 January 2015	2,337	947	364	6,311	1,816	11,775
Additions	–	4	45	627	10	686
Exchange difference	(104)	(39)	35	(265)	(98)	(471)
Written off	–	–	(4)	(287)	(12)	(303)
Disposals	–	–	(3)	(140)	(357)	(500)
Transfer to stock/reclassify	(173)	–	173	(22)	–	(22)
At 31 December 2015	2,060	912	610	6,224	1,359	11,165
Additions	–	131	193	406	9	739
Exchange difference	(277)	(30)	(8)	(103)	(64)	(482)
Written off	–	(430)	(155)	(1,333)	(488)	(2,406)
Disposals	(115)	–	–	(76)	(119)	(310)
Transfer to stock	–	–	–	(28)	–	(28)
At 31 December 2016	1,668	583	640	5,090	697	8,678
Accumulated depreciation:						
At 1 January 2015	101	768	252	3,920	1,474	6,515
Depreciation for the year	89	131	100	886	127	1,333
Exchange difference	–	(36)	(3)	(306)	(71)	(416)
Written off	–	–	(4)	(284)	(12)	(300)
Disposals	–	–	(1)	(139)	(329)	(469)
Transfer to stock				(3)		(3)

13. PROPERTY, PLANT AND EQUIPMENT - continued

	Building US$'000	Leasehold improvements US$'000	Furniture and fixtures US$'000	Computer equipment US$'000	Other office equipment US$'000	Total US$'000
At 31 December 2015	190	863	344	4,074	1,189	6,660
Depreciation for the year	81	84	73	842	74	1,154
Exchange difference	–	(30)	(32)	(117)	(61)	(240)
Written off	–	(401)	(138)	(1,049)	(481)	(2,069)
Disposals	(115)	–	–	(55)	(119)	(289)
Transfer to stock	–	–	–	(13)	–	(13)
At 31 December 2016	156	516	247	3,682	602	5,203
Carrying amount:						
At 31 December 2016	1,512	67	393	1,408	95	3,475
At 31 December 2015	1,870	49	266	2,150	170	4,505

The different classes of property, plant and equipment are depreciated on a straight-line basis on the following bases:

Building	Over the term of the relevant lease or 25 years, whichever is shorter
Leasehold improvements	Over the term of the relevant lease of 3 to 5 years
Furniture and fixtures	20% to 25% per annum
Computer equipment	33⅓% per annum
Other office equipment	20% to 25% per annum

14. GOODWILL

	THE GROUP 2016 US$'000	2015 US$'000
At 1 January and 31 December	4,700	4,700
Impairment:		
At 1 January and 31 December	2,000	-
Carrying amount:	2,700	4,700

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	THE GROUP 2016 US$'000	2015 US$'000
Packet Systems Pte Ltd ("Packet Systems")	2,700	2,700
Lotun Technology Limited ("Lotun")	2,000	2,000
Total	4,700	4,700

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

14. GOODWILL - continued

For Packet Systems, the Group prepares cash flows forecast, taking into consideration the industry growth rate and based on the most recent financial budgets approved by the directors for the next one year and extrapolated for a further four year period using an estimated growth rate of 3% to 5% (2015: 3% to 5%). This rate does not exceed the average long-term growth rate for the relevant markets.

For the other CGUs, the Group prepares cash flows forecasts, taking into consideration the industry growth rate and based on the most recent financial budgets approved by the directors for the next one year and extrapolated for a further two to four year period using an estimated growth rate of 1% to 9% (2015: 1% to 9%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 12% (2015: 12%).

The impairment loss of US$2,000,000 relates to the goodwill arising on the acquisition of PT Packet System Indonesia in the prior years.

The recoverable amounts of the CGUs are in excess of their respective carrying amounts. Therefore, no further impairment loss is required.

The directors believe that any reasonably possible change in any of these key assumptions would not significantly cause the CGUs' carrying amounts to exceed their respective recoverable amounts.

