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DIGIMATIC GROUP LTD ARBN 605 944 198

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at 10 Anson Road International Plaza #10-26, Singapore 079903 on Wednesday, 29 March 2017 at 2pm (SST).

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

The Independent Expert has prepared an independent expert's report (Independent Expert's Report) on the selective off-market acquisition (buy-back) of Shares and disposal of the Assets for the purposes of Resolutions 2 and 3 respectively (collectively, the Transaction). The Independent Expert has concluded that, in its opinion, the Transaction is fair and reasonable to the Shareholders of the Company, other than those associated with the Transaction.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary (Australia) by telephone on +61 8 6555 2950.

DIGIMATIC GROUP LTD

ARBN 605 944 198

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Digimatic Group Ltd (**Company**) will be held at 10 Anson Road, International Plaza #10-26, Singapore 079903 on Wednesday, 29 March 2017 at 2pm (SST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the CDI Voting Instruction Form form part of this Notice.

The Directors have determined that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Monday, 27 March 2017 at 2pm (SST).

Terms and abbreviations used in this Notice (including the Explanatory Memorandum) are defined in Schedule 1.

AGENDA

1. Resolution 1 - Amendment to the Company's Articles

To consider, and if thought fit, pass the following resolution as a special resolution:

"That the Company's Articles be amended as generally described in the Explanatory Memorandum and as detailed in the document tabled at the Meeting and initialled by the Chairman for identification purposes"

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 1.

2. Resolution 2 - Approval of the selective share buy-back from Mr Lim Hui Jie

To consider, and if thought fit, pass the following resolution as a special resolution:

"That, subject to the passing of Resolutions 1 and 3 and in accordance with sections 76B and 76D of the Companies Act and for all other purposes, an agreement between the Company and Lim Hui Jie pursuant to which the Company buys back 30 million ordinary Shares, by way of a selective off-market acquisition and on the material terms set out in the Explanatory Memorandum accompanying this Notice, be authorised and approved, and that the expiry date for such authorisation and approval be the date on which the next annual general meeting of the Company is or is required by law to be held, whichever is the earlier."

Voting Exclusion

The Company will disregard any votes cast on this resolution by a party to the transaction (being Mr Lim and any of his associates).

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 2.

3. Resolution 3 - Disposal of the Company's interest in Digimatic Solutions and Digimatic Australia to Mr Lim Hui Jie

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That, subject to the passing of Resolutions 1 and 2, for the purposes of Listing Rule 10.1 and for all other purposes, disposal by the Company of the Assets to Lim Hui Jie on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice, be approved."

Voting Exclusion

The Company will disregard any votes cast on this resolution by a party to the transaction (being Mr Lim and any of his associates).

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 3.

4. Independent Expert's Report

BDO (or the 'Independent Expert') has prepared an independent expert's report (Independent Expert's Report) on the selective buy-back of Shares and disposal of the Assets for the purposes of Resolutions 2 and 3 respectively (collectively, the Transaction). The Independent Expert has concluded that, in its opinion, the Transaction is *fair and reasonable* to the Shareholders of the Company, other than those associated with the Transaction.

A copy of the full Independent Expert's Report is attached as Schedule 3 to the Explanatory Memorandum.

BY ORDER OF THE BOARD

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Clive Tan Che Koon Non-Executive Chairman Dated: 6 March 2017

DIGIMATIC GROUP LTD

ARBN 605 944 198

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at 10 Anson Road, International Plaza, #10-26, Singapore 079903 on Wednesday at 2pm (SST).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

- Section 2 Action to be taken by Shareholders
- Section 3 Background
- Section 4 Resolution 1 Amendment to the Company's Articles
- Section 5 Resolution 2 Approval of the selective share buy-back from Mr Lim Hui Jie
- Section 6 Resolution 3 Disposal of the Company's interest in Digimatic Solutions and Digimatic Australia to Mr Lim Hui Jie
- Schedule 1 Definitions
- Schedule 2 Pro-forma balance sheet
- Schedule 3 Independent Expert's Report

2. Action to be taken by Shareholders

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 CDIs

A CDI Voting Instruction Form is attached to the Notice. This is to be used by CDI Holders to direct CDN on how to vote at the Meeting, as CDI Holders are not entitled to vote in person at the Meeting.

