



Dialogue Session

31 August 2017



■ ICT Solutions

■ Digital Media Solutions

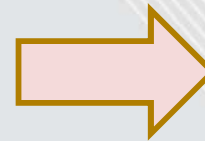
■ Mobile Solutions



Agenda

**What has
Happened?**

**Strategy &
Outlook**



Q&A



What has happened? – Key Events

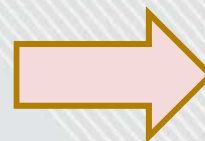
	Sequence of Events
2015	When DMX changed its external auditor from Deloitte to PwC, the Transactions in Question (“TIQ”) were detected and PwC requested for additional information during the audit for FY2014 from 2014 to early in 2015
	The Company has appointed Hong Kong legal counsel to conduct an investigation (“Initial Investigations”) on 9 February 2015
	Due to the findings of irregular accounting practices by former management, DMX filed a report with HK Police Force on 23 Mar 2015
	DMX established an internal investigation committee on 12 May 2015 and has began working with its advisors to complete its investigations (“Expanded Investigations”) and engaged a Forensic Accountant to conduct forensic investigative procedures
	Due to findings of serious misconduct, DMX dismissed former CEO Jismyl Teo, former CFO Skip Tang, and former Chairman Emmy Wu with immediate effect on 4 Sep 2015
	DMX commenced arbitration proceedings against Beijing Hantz Technology Development Ltd, a debtor of the Company regarding TIQ on 2 Oct 2015
2016	DMX filed a lawsuit against former management for breach of fiduciary duties and duties of care owed to DMX HK on 7 Apr 2016
	DMX commenced court proceedings against Shenzhen Winscom Industrial Company Limited regarding TIQ on 29 Sep 2016
2017	Due to new findings in connection with the former management and the unauthorised payments, DMX made another report to the HK Police Force on 24 May 2017
	Announced the Proposed Disposal of PT. Packet Systems Indonesia on 20 June 2017 to fund completion of audit and Expanded Investigations



What has happened? – What actions were taken?

**What has
Happened?**

**Strategy &
Outlook**



Q&A

What actions were taken?

**Sustainability
(Survival)**

Transparency

**Debt
Recovery**



What has happened?

Summary

- a) When DMX changed its external auditor from Deloitte to PwC in 2014, Transactions in Question (“TIQ”) were detected and PwC requested for supporting documents to prove the substantiality of TIQ.
- b) TIQ were executed by the former management.
- c) Large portion of DMX Group’s revenue and profit came from TIQ. Once TIQ were excluded, cumulative losses more than US\$90 million were incurred and more than US\$130 million of cash was drained from the Company from FY2010 - 2015.
- d) For debt recovery and transparency, DMX filed two legal actions against big debtors related to TIQ in order to collect the Account Receivables as much as possible
- e) DMX established an internal investigation committee on 12 May 2015 and began working with the professional advisors to complete the investigation
- f) Investigations suggested that TIQ may be regarded as “Related Party Transactions”.
- g) DMX filed the lawsuit against the former management for breach of the fiduciary duties and/or duties of care.
- h) Once TIQ were excluded, DMX was a loss-making company. So the current management has tried to streamline the Group’s operation for survival and sustainability.



What actions were taken by current management?

1. Sustainability

- i. Called for a trading halt and trading suspension soon after the critical incidents to prevent the erosion of shareholder value
- ii. Streamlined the Group's operations to ensure the survival of the business
- iii. Enhanced internal control and improved the group's cash flow management
- iv. Suspended the audit and investigation due to the substantial costs of completion
- v. Refrained from new investments before the completion of the audit and confirming the Group's financial position

2. Transparency

- i. Suspended the former management from all executive duties for an indefinite period
- ii. Engaged an independent investigation team under AC to increase the transparency
- iii. Filed a report to HK Police based on the findings of the investigation
- iv. Dismissal of the former management due to the findings of the investigation
- v. Proposed Disposal will be used to fund the completion of the audit and investigation in order to confirm the true financial position of the Group

3. Debt Recovery

- i. Requested Import & Export Firms ("IE firms") to provide the supporting data related to TIQ
- ii. Filed the arbitration proceedings and lawsuit against the IE firms
- iii. Requested interviews with the former management but they rejected or did not respond
- iv. Filed a lawsuit against the former management



Financial Impact of Transaction in Question (“TIQ”)

- Large portion of DMX Group’s revenue and profit came from TIQ.
- Once TIQ were excluded, cumulative losses of US\$93 million were incurred.
- And US\$138 million of cash was drained from the Company from FY2010 – 2015.