15. INTANGIBLE ASSETS

	Software costs/ software development costs US$'000 (Note i)	Licensing costs US$'000 (Note ii)	Total US$'000
THE GROUP			
Cost:			
At 1 January 2015	4,119	1,153	5,272
Additions	447	–	447
Exchange difference	(118)	–	(118)
At 31 December 2015	4,448	1,153	5,601
Additions	2	–	2
Write off	(4,036)	–	(4,036)
Exchange difference	(148)	–	(148)
At 31 December 2016	266	1,153	1,419
Accumulated amortisation:			
At 1 January 2015	1,413	1,153	2,566
Amortisation for the year	678	–	678
Exchange difference	(1)	–	(1)
At 31 December 2015	2,090	1,153	3,243
Amortisation for the year	629	–	629
Write off	(2,474)	–	(2,474)
Exchange difference	(41)	–	(41)
At 31 December 2016	204	1,153	1,357
Carrying amount:			
At 31 December 2016	62	–	62
At 31 December 2015	2,358	–	2,358

15. INTANGIBLE ASSETS - continued

Notes:

(i) Software costs/software development costs

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the costs beyond one year are recognised as intangible assets. Direct costs include an appropriate portion of direct overheads. Costs which enhance or extend performance of computer software programs beyond their original specifications are capitalised and added to the original cost of the software. Other software development costs are expensed when incurred.

(ii) Licensing costs

Licensing costs are assets measured initially at cost and amortised from the date of relevant commercial activity.

The intangible assets included above have finite useful lives, over which the assets are amortised. The amortisation period for the intangible assets is three years.

The amortisation expense has been included in the line item "other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

The intangible assets which have been fully amortised will be written-off.

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2016 US$'000	2015 US$'000
Unquoted equity shares, at cost	11,534	11,534
Carrying amount:		
At 31 December	–	–

Details of the Company's subsidiaries as at 31 December 2016 and 31 December 2015 are as follows:

Name of subsidiary	Country of incorporation/ operation	Proportion of ownership interest and voting power held 2016 %	2015 %	Principal activities
Held by the Company				
DMX (BVI)Ltd. [(a)]	British Virgin Islands ("BVI")	100	100	Investment holding
Held by DMX (BVI) Ltd.				
BEE Mediasoft Limited [(a)]	Hong Kong	100	100	Note (i)
DMX Technologies (Hong Kong) Limited [(a)]	Hong Kong	100	100	Note (i)
DMX Technologies Sdn Bhd (b)	Malaysia	100	100	Note (i)
DMX Technologies (S'pore) Pte Ltd [(a)]	Singapore	100	100	Note (i)

16. INVESTMENTS IN SUBSIDIARIES - continued

Name of subsidiary	Country of incorporation/ operation	Proportion of ownership interest and voting power held 2016 %	2015 %	Principal activities
Held by DMX (BVI) Ltd.				
DMX Technologies (China) Limited [(a)]	Hong Kong	100	100	Investment holding
DMX Technologies (Macao Commercial Offshore) Co. Limited [(a)]	Macau	100	100	Note (i)
Lotun Technology Limited [(a)]	Hong Kong	100	100	Note (i)
1MP Limited ("1MP BVI") [(a)]	BVI	100	100	Investment holding
DMX Technologies (India) Private Ltd [(b)]	India	100	100	Software and managed services provider
DMX Technologies Korea Co. Ltd. [(a)]	Korea	100	100	Note (i)
DMX Packet (Malaysia) Sdn Bhd [(a)]	Malaysia	100	100	Note (i)
PT Packet Systems Indonesia [(a)]	Indonesia	60	60	Note (i)
Held by DMX Technologies (China) Limited				
Beijing DMX Technologies Limited [(b)]	PRC	100	100	Note (i)
Beijing DMX Xingnet Information Technology Limited ("DMX Xingnet") [(b)(c)]	PRC	100	100	Note (i)
Held by 1MP Limited				
1MP Technology Beijing Limited ("1MP BJ") [(b)(c)]	PRC	100	100	Content service provider
Beijing AVN Film Development Company Limited ("Beijing AVN") [(b)(c)]	PRC	100	100	Content service producer

16. INVESTMENTS IN SUBSIDIARIES - continued

Note:

(i) The principal activities of these subsidiaries are the provision, installation, consultation, support of broadband internet equipment, network security software and services, and business software system architecture design, implementation and delivery.

[a] Audited by overseas practices of PricewaterhouseCoopers.

[b] Audited by other auditors.