CDI Voting Instruction Forms must be received by Link Market Services Limited, the Company's share registry, no later than 2pm (SST) (4pm (AEST)) on Monday, 27 March 2017.

The CDI Voting Instruction Form provides further details on voting at the Meeting. CDI Holders are welcome, and encouraged, to attend the Meeting, despite not being able to vote in person.

3. Background

This Explanatory Memorandum has been prepared to provide Shareholders of the Company with information material to deciding whether or not to vote in favour of the resolutions in the Notice.

The purpose of the resolutions in the Notice is to seek the approval of Shareholders required under the Companies Act for the selective buy-back from Mr Lim Hui Jie (Mr Lim) and cancellation of 30,000,000 Shares (Buy-back Shares), and, under the Listing Rules, for the transfer of the Assets to Mr Lim.

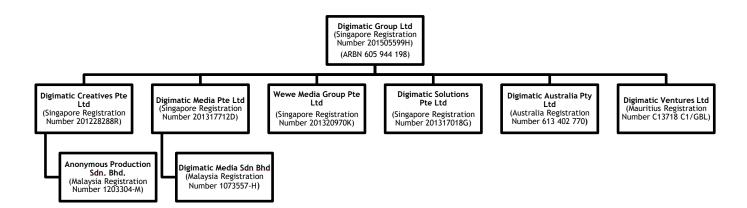
The reasons for conducting the selective buy-back are set out below.

3.1 History

The Company is incorporated in, and registered under the laws of, Singapore. The Company is in the business of digital marketing, assisting brands with timely connections to customers through various channels and at competitive pricing.

The Company is the holding company of five wholly owned subsidiaries which are incorporated in Singapore, Australia and Malaysia, being Digimatic Media Private Limited (**Digimatic Media**), Wewe Media Group Pte Ltd (**Wewe Media**), Digimatic Solutions Pte Ltd (**Digimatic Solutions**), Digimatic Australia Pty Ltd (**Digimatic Australia**) and Digimatic Ventures Ltd. The Company also holds a 51% shareholding in a Singapore incorporated subsidiary, Digimatic Creatives Pte Ltd (**Digimatic Creatives**).

The corporate structure of the Company as at the date of this Notice is set out below:



The Company's business units are as follows:

Business Unit	Description	Group Subsidiary
Digimatic Creatives	Branding and marketing arm of Digimatic Group Ltd and specialises in content creation as well as full end-to-end branding consultation and strategic positioning advice to help clients meet their business and marketing objectives.	Digimatic Creatives Pte Ltd and Anonymous Production Sdn. Bhd.
Digimatic Media	Online marketing specialists and training academy that assists brands and individuals with the opportunity to achieve business and financial success. Digimatic Media specialises in online performance based marketing, leads generation for mobile applications and websites and provides online marketing campaign planning and execution services. Digimatic Media also manages a training academy that provides businesses and individuals with the opportunity to achieve financial stability and success via performance based marketing.	Digimatic Media Private Limited,Digimatic Media Sdn. Bhd. and Wewe Media Group Pte Ltd
Digimatic Solutions Digimatic Solutions	Platform and technology provider for brands to market and manage their products and services to a global audience. Digimatic Solutions offer brands a comprehensive range of online and offline platforms and solutions to reach out to their target audiences with products or services tailored to their customers' needs. For example, Digimatic Solutions assists traditional brick and mortar businesses create an online presence, by setting up and maintaining online e-stores or by providing a channel to allow those businesses to sell their products	Digimatic Solutions Pte Ltd and Digimatic Australia Pty Ltd

Business Unit	Description	Group Subsidiary
	on major online market places in the world.	
Digimatic Ventures	Digimatic Ventures assists businesses to scale to the next level through M&A, entrepreneurship, intrapreneurship and other forms of business developments in the local or global context. Digimatic Ventures will be focused on seeking, structuring and acquiring companies or businesses with a strategic and synergistic value-add to the Group.	-

As part of the Company's pre-Initial Public Offering structuring, the Company entered into an agreement with the shareholders of Digimatic Solutions (including the Company's now Executive Director, Mr Lim) to purchase 100% of the ordinary shares in Digimatic Solutions. Mr Lim was the founder of Digimatic Solutions.