[PL]

1. Original : Including Transactions in Question

(Mil US\$)	2010	2011	2012	2013	2014	2015	6 years total
Sales	271	336	380	396	374	130	1,886
Gross Profit	62	75	87	92	83	30	428
PBT	18	21	26	27	27	-26	92

2. Substantial* : Excluding Transactions in Question

(Mil US\$)	2010	2011	2012	2013	2014	2015	6 years total
Sales	102	152	153	139	126	103	774
Gross Profit	9	23	27	23	35	30	148
PBT	-19	-14	-16	-26	-6	-10	-93

Disclosure Report
(R-10)
USD 93m Loss
From FY2010-15

[CF]

1. Original : Including Transactions in Question

(Mil US\$)	2010	2011	2012	2013	2014	2015	6 years total
PBT	18	21	26	27	27	-26	92
AR+OR	-64	-52	-51	-37	-35	-23	-262
AP+OP	10	15	12	-3	2	-3	33
Operating CF	-25	-3	1	-6	21	-24	-36
Investing CF	-50	-28	-5	-2	-19	5	-99
FCF	-75	-31	-4	-8	2	-19	-134
Financing CF	5	-3	-2	6	-1	-7	-3
Increase/Decrease	-68	-34	-7	-3	1	-27	-138

2. Substantial : Excluding Transactions in Question

(Mil US\$)	2010	2011	2012	2013	2014	2015	6 years total
PBT	-19	-14	-16	-26	-6	-10	-93
AR+OR	-14	-16	-0	19	11	-2	-2
AP+OP	6	13	3	-8	11	-12	12
Operating CF	-42	-23	-19	-26	-0	-24	-134
Investing CF	-33	-8	15	18	3	5	-1
FCF	-75	-31	-4	-8	2	-19	-134
Financing CF	5	-3	-2	6	-1	-7	-3
Increase/Decrease	-68	-34	-7	-3	1	-27	-138

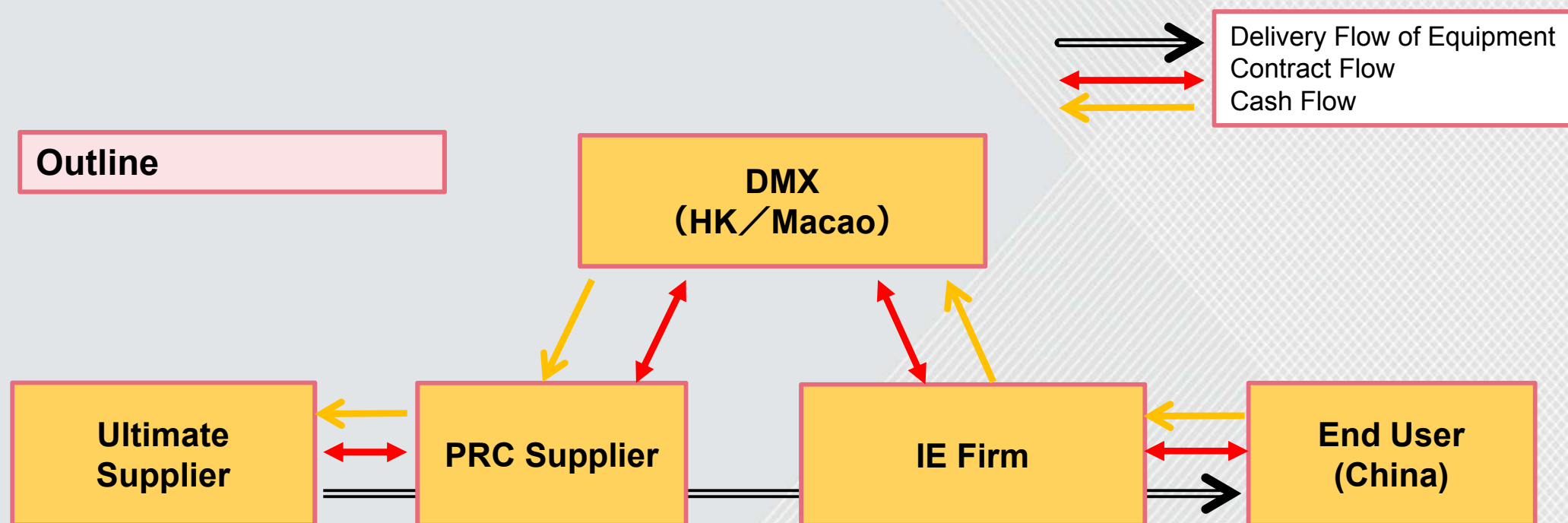
Disclosure Report
(R-11)
USD 138m cash out
From FY2010-15



The Transactions in Question (“TIQ”) under former management

TIQ operation flow under former management is below,

1. End User places the purchase order with Import/Export Firm (“IE Firm”).
2. IE Firm places the purchase order with DMX (HK/Macao).
3. DMX (HK/Macao) places the purchase order with PRC Supplier.
4. PRC Supplier places the purchase order with Ultimate Supplier.
5. Equipment delivered from Ultimate Supplier to End User through PRC Supplier and IE Firm.