[c] 1MP BJ, Beijing AVN and DMX Xingnet (collectively the 'Xingnet Companies') are domestic enterprises established in the PRC owned legally by PRC nationals. The Group has entered into contractual arrangements with the legal owners of these companies so that operating and financing activities of these companies are ultimately controlled by the Group. Under these arrangements, the Group is also entitled to substantially all of the operating profits and residual interests generated by these companies which will be transferred to the Group or the Group's designee upon the Group's request at a pre-agreed nominal consideration. On this basis, the directors regard these companies as subsidiaries of the Group. The Xingnet Companies collectively accounted for approximately 0%, 7% and 1% of the revenue, net profit and total assets respectively for the Group as at and for the financial year ended 31 December 2016.

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation/ Principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
		%	%	US$'000	US$'000	US$'000	US$'000
PT Packet Systems Indonesia	Indonesia	40	40	1,326	(1,055)	4,383	3,554

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intergroup eliminations.

PT Packet Systems Indonesia

	2016 US$'000	2015 US$'000
Current assets	40,427	39,730
Non-current assets	3,221	3,500
Current liabilities	(31,305)	(34,054)
Non-current liabilities	(1,385)	(292)
Equity attributable to owners of the Company	(10,958)	(8,884)
Non-controlling interests	4,383	3,554

16. INVESTMENTS IN SUBSIDIARIES - continued

	2016 US$'000	2015 US$'000
Revenue	75,986	57,630
Expenses	(72,671)	(60,269)
Profit/(loss) for the year	3,315	(2,639)
Profit/(loss) attributable to owners of the Company	1,989	(1,584)
Profit/(loss) attributable to the non-controlling interests	1,326	(1,055)
Profit/(loss) for the year	3,315	(2,639)
Total comprehensive income/(loss) attributable to owners of the Company	1,989	(1,584)
Total comprehensive income/(loss) attributable to the non-controlling interests	1,326	(1,055)
Total comprehensive income/(loss) for the year	3,315	(2,639)

17. DEFERRED TAX (ASSETS)/LIABILITIES

	THE GROUP	
	2016 US$'000	2015 US$'000
Deferred tax assets	(434)	(321)
Deferred tax liabilities	–	1,087
	(434)	766

The movements for the year in deferred tax position were as follows:

	THE GROUP Total US$'000
At 1 January 2015	867
Credit to profit or loss for the year (Note 29)	(101)
At 31 December 2015	766
Credit to profit or loss for the year (Note 29)	(1,200)
At 31 December 2016	(434)

18. BORROWINGS

	THE GROUP	
	2016	2015
	US$'000	US$'000
Bank loans	11,000	17,457
Less: Amount due for settlement within twelve months (shown under current liabilities)	(9,637)	(17,162)
Amount due for settlement after twelve months	1,363	295
Analysed as:		
Secured – bank loans	11,000	17,457

The bank loans bear floating interest rate ranging from 4.87% to 5.60% (2015: 4.12% to 14%) per annum.

The Group's borrowings are substantially denominated in the functional currencies of the respective entities.

The directors are of the view that the carrying amount of the bank loans approximates their fair value.

As at 31 December 2016, the bank loans are secured by pledged bank deposits of US$1,037,000 (2015: US$2,070,000) (Note 8).

The Group's bank loans that are not denominated in the functional currencies of the respective entities are as follows:

	THE GROUP	
	2016	2015
	US$'000	US$'000
United States dollars	–	200
Indonesia Rupiah	–	8,700

19. TRADE PAYABLES

	THE GROUP	
	2016	2015
	US$'000	US$'000
Related companies (Note 6)	–	145
Outside parties	20,618	27,531
	20,618	27,676

The average credit period on purchases of goods is 60 days (2015: 60 days). No interest is charged on the outstanding balances.

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs.

The Group's trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	THE GROUP	
	2016	2015
	US$'000	US$'000
United States dollars	90	1,342
Hong Kong dollars	15	65
Indonesian Rupiah	1,495	5,883
Singapore dollars	–	8

20. OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Accrued expenses	4,181	4,712	766	662
Other payables	8,911	7,768	–	–
	13,092	12,480	766	662

The Group's and Company's other payables are substantially denominated in the functional currencies of the respective entities.

21. FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Group				
Amounts payable under finance leases:				
Within one year	37	11	36	11
In the second to fifth year inclusive	24	5	23	5
	61	16	59	16
Less: Future finance charges	(2)	–	–	–
Present value of lease obligations	59	16	59	16
Less: Amount due within 12 months			(37)	(11)
Amount due after 12 months			22	5

It is the Group's policy to lease motor vehicles and equipment under finance leases. As at 31 December 2016 the lease of motor vehicle was terminated.

22. SHARE CAPITAL AND TREASURY SHARES

	THE GROUP AND COMPANY			
	2016	2015		
	Number of ordinary shares of US$0.05 each ('000)		2016 US$'000	2015 US$'000
Authorised:				
At the beginning of the year and at the end of the year	1,500,000	1,500,000	75,000	75,000
Issued and paid up:				
Ordinary shares of US$0.05 each				
At the beginning and end of the year	1,163,395	1,163,395	57,289	57,289
Accumulated treasury share	5,152	5,152	1,138	1,138
Share capital as at 31 December	1,168,547	1,168,547	58,427	58,427

23. SHARE - BASED PAYMENT

Equity - settled share option scheme:

A share option scheme was adopted by the Company pursuant to a resolution passed on 12 November 2002 (the "Scheme"). The board of directors of the Company may grant options to any eligible director and employee of the Group to subscribe for shares in the Company.

The options under the Scheme grant the right to the holder to subscribe for new ordinary shares of the Company at a discount to market price of the share (subject to a maximum limit of 20%) or at a price equal to the average of the closing prices of the shares on the SGX on the five trading days immediately preceding the date of the grant of the option. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant. The vesting period is 1 to 2 years. Once the options are vested, they are exercisable for a contractual option term of 10 years.

Each option grants the holder the right to subscribe for one ordinary share of US$0.05 each in the Company. The options granted may be exercised in full or in part thereof. The holders do not have the right to participate by virtue of the options in any share issue of other companies in the Group. Options granted are cancelled when the holder is no longer a full-time employee of the Company or any corporations in the Group subject to certain exceptions at the discretion of the Remuneration Committee.

The above share option scheme is administered by the Remuneration Committee which has been authorised to determine the terms and conditions of the grant of the options.

Details of the share options outstanding during the year are as follows:

	THE GROUP AND COMPANY			
	2016		2015	
	Number of share options	Weighted average exercise price S$	Number of share options	Weighted average exercise price S$
Outstanding at the beginning of the year	11,357,858	0.13	11,357,858	0.13
Exercised during the year	–	–	–	–
Expired during the year	–	–	–	–
Outstanding at the end of the year	11,357,858	0.13	11,357,858	0.13
Exercisable at the end of the year	11,357,858	0.13	11,357,858	0.13

The options outstanding at the end of the year have a weighted average remaining contractual life of 1.7 years (2015: 2.7 years) with a range of exercise prices from S$0.093 to S$0.226 (2015: S$0.093 to S$0.226).

No share options were granted during the year. The fair value for share options granted in 2008 were calculated using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The inputs into the model were as follows:

	25 April 2008	28 November 2008
Grant date share price (S$)	0.25	0.09
Exercise price (S$)	0.226	0.093
Expected volatility	44.93%	63.04%
Expected life	5.5 years	5.5 years
Risk free rate	1.93%	1.53%
Expected dividend yield	–	–

24. REVENUE

	THE GROUP 2016 US$'000	THE GROUP 2015 US$'000
Sale of goods	78,402	78,015
Service income	26,530	25,082
Total	104,932	103,097

25. OTHER OPERATING INCOME

	THE GROUP 2016 US$'000	THE GROUP 2015 US$'000
Interest income from structured deposits	–	93
Interest income from bank deposits	37	50
Others	1,469	188
Total	1,506	331

26. ADMINISTRATIVE EXPENSES

	THE GROUP 2016 US$'000	THE GROUP 2015 US$'000
Staff costs (including directors' remuneration)	5,418	6,773
Depreciation expense	1,154	1,333
Office rental expenses	930	1,563
Other expenses	5,478	8,611
Total	12,980	18,280

27. OTHER OPERATING EXPENSES

	THE GROUP 2016 US$'000	THE GROUP 2015 US$'000
Amortisation expense	629	678
Provision for doubtful trade receivables	647	3,520
Provision for obsolete inventories	82	1,297
Gain on disposal of property, plant and equipment	(733)	(33)
Provision for impairment of intangible assets	1,563	–
Provision for impairment of goodwill	2,000	–
Fair value change of structured deposits and held for trading-investments	–	20
Others	1,817	1,640
	6,005	7,122