The Company issued a total of 80,254,000 fully paid ordinary Shares as consideration to the former shareholders of Digimatic Solutions and their nominees (Solutions Shares). Of the Solutions Shares, Mr Lim holds 20,000,000 Shares (Consideration Shares).

In accordance with Appendix 9B of the Listing Rules, the Consideration Shares are classified as restricted securities and are being held in escrow for 24 months from the Listing Date. The escrow period on the Consideration Shares is due to expire on 15 December 2017. As the Consideration Shares are subject to escrow imposed by the ASX, no agreements can be made to dispose of the Consideration Shares or otherwise deal with them.

3.2 Proposed buy-back from Mr Lim, share cancellation and transfer of Digimatic Solutions and Digimatic Australia to Mr Lim

The Company was admitted to the official list on 16 December 2015 (Listing Date), and at the time brought within the group umbrella Digimatic Solutions, Digimatic Media and Wewe Media. The synergy expected from the merger and collaboration within the group has not materialised and due to the different focus in business strategy and clientele base, Mr Lim and the Board are of the opinion that it will be better for both parties to focus on their respective areas separately.

Since listing and up to the date of the meeting, funding of approximately \$ approximately \$ and \$ million will have been provided to Digimatic Solutions as part of the working capital and business expenditure in developing Digimatic Solutions' business. This loan is to be repaid by Digimatic Solutions (see Section 5.3(d)(ii) for full details).

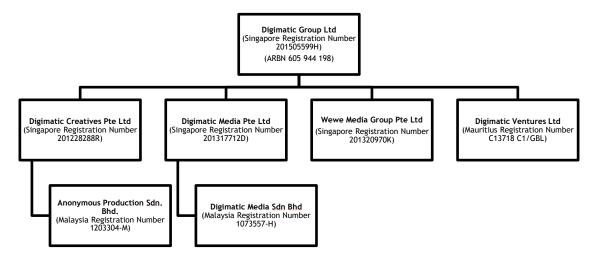
Digimatic Australia is a new entity recently incorporated by the Company to undertake Digimatic Solutions' business in Australia. It is party to an agreement with Australia Post to pilot a program to help Australian merchants sell in the Lazada Marketplace for three countries in South East Asia (see announcement released to the ASX on 5 December 2016).

On 6 March 2017, the Company announced the proposed Transaction for the disposal of Digimatic Solutions to Mr Lim in exchange for the buy-back and cancellation of the 30,000,000 Buy-back Shares at a deemed price of S\$0.10 per Share from Mr Lim. The key terms of the proposed Transaction are set out in Section 5.3 below.

As the Consideration Shares are subject to escrow imposed by ASX, no agreements with respect to the disposal of those Consideration Shares can be entered into. Mr Lim's obligations are to deliver to the Company the 30,000,000 Buy-back Shares for cancellation. Mr Lim is therefore required to acquire the Buy-back Shares prior to completion.

In addition, Mr Lim resigned as an executive director and Chief Executive Officer of the Company on the day the proposed Transaction was announced.

The corporate structure of the Company post-Transaction will be as follows:



The purpose of the Meeting is to obtain approval for the proposed Transaction and to meet the various requirements under the Companies Act and the Listing Rules to enable the Company to buy-back and cancel the Buy-back Shares and to transfer the Assets to Mr Lim.

Further information on the proposed Transaction is set out in Sections 5 and 6 below, and in the Independent Expert's Report at Schedule 3.

4. Resolution 1 - Amendment to the Company's Articles

Presently the Company's Articles do not include provisions governing the buy-back of the Company's issued share capital. Section 76B of the Companies Act provides that a company may purchase or otherwise acquire shares issued by it if it is expressly permitted to do so by its constitution. In order for the buy-back of the Buy-Back Shares to proceed, the Company's Articles must first be amended.

The Company proposes to include a new article in the Company's Articles as set out below:

"6A. Subject to the Act, the Company may purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share that is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On any such cancellation of a share, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act"

The inclusion of proposed Article 6A will provide the Company with the flexibility to undertake share buy-backs and cancel bought back shares in the future.