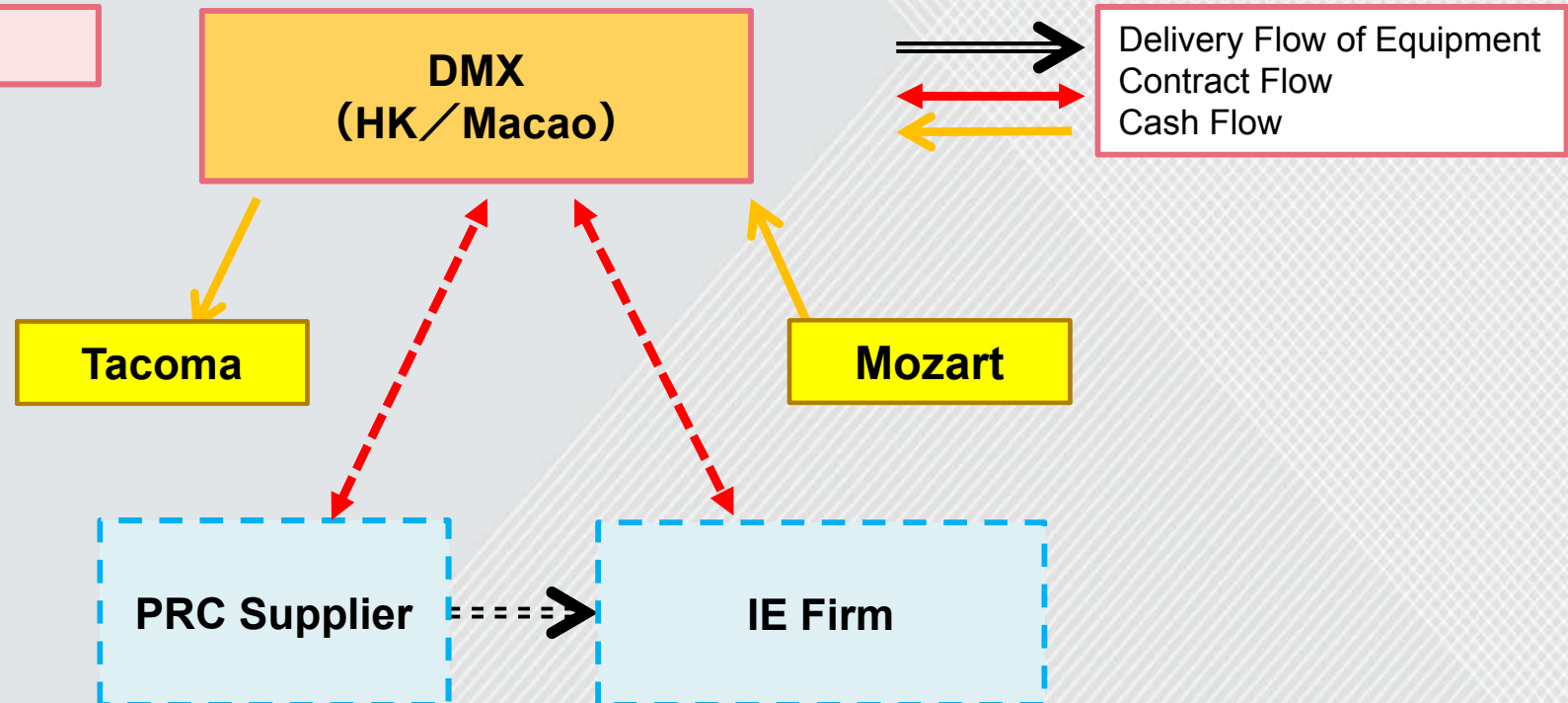
The Transactions in Question (“TIQ”)

Investigation Report Findings

Investigation suggest that TIQ may be regarded as Related Party Transactions,

1. The legal existence of certain IE firms and PRC suppliers could not be verified through the Company Search.
2. Almost all payments from IE firms were deposited from a company known as “Mozart”. It is highly possible that former management have substantial control of Mozart.
3. “Tacoma” is the receiving agent of PRC supplier. Former management is highly likely to be connected with Tacoma.
4. The records in the accounting books of DMX did not record the true identities of actual payer (Mozart) and actual receiver (Tacoma).