28. FINANCE COSTS

	THE GROUP	
	2016	2015
	US$'000	US$'000
Interest expense on:		
- obligations under finance leases	7	7
- bank loans and trust receipt loans	1,336	789
	1,343	796

29. INCOME TAX EXPENSE

	THE GROUP	
	2016	2015
	US$'000	US$'000
The income tax charge/(credit) comprises:		
Current tax	1,994	1,000
Deferred tax (Note 17)	(1,200)	(101)
	794	899

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the loss before income tax as follows:

	2016	2015
	US$'000	US$'000
Loss before income tax	(7,308)	(18,411)
Tax at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	(1,206)	(3,038)
Tax effect of non-taxable income	(124)	–
Tax effect of non-deductible expenses	2,152	4,569
Effect of different tax rates of subsidiaries operating in other jurisdictions	(28)	(632)
Tax charge for the year	794	899

30. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	THE GROUP	
	2016	2015
	US$'000	US$'000
Depreciation and amortisation:		
Depreciation expense (Note 13)	1,154	1,333
Amortisation expense (Note 15)	629	678
Total depreciation and amortisation	1,783	2,011
Directors' fee	169	134
Directors' remuneration		
- of the Company	–	643
- of the subsidiaries	272	280
Total directors' remuneration	272	923

30. LOSS FOR THE YEAR - continued

	THE GROUP	
	2016 US$'000	2015 US$'000
Employee benefits expense (including directors' remuneration)		
Performance bonus		
Defined contribution plans	972	1,762
Salaries	14,444	17,679
Total employee benefits expense	15,416	19,441
Auditors' remuneration		
- paid to auditor of the Company	384	40
- paid to other auditors	692	858
Provision for obsolete inventories	82	1,297
Cost of inventories recognised as an expense	82,597	80,165
Provision for doubtful trade receivables	647	3,520
Gain on disposal of property, plant and equipment	(733)	(33)
Net fair value gain of structure deposits and held for trading investments	–	(20)
Loss on write off of property, plant and equipment	342	–
Net foreign exchange (gain)/loss	(89)	1,061

31. LOSS PER SHARE

	THE GROUP			
	2016	2015		
	Basic US$'000	Diluted US$'000	Basic US$'000	Diluted US$'000
Loss for the year attributable to owners of the Company	(9,428)	(9,428)	(18,255)	(18,255)

	THE GROUP			
	2016		2015	
	Basic	Diluted	Basic	Diluted
	No. of shares '000		No. of shares '000	
Weighted average number of ordinary shares	1,163,395	1,163,395	1,163,395	1,163,395
Weighted average number of ordinary shares used to compute loss per share	1,163,395	1,163,395	1,163,395	1,163,395
Loss per share (US cents)	(0.81)	(0.81)	(1.57)	(1.57)

The weighted average number of ordinary shares for the purposes of basic loss per share excludes treasury shares which had been purchased on the SGX under the Share Purchase Mandate (Note 22).

32. DIVIDEND

The board of directors has resolved not to declare interim and final dividend for the year ended 31 December 2016 (2015: same).

33. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2016	2015
	US$'000	US$'000
Minimum lease payments paid under operating leases recognised as an expense in the year	2,344	2,232

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:

	2016	2015
	US$'000	US$'000
Within one year	1,626	1,549
In the second to fifth year inclusive	360	343
Total	1,986	1,892

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for an average term of two to three years.

34. SEGMENT INFORMATION

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expense that relate to transactions with any of the Group's other components. The operating segments' operating results are reviewed regularly by the Group's chief operating decision makers to make decisions about the resources to be allocated to the segments and assess its performance and for which discrete financial information is available.

The Group has five reportable segments which are described below:

(a) Infrastructure solution - provision of best of breed communication technologies and solutions; including network security solutions and network integration services to telecommunications operators and enterprises.

(b) Managed services - provision of value-added services to telecommunications operators and enterprises.

(c) Digital media solution - provision of integration solutions to telecommunications and cable TV operators to deliver digital interactive TV services.

(d) Multi-media software - open standard software platform that is integral in the provision of digital interactive TV services.