The Directors (other than Mr Lim, who requires this resolution to be passed for the Transaction to proceed) recommend Shareholders vote in favour of the resolution.

5. Resolution 2 - Approval of the selective share buy-back from Mr Lim

5.1 General

Under the terms of the proposed Transaction, the Company will transfer the Assets to Mr Lim in consideration for the buy-back and subsequent cancellation of the Buy-back Shares.

The Transaction includes a selective buy-back for the purposes of the Companies Act, and, accordingly, Shareholder approval as set out in Resolution 2 is required to undertake the buy-back and cancellation of the Buy-back Shares.

BDO has prepared the Independent Expert's Report on the Transaction for the purposes of Resolution 2. The Independent Expert has concluded that, in its opinion, the Transaction is fair and reasonable to the non-associated Shareholders of the Company. See section 5.5 below for further information. A copy of the full Independent Expert's Report is attached as Schedule 3 to the Explanatory Memorandum, and Shareholders are urged to read the report in full before making a decision on how to vote on the resolutions at the Meeting.

5.2 Companies Act requirements

Section 76D of the Companies Act provides that a company may purchase or otherwise acquire its own shares if the purchase or acquisition is made in accordance with an agreement authorised in advance by special resolution, with no votes being cast by any person whose shares are proposed to be purchased or acquired or by his associated persons.

Section 76D of the Companies Act sets out the procedure for a selective buy-back of shares and requires that the terms of an agreement for a selective buy-back be approved. A summary of the terms of the proposed Transaction is set out below in Section 5.3. In addition, in accordance with section 76D(7) of the Companies Act, a copy of the agreement or a written memorandum of its terms will be available for inspection by members of the Company both:

- (a) at the Company's registered office for not less than 15 days ending with the date of the Meeting; and
- (b) at the Meeting itself.

Section 76B(5) of the Companies Act provides that ordinary shares that are purchased or acquired by a company pursuant to section 76D shall, unless held in treasury, be

deemed to be cancelled immediately on purchase or acquisition. The Company confirms it will cancel the Buy-back Shares.

If Resolution 2 is approved, the authority will expire on the date on which the next annual general meeting of the Company is or is required by law to be held, whichever is the earlier.

The buy-back will be funded through the transfer of the Assets. The impact of the buyback on the Company's financial position is detailed in the following paragraphs of this Section 5, Schedule 2 and Schedule 3.

The information required under the Companies Act is set out in this Section 5. This information should be read together with the Independent Expert's Report and prior disclosures by the Company to ASX.

5.3 Terms of the proposed Transaction for Shareholder approval

A summary of the material terms of the proposed Transaction is set out below:

- (a) (Sale and buy-back): Mr Lim agrees to transfer, and the Company agrees to accept, the Buy-back Shares at a deemed price of S\$0.10 per Share free from all third party interests in exchange for the Company transferring the Assets to Mr Lim;
- (b) (Conditions Precedent): Completion is conditional on:
 - (i) the Company obtaining requisite regulatory approvals from ASX;
 - (ii) the approval of the Board of the Company (excluding Mr Lim);
 - (iii) the Company's Articles being successfully amended to allow the buyback for the cancellation of the Buy-back Shares;
 - (iv) Shareholders approving the selective buy-back and disposal of the Assets as set out in accordance with the Companies Act and Listing Rules; and
 - (v) all other approvals, consents and requirements being obtained or fulfilled in order for completion to be effected.
- (c) (Completion): One business day after the Conditions Precedents are to be satisfied (being on or before 31 March 2017, failing which the earliest practicable date).
- (d) (Loans and waivers)
 - (i) Interest on all outstanding loans owed by Digimatic Solutions to the Company up to the date of Completion, which would amount to approximately S\$78,000 as at 31 March 2017, will be waived;
 - (ii) The Company will allow Digimatic Solutions to repay an existing intercompany loan of S\$2.6 million on the following terms:
 - interest on the S\$2.6 million loan at a rate of 2% per annum on the outstanding principal amount will only start accruing from the date of Completion until 31 March 2019;

