

Key Financial Extracts in Annual Report (1)

- ❑ The Board of Directors considered that the Transactions in Question (“TIQ”) were never carried out and they should not have been recorded in the Group’s consolidated financial statements for FY2014 and prior years.

Note. The below is an excerpt from P.38 of Annual Report 2014.
“3.3 Investigation and prior year adjustments “

FY2013 P&L Restatement

	As previous reported USD'000	Prior year adjustments USD'000	Restated USD'000
Revenue	395,898	(257,090)	138,808
Cost of sales	(304,108)	192,065	(112,043)
Gross profit	91,790	(65,025)	26,765
Other operating income	601	-	601
Distribution costs	(25,739)	-	(25,739)
Administrative expenses	(22,834)	5,315	(17,519)
Other operating expenses	(16,132)	14,939	(1,193)
Operating profit/(expense)	27,686	(44,771)	(17,085)
Finance costs	(891)	-	(891)
Net profit/(loss) before income tax	26,795	(44,771)	(17,976)
Income tax expense	(2,205)	943	(1,262)
Net profit/(loss) for the year	24,590	(43,828)	(19,238)

Adjustments were therefore made to reverse TIQ which have resulted in:

- reducing revenue by approximately US\$257,090,000

- reducing net profits by approximately US\$43,828,000

Key Financial Extracts in Annual Report (2)

- ❑ Once TIQ were excluded, DMX has been continuously loss-making and a significant amount of cash has been drained.
- ❑ Since 2015, the new management has restructured unprofitable businesses, however, the company could not afford further audit fees to complete the audits.
- ❑ In 2017, part of the proceeds raised from the disposal of Indonesia subsidiary was used to fund the completion of the audits.

Note. These are summary abstract of Annual Report 2014 - 2016.

Including TIQ

(M USD)

	FY2013	FY2014	FY2015	FY2016
Revenue	396	374	130	105
Cost of sales	304	291	100	81
Gross Profit	92	83	30	24
Expenses	65	78	41	31
Profit Before Tax	27	26	-11	-7

Excluding TIQ

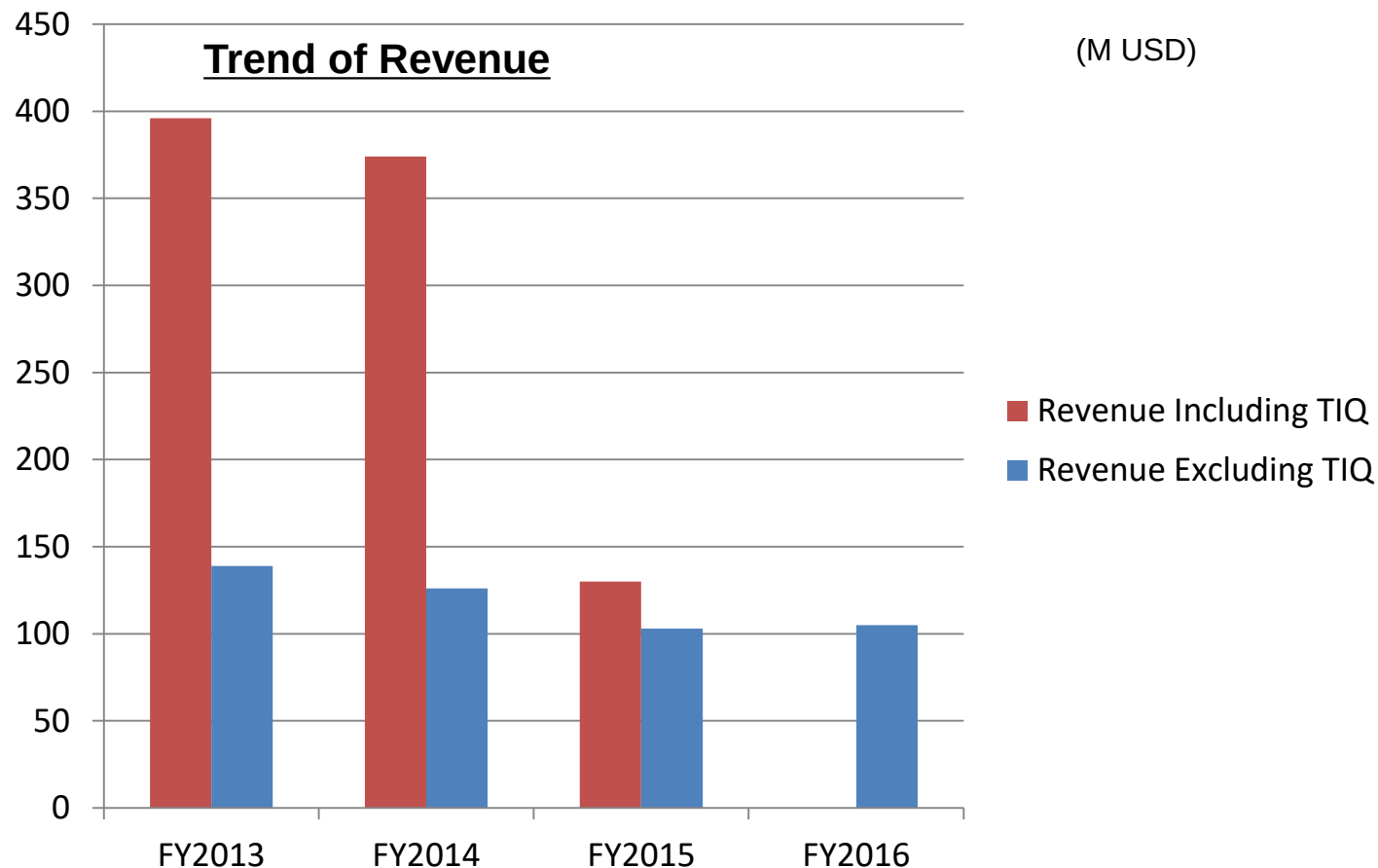
(M USD)