(e) New media services - creation of a value chain of content offering across Digital TV and Internet broadcast platforms.

(f) Mobile solution services - provision of mobile applications and solutions to enterprises and consumers.

Information regarding the Group's reportable segments is presented below.

34. SEGMENT INFORMATION - continued

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Infrastructure solution US$'000	Managed services US$'000	Digital media solution US$'000	Multi-media software US$'000	Mobile solution services US$'000	Total US$'000
2016						
REVENUE						
External revenue	77,216	26,530	1,085	–	101	104,932
RESULT						
Segment result	10,940	11,405	(43)	–	33	22,335
Unallocated other operating income						1,506
Unallocated corporate expenses						(29,806)
Finance costs						(1,343)
Loss before income tax						(7,308)
SEGMENT ASSETS						
Segment assets	44,326	1,968	6,839	–	205	53,338
Unallocated corporate assets						17,159
Consolidated total assets						70,497
SEGMENT LIABILITIES						
Segment liabilities	20,677	918	3,190	–	96	24,881
Unallocated corporate liabilities						22,025
Consolidated total liabilities						46,906

34. SEGMENT INFORMATION - continued

	Infrastructure solution US$'000	Managed services US$'000	Digital media solution US$'000	Multi-media software US$'000	Mobile solution services US$'000	Total US$'000
2015						
REVENUE						
External revenue	69,833	25,082	7,043	–	1,139	103,097
RESULT						
Segment result	8,878	11,342	2,369	–	343	22,932
Unallocated other operating income						331
Unallocated corporate expenses						(40,878)
Finance costs						(796)
Loss before income tax						(18,411)
SEGMENT ASSETS						
Segment assets	46,287	4,436	10,114	–	654	61,491
Unallocated corporate assets						29,654
Consolidated total assets						91,145
SEGMENT LIABILITIES						
Segment liabilities	24,442	2,343	5,340	–	345	32,470
Unallocated corporate liabilities						26,643
Consolidated total liabilities						59,113

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, unallocated distribution expenses, investment revenue, unallocated other operating expenses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance assessment.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than structured deposits, tax recoverable, held for trading investments, pledged bank deposits, fixed bank deposits with a maturity period over three months, cash and cash equivalents, deferred tax assets, unallocated other receivables, deposits and unallocated property, plant and equipment; and

- all liabilities are allocated to reportable segments other than unallocated other payables, accruals, finance lease payables, bank loans, tax payables and deferred tax liabilities.

Information on other non-cash expenses were not disclosed as it is impracticable to allocate them to each of the reportable segments given the nature of the business.

34. SEGMENT INFORMATION - continued

Other segment information

	Infrastructure solution US$'000	Managed services US$'000	Digital media solution US$'000	Multi-media software US$'000	Mobile solution services US$'000	Total US$'000
2016						
Depreciation and amortisation	1,005	720	40	–	18	1,783
Addition to non-current assets (note)	740	2	–	–	–	742

	Infrastructure solution US$'000	Managed services US$'000	Digital media solution US$'000	Multi-media software US$'000	Mobile solution services US$'000	Total US$'000
2015						
Depreciation and amortisation	1,115	799	88	–	9	2,011
Addition to non-current assets (note)	686	395	–	–	52	1,133

Note: Amounts included addition to property, plant and equipment and intangible assets.

Geographical information

The Group's operations are located in China (including Hong Kong and Macao) and outside of China.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
China (including Hong Kong and Macau)	15,100	21,772	2,256	4,652
Indonesia	75,991	57,630	3,624	5,902
Others	13,841	23,695	357	1,009
	104,932	103,097	6,237	11,563

Note: Non-current assets exclude deferred tax assets.

35. EVENTS AFTER THE REPORTING DATE

(a) Disposal of a subsidiary and business to third parties

At the shareholders' special general meeting held on 31 August 2017, the shareholders of the Company approved the Group's proposed disposal of its entire 60% shareholding in a subsidiary, PT. Packet Systems Indonesia, to independent third parties under an agreement dated 20 June 2017 for cash consideration of US$7,500,000. The Company has issued a corporate guarantee to the purchasers with the applicable cap at the same level as cash consideration of US$7,500,000. As at the date of approval of these financial statements, the directors do not consider it probable that a claim under the guarantee will not materially affect the Group's consolidated financial statements. The sale was completed on 4 September 2017.