Outline

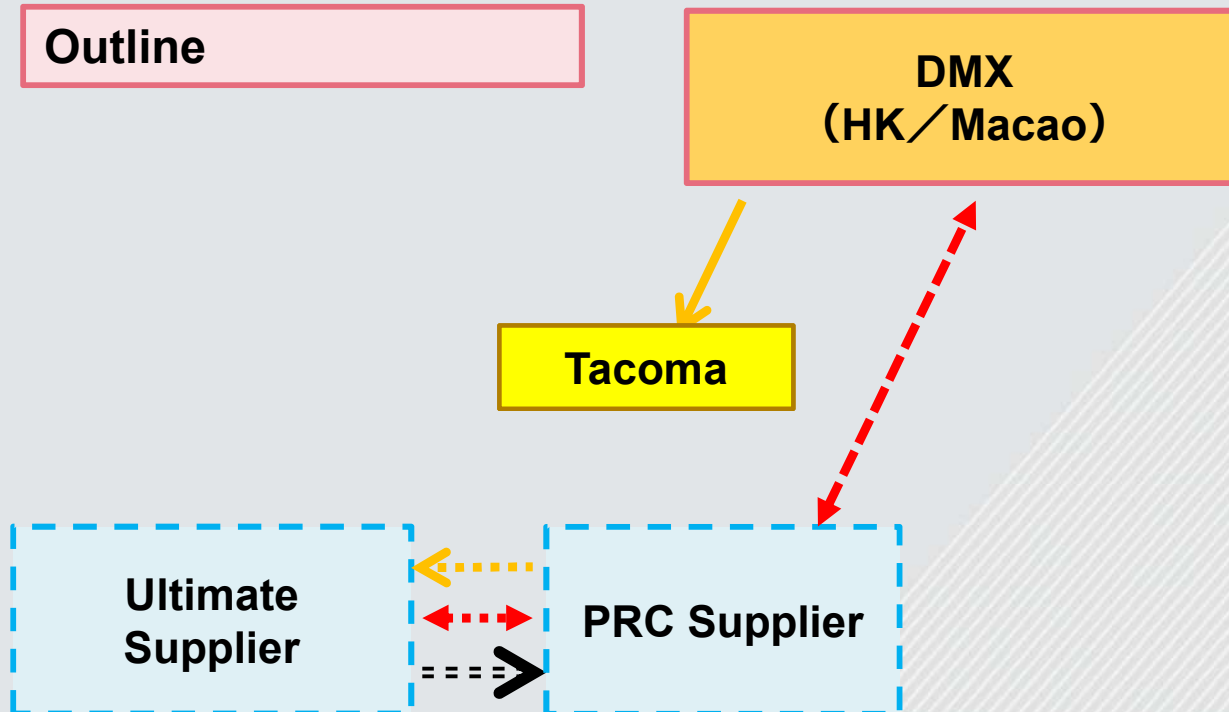




The Investigation: PRC Suppliers

- a) Once Company Search on PRC Suppliers were conducted, the legal existence of most PRC suppliers could not be verified.
- b) Almost all payments to PRC Suppliers were through Tacoma which is supposed to be a receiving agent of PRC Suppliers.
- c) Former management is highly likely to be connected with Tacoma.
- d) The accounting books have never shown the true identity of the Payee “Tacoma”.

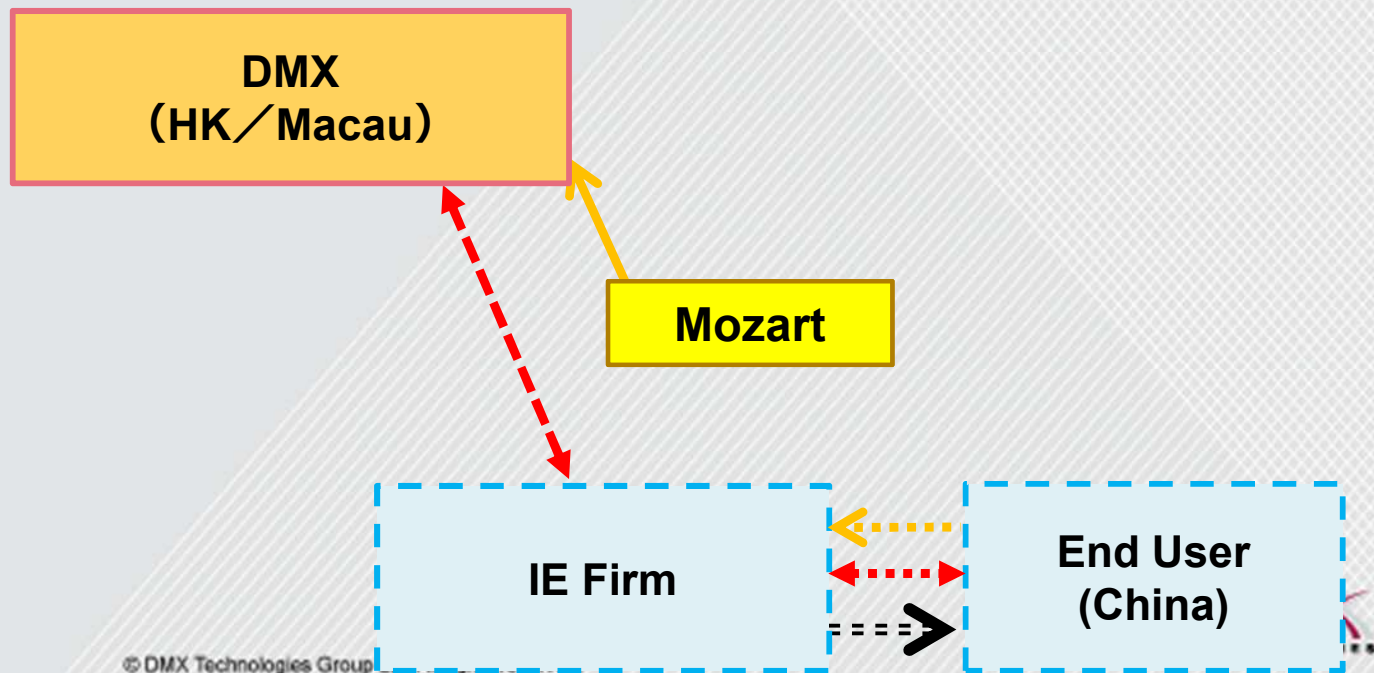
Outline



The Investigation: Major IE Firms (Hantz, Winscom)