	FY2013	FY2014	FY2015	FY2016
Revenue	139	126	103	105
Cost of sales	112	96	80	81
Gross Profit	27	30	23	24
Expenses	45	61	41	31
Profit Before Tax	-18	-31	-18	-7

Key Financial Extracts in Annual Report (3)

- ❑ In 2015, started to streamline the group operations for survival
- ❑ Needed to suspend audits in order to preserve the group cash for (1) “Sustainability”, (2) “Transparency”, and (3) “Debt Recovery”

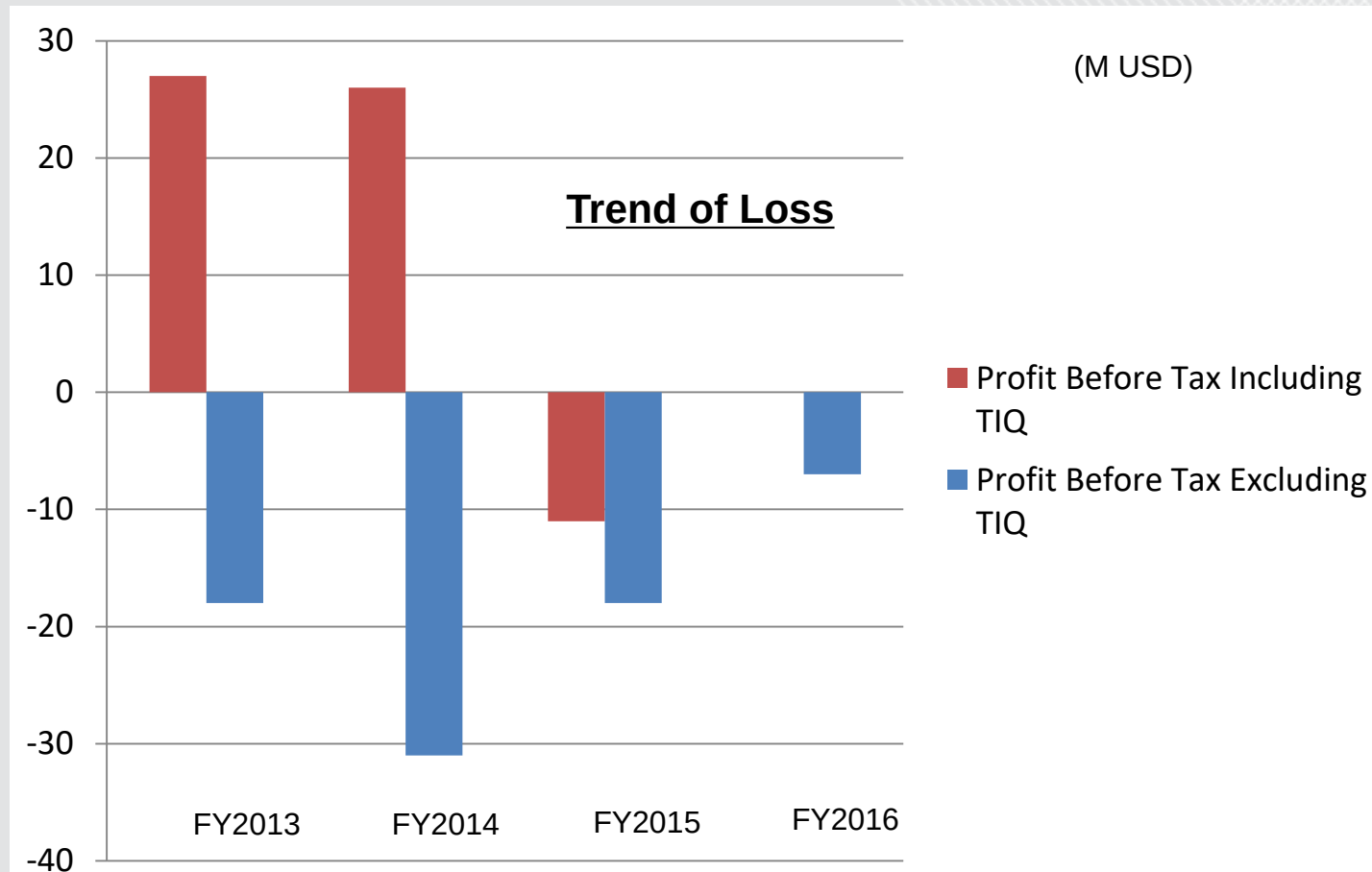
Note. These are summary abstract of Annual Report 2014 - 2016.



Key Financial Extracts in Annual Report (4)

- ❑ In 2014, the impairment loss of US\$21.5 million was made to the goodwill arising on the acquisition of business units in the prior years.
- ❑ Since 2015, the company streamlined the group operations, while balancing the working capital limitations and aiming to minimise the risks of the group.

Note. These are summary abstract of Annual Report 2014 - 2016.





Ref) What actions were taken by management?

[Extracted from “Dialogue Session” held on 31 Aug 2017]

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



Update for Pursuing Responsibility: Former management

[Mostly extracted from “Dialogue Session” held on 31 Aug 2017]

- 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, 24 May 2017 and 31 October 2017.
- f) In legal proceedings against the former management in Hong Kong, DMX has recently obtained some evidence in support of our allegations against the Former Management for their wrongdoings. Since this legal action is still on-going, we are not able to disclose further details thereof.
- g) DMX will also coordinate closely with the legal counsels and the regulatory authorities responsible for other relevant jurisdictions, making reports to such authorities as necessary. DMX intends to pursue to the fullest extent possible all its rights and remedies against the relevant parties.

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)



Update for Pursuing Responsibility: Deloitte & Touche LLP

[Mostly extracted from “Dialogue Session” held on 31 Aug 2017]

Details

- a) DMX changed its auditor to PwC in 2014 and PwC was unable to obtain sufficient supporting documents to prove both the delivery flow and the cash flow 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 has brought a claim in the High Court of the Republic of Singapore in October 2017 against Deloitte for loss and damage suffered due to professional negligence by Deloitte. As the matter is currently before the Singapore Court, it is not appropriate for DMX to comment any further on the case.