The Group disposed of its entire business including sales contracts, assets and liabilities of a subsidiary, DMX Technologies (India) Private Limited ("DMX India"), to a company owned by DMX India's management with effect from 1 August 2017 for cash consideration of US$10,000.

PT Packet Systems Indonesia and DMX India collectively accounted for approximately 74%, -36% and 63% of the revenue, net profit and total assets respectively of the Group as at and for the financial year ended 31 December 2016.

(b) Contingent liabilities

On 12 August 2016, a legal action was commenced against a subsidiary, jointly or severally with another company which could be connected with former management of the Group, by a third party for a total claim of approximately US$4,000,000. Based on the advice of the Group's legal counsel, the management have assessed the claim and are of the view that the Company and its subsidiary would be able to defend against the claim without incurring significant outflow of resources.

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 10 to 70 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

On behalf of the Board of Directors

Iwao Oishi　　　　Takashi Eida

Hong Kong
22 December 2017

STATISTICS OF SHAREHOLDINGS

As at 3 January 2018

Number of Issued Shares	:	1,168,546,867
Number of Issued Shares (excluding Treasury Shares)	:	1,163,394,742 ordinary shares
Number/Percentage of Treasury Shares	:	5,152,125 (0.44%)
Class of Shares	:	Ordinary Shares of US$0.05 each
Voting Rights (excluding Treasury Shares)	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	20	0.45	641	0.00
100 - 1,000	49	1.11	41,837	0.00
1,001 - 10,000	1,479	33.53	11,045,203	0.95
10,001 - 1,000,000	2,823	64.00	186,072,591	16.00
1,000,001 AND ABOVE	40	0.91	966,234,470	83.05
TOTAL	4,411	100.00	1,163,394,742	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	597,297,835	51.34
2	VENTURE CORPORATION LIMITED	142,500,000	12.25
3	UOB KAY HIAN PRIVATE LIMITED	79,651,746	6.85
4	CITIBANK NOMINEES SINGAPORE PTE LTD	18,889,145	1.62
5	WATERWORTH PTE LTD	16,500,000	1.42
6	OCBC SECURITIES PRIVATE LIMITED	12,409,400	1.07
7	MORPH INVESTMENTS LTD	12,200,000	1.05
8	NEO AIK SOO	10,629,000	0.91
9	NG KIM CHOON	5,796,000	0.50
10	DBS NOMINEES (PRIVATE) LIMITED	5,112,533	0.44
11	BAPTISTA DWIGHT	5,013,500	0.43
12	CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,626,305	0.40
13	RAFFLES NOMINEES (PTE) LIMITED	4,360,600	0.37
14	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,978,011	0.34
15	PHILLIP SECURITIES PTE LTD	3,650,693	0.31
16	HL BANK NOMINEES (SINGAPORE) PTE LTD	3,379,333	0.29
17	LIM & TAN SECURITIES PTE LTD	3,294,117	0.28
18	TEO CHOR KHIN JISMYL	2,907,558	0.25
19	ANG AI LING JEANNE	2,660,000	0.23
20	SIM KOK HAI	2,486,000	0.21
	TOTAL	**937,341,776**	**80.56**

STATISTICS OF SHAREHOLDINGS

As at 3 January 2018

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 3 January 2018

	No. of Ordinary shares of US$0.05 each			
Name	**Direct Interest**	**%**	**Indirect Interest**	**%**
KDDI Corporation	–	–	596,622,835[1]	51.28
Venture Corporation Limited	142,500,000	12.25	–	–
Jismyl Teo Chor Khin	2,907,558	0.25	55,167,967[2]	4.74

Notes :

1 Registered in the name of HSBC (Singapore) Nominees Pte Ltd.

2 Ms Jismyl Teo Chor Khin is deemed to be interested in the 21,034,320 shares held by Eagle One Consultants Limited ("EOCL") and 34,133,647 shares held by Group Equity International Limited ("GEIL") by virtue of the fact that she is the sole shareholder and joint shareholder in EOCL and GEIL respectively.