- a) The accounting books have never shown the true identity of the Payer “Mozart”.
- b) Almost all payments from IE firms were deposited from Mozart. It is highly possible that former management have substantial control of Mozart.
- c) Major IE Firms (BJ Hantz and Winscom) did not respond to DMX’s request and refused to provide any supporting documents related to TIQ.
- d) Hantz has commenced voluntary liquidation since May 2015. DMX had commenced arbitration proceedings against BJ Hantz in Oct 2015 but Hantz did not show up and the arbitral tribunal has issued an award fully in favour of DMX in May 2016.
- e) Against Winscom, DMX HK commenced court proceedings in Sep 2016. During the proceedings, the court had ordered that the seal on the contract be examined. The results of the expert testimony report have verified that the seal on the contract does not match the official seal of Winscom. DMX HK has withdrawn the proceedings against Winscom and is still exploring the various options for the appropriate steps going forward.

Outline

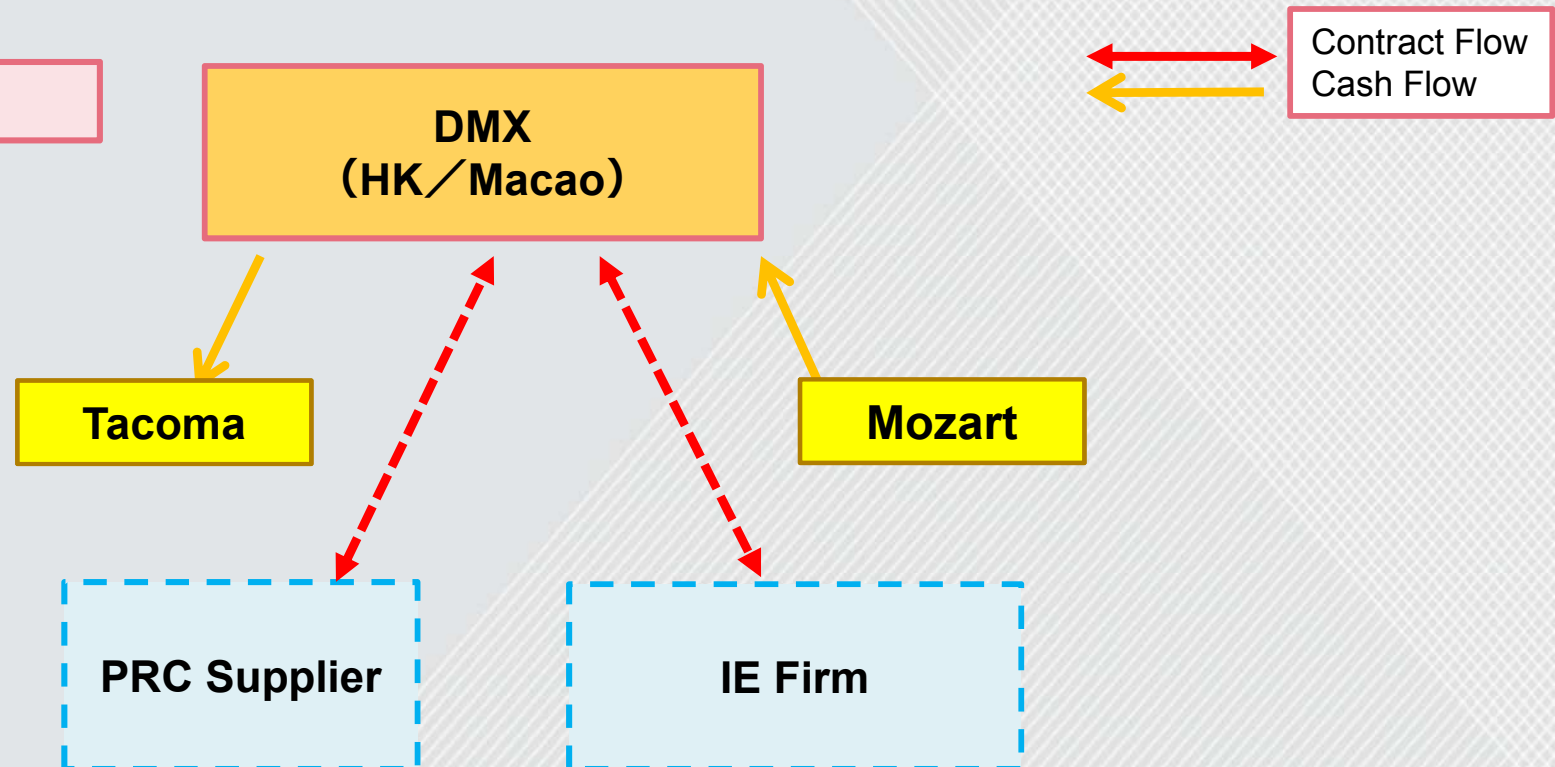




The Investigation: Payment or Receipt Agencies

- a) Almost all payments from IE firms were deposited from Mozart. It is possible that former management have substantial control of Mozart.
- b) Tacoma is receiving agent of PRC supplier. Former management is highly likely to be connected with Tacoma.
- c) The accounting books have never shown the true identity of the actual Payer “Mozart” and the actual Payee “Tacoma”.