FREE FLOAT

Based on information available to the Company as at 3 January 2018, approximately 31.44% of the issued ordinary shares of the Company is held by the public and, therefore, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

DMX TECHNOLOGIES GROUP LIMITED
(Incorporated in Bermuda on 29 October 2001) (Company Registration No. 31201)

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of **DMX Technologies Group Limited** (the "**Company**") will be held at Ballroom 2, Level 3, Amara Singapore, 165 Tanjong Pagar Road, Singapore 088539 on Wednesday, 31 January 2018 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements of the Company for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$170,800 accrued for the financial year ended 31 December 2014 (2013: S$234,659/-). **(Resolution 2)**

3. To receive and adopt the Directors' Report and Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 3)**

4. To approve the payment of Directors' fees of S$135,042 accrued for the financial year ended 31 December 2015 (2014: S$170,800/-). **(Resolution 4)**

5. To receive and adopt the Directors' Report and Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 5)**

6. To approve the payment of Directors' fees of S$132,300 accrued for the financial year ended 31 December 2016 (2015: S$135,042/-). **(Resolution 6)**

7. To note the retirement of Mr Foo Meng Tong as an Independent Director, who is retiring pursuant to Bye-law 104 of the Bye-laws of the Company.

   Mr Foo Meng Tong will retire from office by rotation at the AGM and having given notice in writing to the Company that he does not wish to be re-elected, will not stand for re-election. Consequently, Mr Foo Meng Tong will cease to be the Chairman of the Audit and Nominating Committees and a member of the Remuneration Committee.

8. To re-elect Mr Masatoshi Nobuhara, who is retiring pursuant to Bye-law 107 of the Bye-laws of the Company.

   Mr Masatoshi Nobuhara will, upon re-election as a director of the Company, remain as a member of the Nominating and Remuneration Committees. ***[See Explanatory Note (i)]*** **(Resolution 7)**

9. To re-elect Mr Keiji Ito, who is retiring pursuant to Bye-law 107 of the Bye-laws of the Company.
   [See Explanatory Note (i)] **(Resolution 8)**

10. To re-elect Mr Takashi Eida, who is retiring pursuant to Bye-law 107 of the Bye-laws of the Company.

    Mr Takashi Eida will, upon re-election as a director of the Company, remain as a member of the Audit Committee.
    [See Explanatory Note (i)] **(Resolution 9)**

11. To re-appoint Messrs PricewaterhouseCoopers LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 10)**

12. To transact any other ordinary business which may properly be transacted at an AGM.

BY ORDER OF THE BOARD

Lee Pay Lee
Company Secretary

Singapore
16 January 2018

Explanatory Notes:

(i) The detailed information of Mr Masatoshi Nobuhara, Mr Keiji Ito and Mr Takashi Eida can be found under the section entitled 'Board of Directors' and page 04 to 05 of the Annual Report. There are no relationship (including immediate family relationships) between these Directors and the other Directors and the Company.

Notes:

(1) If a Depositor (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) wishes to attend and vote at the AGM, he must be shown to have shares entered against his name in the Depository Register, as certified by The Central Depository (Pte) Limited, at least 48 hours before the time of the AGM.

(2) Shareholders (who are registered holders of Shares other than CDP) and who are unable to attend the AGM and wish to appoint a proxy to attend and vote at the AGM on their behalf will find enclosed the Shareholder Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the offices of the Company's Singapore share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 not less than 48 hours before the time appointed for the AGM.

(3) Depositors whose names are shown in the records of CDP as at a time not earlier than 48 hours before the time appointed for the AGM supplied by CDP to the Company, may attend and vote at the AGM as CDP's proxies. Such Depositors who are individuals and who wish to attend the AGM in person need not take any further action and can attend and vote at the AGM without the lodgement of any proxy form. Such Depositors who are not individuals, and such Depositors who are individuals and who are unable to attend personally but wish to appoint a nominee to attend and vote on his behalf as CDP's proxy, will find enclosed with this Annual Report a Depositor Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event, so as to arrive at the offices of the Company's Singapore share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 not less than 48 hours before the time appointed for the AGM.

(4) The completion and return of the Depositor Proxy Form or the Shareholder Proxy Form will not preclude the Depositor/ Shareholder from attending and voting in person at the AGM if he/she wishes to do so, in place of his proxy.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendances lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

DMX TECHNOLOGIES

(Regn. No.: 31201)

Flat B, 9/F, World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong Tel: (852) 2520 2660 Fax: (852) 2802 2062

www.dmxtechnologies.com