Outline





Pursuing Responsibility: Former management

- a) DMX examined forensic PC data of DMX management including former management during the investigation.
- b) HK Legal Counsel requested to interview the below former management who were involved in the relevant transactions but were not able to do so.
- c) DMX terminated the employment of former management in Sep 2015.
- d) DMX filed a lawsuit against former management for breach of fiduciary duties and duties of care owed to DMX HK on 7 Apr 2016.
- e) DMX filed reports with the HK Police on 24 March 2015 and 24 May 2017.

DMX HK



Police

1. Mr. Wu (former executive chairman)
2. Ms. Teo (former CEO)
3. Mr. Tang (former CFO)
4. Mr. Fu (former chairman of BJ DMX)
5. Mr. Chan (former sales director of DMX HK)



Pursuing Responsibility: Deloitte & Touche LLP

Details

- a) DMX changed its auditor to PwC in 2014 and PwC was unable to obtain sufficient supporting documents to prove both the delivery and cash flow of equipment related to the TIQ
- b) The former auditor, Deloitte & Touche LLP, issued a clean opinion from 2001 to 2013, where they should have been able to obtain all the requisite confirmation from PRC suppliers, IE Firms, and end users
- c) DMX is consulting with the lawyers to take the necessary actions for the interest of the company



Current financial situation

Financial Position from FY2014 to FY2016 (Unaudited)

USD'000	FY2014	FY2015	FY2016
Revenue	125,660	103,097	104,932
Gross Profit	28,664	22,932	22,335
Loss before Tax	-31,327	-18,338	-7,308
Cash at end of year	37,926	10,825	6,174

- As shown in the Disclosure Report, once TIQ were excluded, DMX has been continuously loss-making and the significant amount of cash has been drained since FY2010.
- Since 2015, the current management has swiftly restructured unprofitable businesses; but due to difficult business environment, we could not afford further audit fees for PwC to complete the Extended Scope Audits.
- Part of the proceeds raised from the Proposed Disposal will be used to fund the completion of the Extended Scope Audits.
- We are considering every option to mitigate further damage to stakeholders as much as possible.



Agenda

About the Proposed Disposal



Proposed disposal of PT Packet Systems Indonesia

Introduction

Conditional Sale and Purchase agreement (“Agreement”) with Logicalis Singapore Pte Ltd and PT. Metrodata Electronics TBK to sell the Group’s 60% stake (150,000 ordinary shares) in PT Packet Systems Indonesia.

Consideration

US\$7,500,000 (approx. S\$10,388,250) satisfied by:

- a) payment of US\$6,375,000 (approx. S\$8,830,012.50) in cash on completion of the Proposed Disposal; and
- b) payment of US\$1,125,000 (approximately S\$1,558,237.50) in cash to an escrow agent on Completion to be dealt with in accordance with the terms of the Agreement and the provisions of an escrow agreement.

Escrow amount to be held for two years from Completion Date and subject to any applicable claims, will be released to DMX as follows:

- i) US\$562,500 on the date of the first anniversary after the Completion Date
- ii) the balance amount on the date of the second anniversary after the Completion Date



Rationale for realizing the Indonesia business unit

Funding the Extended Scope Audits

Part of the proceeds raised from the Proposed Disposal will be used to fund the fees for completion of the Extended Scope Audits

Reasoning:

The need to conclude the Extended Scope Audit in order to confirm the true financial position of the Company.



Agenda

What has
Happened?

**Strategy &
Outlook**

Q&A



Strategy & Outlook

1. Streamlining the Group's operations

- a) Optimise the efficiency amongst the overall Group's operations
- b) Restructure the business operations to preserve the current value and to capture prevailing growth opportunities and industry trends
- c) Prudent management of operating expenditures to adopt a leaner business model

2. Enhanced internal controls and improved working capital cycles

Implementation of strict internal controls following the Transactions in Question ("TIQ") transactions through:

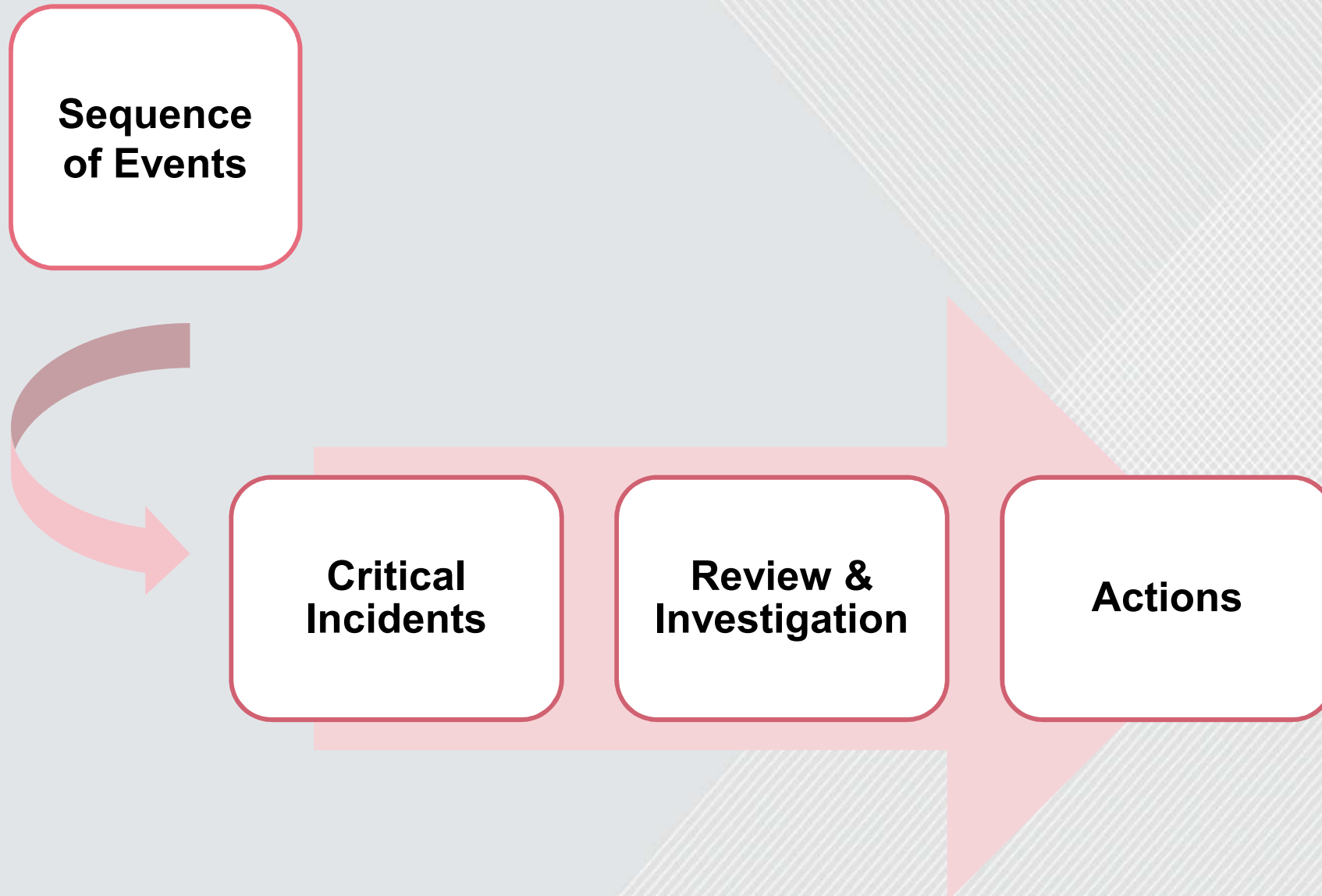
- a) Enhanced credit checks of vendors and customers
- b) Intensified documentation reviews of physical equipment and cash flow movement
- c) Heightened monitoring of each individual project through its lifecycle

3. Value preservation and repositioning the Group for the future

- a) Prudent approach to funding the growth of the Group's subsidiaries before the completion of the audit
- b) Exploring all available options for the best interest of shareholders



(Reference) Sequence of Events – Managing the Crisis





Sequence of Events & Actions Taken by Management

	Sequence of Events	Actions taken by Management
1Q 2015	Former CEO Jismyl Teo and CFO Skip Tang were arrested by the CCB of HK Police Force on 3 Feb 2015	Suspended Jismyl Teo and Skip Tang from all executive duties for an indefinite period, on 9 Feb 2015
	Grant of Waivers from Listing Rules on 25 Feb 2015: Findings raised issues affecting the completion and audit of FY2014 Financial Statements, and indicated irregular accounting practices at two of the Company's subsidiaries in 2008 and 2009	- Appointed HK Counsel to conduct an investigation in matters relating to former management - Requested for a trading halt on 20 Mar 2015
	Announced on 24 Mar 2015 that HK Counsel provided a report on its investigation into the subject matter of the HK Investigations and its legal advice to the Company	- Filed a report with HK Police Force pertaining to irregular accounting practices on 23 Mar 2015 - Requested for suspension of trading with effect from 25 Mar 2015



Sequence of Events & Actions Taken by Management

	Sequence of Events	Actions taken by Management
2Q 2015	SGX on 1 Apr 2015 granted the waivers for the extensions of time for the announcement of FY2014 and 1Q15 Financial Statements and the holding of the Company's FY2014 AGM respectively	- Applied to SGX-ST for the extensions of time for the announcement of FY2014 and 1Q15 Financial Statements and the holding of the Company's FY2014 AGM respectively - Established an internal investigation committee on 12 May 2015 and began working with the Company's advisors to complete the Company's investigation
	SGX on 30 Jun 2015 granted the waivers for the extensions of time for the announcement of FY2014, 1Q15, 2Q15, and 3Q15 Financial Statements and the holding of the Company's FY2014 AGM respectively	- Applied to SGX-ST for the extensions of time for the announcement of FY2014, 1Q15, 2Q15, and 3Q15 Financial Statements and the holding of the Company's FY2014 AGM respectively - Expanded the scope of the Initial Investigations and, in addition to HK Counsel, a Forensic Accountant has been engaged as of 30 Jun 2015 to conduct concurrent forensic investigations



Sequence of Events & Actions Taken by Management

	Sequence of Events	Actions taken by Management
3Q 2015	Announcement on 4 Sep 2015 related to findings of serious misconduct by former CEO Jismyl Teo and CFO Skip Tang	Terminated the employment of Ms. Jismyl Teo and Mr. Skip Tang with immediate effect on 4 Sep 2015
	Announcement on 7 Sep 2015 on negligence on the part of Executive Director Mr Emmy Wu	Terminated the employment of Executive Director Mr Emmy Wu on 7 Sep 2015
	Update announcement on 9 Sep 2015 with regard to ongoing Expanded Investigations	Increasing transparency and keeping shareholders up to date with ongoing investigations
4Q 2015	SGX on 2 Oct 2015 granted the waivers for the extensions of time for the announcement of FY2014, 1Q15, 2Q15, and 3Q15 Financial Statements and the holding of the Company's FY2014 AGM respectively	Applied to SGX-ST for the extensions of time for the announcement of FY2014, 1Q15, 2Q15, and 3Q15 Financial Statements and the holding of the Company's FY2014 AGM respectively
	2 Oct 2015: Announcement of commencement of arbitration proceedings	Company commenced arbitration proceedings in Shanghai against Beijing Hantz Technology Development Ltd. for the amount of US\$1,382,400



Sequence of Events & Actions Taken by Management

	Sequence of Events	Actions taken by Management
2Q 2016	Announcement on the removal of Directors and changes in the composition of the Board and Board Committees on 5 Apr 2016	Removed Ms. Jismyl Teo Chor Khin and Mr. Emmy Wu as Directors as they had been absent from meetings of the Board for six consecutive months without special leave of absence
	7 Apr 2016: Issuance of Writ of Summons against former management, Mozart Management Co. Ltd., and Tacoma Associates Ltd. - As of 31 Dec 2014, the AR due to DMX HK by its customers aggregated US\$188 million	- DMX BVI Limited commenced an action in the High Court of the HKSAR Court of First Instance as a result of alleged unauthorised payments made by DMX HK to Mozart and Tacoma between 2008 and 2012 - Adopted a proactive approach to recover accounts receivable
	22 Apr 2016: Released the Disclosure Report based on findings of the initial investigations conducted	Increasing transparency of the ongoing investigations through timely SGXNet announcements on material developments
	SGX on 19 May 2016 granted the waivers for the extensions of time for the announcement of FY2014, 1Q15, 2Q15, 3Q15, FY2015, 1Q16, 2Q16 and 3Q16 Financial Statements and the holding of the Company's FY2014 and FY2015 AGM respectively	Applied to SGX-ST for the extensions for the announcement of FY2014, 1Q15, 2Q15, 3Q15, FY2015, 1Q16, 2Q16 and 3Q16 Financial Statements and the holding of the Company's FY2014 and FY2015 AGM respectively



Sequence of Events & Actions Taken by Management

	Sequence of Events	Actions taken by Management
2Q 2016	24 June 2016: Announcement on Arbitral Award	- Obtained an arbitral award against Beijing Hantz ordering the latter to make payments to DMX Technologies (Macao Commercial Offshore) Co. Ltd. by 17 May 2016 - Made the necessary applications for enforcement as payment was not made
3Q 2016	15 Jul 2016: With respect to the suit on 7 Apr 2016, the Writ of Summons was amended such that it will no longer be a shareholder derivative action - DMX HK replaced DMX BVI as the plaintiff 29 Sep 2016: Announcement Of Commencement of proceedings against Shenzhen Winscom Industrial Company Limited	- Adopted a proactive approach to increase transparency and keep shareholders informed of material developments - DMX HK commenced proceedings against Winscom in the Shenzhen Qianhai Cooperation Zone People's court, for the amount of US\$1,182,784

Sequence of Events & Actions Taken by Management

	Sequence of Events	Actions taken by Management
4Q 2016	20 Oct 2016: SGX granted the waivers for the extensions of time for the announcement of FY2014, 1Q15, 2Q15, 3Q15, FY2015, 1Q16, 2Q16, 3Q16 and FY2016 Financial Statements and the holding of the Company's FY2014, FY2015 and FY2016 AGM respectively	- Explored alternative options with PwC to undertake an extended scope audit in respect of the FY 2014 Financial Statements - In order to raise the fees for the completion of the Extended Scope Audits and the Investigation Support, the Company began exploring potential ways to realise certain assets of the Company
	31 Dec 2016: Grant of Waivers of the Presentation of Comparative Statements	Applied to SGX-ST to seek a waiver of the comparative statement requirements for the Quarterly FY2015 and FY2014 Financial Statements
2Q 2017	24 May 2017: Announced New Findings from Recent Investigations	- Keeping shareholders informed with the announcement of new findings in connection with former management and the unauthorised payments; - The management made a report to the HK Police Force
	20 June 2017: Announced the Proposed Disposal of PT. Packet Systems Indonesia	Management's proactive approach to ensure the sustainability of the Group's operations



Agenda

Q&A