- (B) for the period 1 April 2019 to 31 March 2022, interest at the rate of 5% per annum shall accrue on the outstanding principal amount and the outstanding loan including all interest accrued shall be repaid in full on or before 31 March 2022;
- (C) any repayments made shall go first towards the payment of any interest accrued;
- (D) interest accrued and unpaid at the end of every calendar year shall be compounded and form part of the principal;
- (E) the loan may be repaid, in part or in full, by any of the following means:
 - (1) payment in cash at any time;
 - via Digimatic Solutions making an offer to issue fully (2) paid ordinary shares to the Company and if the offer is accepted by the Company, Digimatic Solutions issuing shares: (a) of up to 13% of the total enlarged share capital of Digimatic Solutions in satisfaction of the amount of S\$2.6 million (or pro-rated accordingly in the event of part payment) plus payment in cash for any accrued interest unpaid; or (b) at a price per share based on the latest valuation of Digimatic Solutions as represented by the subscription amount per share paid by the most recent third party investment of a minimum S\$100,000; whichever of (a) or (b) gives the Company a higher percentage of the shares in Digimatic Solutions, or alternatively, (c) at any other valuation of Digimatic Solutions mutually agreed between the Company and Digimatic Solutions, Provided Always, whether in the case of (a), (b) or (c) above, that if Digimatic Solutions has a positive EBITDA based on its latest available management accounts and subject to satisfactory financial due diligence, the Company shall accept the offer;
- a sum of approximately \$\$240,000, comprising management fees of approximately \$\$133,000 and payments made by the Company on behalf of Digimatic Solutions of approximately \$\$107,000, owed by Digimatic Solutions to the Company in relation to Digimatic Solutions' Australian operations will be waived;
- (iv) expenses of approximately \$\$38,000 to be paid by the Company on behalf of Digimatic Solutions in relation to Australian operations will be waived;
- (e) (Employees and offices) The parties shall agree a list of Company employees who will be transferred to Digimatic Solutions. The Company will also provide free rental of the premises currently occupied by Digimatic Solutions to Digimatic Solutions until 30 September 2017, together with accounting and human resource support;

In addition, Digimatic Solutions will change its name to one which does not contain "Digimatic" or "Digi" or similar.

5.4 Advantages and disadvantages of the Transaction

The Directors consider that the advantages of the Transaction are:

- (a) the Independent Expert has concluded that the selective buy-back is fair and reasonable to the Shareholders of the Company;
- (b) as Digimatic Solutions is forecasting further losses, the disposal of it reduces Company losses and the Company will no longer have to fund a loss-making business unit;
- (c) the proposed Transaction will enable the Company to focus its attention on the remaining businesses under the Company's umbrella in the area of Advertising Technology (Ad-Tech) and create a more cohesive culture to bring the Company forward;
- (d) the Company will be left with business units that provide greater synergies between themselves, and therefore a cleaner corporate structure; and
- (e) on completion of the Transaction, the voting power of all Shareholders will increase proportionately as there will be a lesser number of Shares on issue.

The Directors consider that the selective buy-back will not result in any material disadvantage to Shareholders (though the Company will obviously forego the opportunity to benefit from any potential upside if it kept the Assets). However, in making their decision, Shareholders should note that following the buy-back, the Company's Shares may remain illiquid. This is primarily a result of there being 440,191,000 Shares classified by ASX as restricted securities until 15 December 2017 (representing 67.34% of the Company's issued Shares).

5.5 Independent expert's report

The Company has engaged the Independent Expert to opine on whether the Transaction is fair and reasonable to the non-associated Shareholders.

The Independent Expert concludes that the Transaction is fair and reasonable to the Shareholders of the Company. A copy of the full Independent Expert's Report is attached as Schedule 3 to the Explanatory Memorandum.

Shareholders are encouraged to read the Independent Expert's Report in detail and consult your professional adviser if you have any questions.

5.6 Change in capital structure

The overall effect of the Transaction and cancellation of the Buy-back Shares on the issued capital of the Company is set out below.

Event	Number of Shares
Shares on issue as at the date of the Notice	683,664,000
Buy-back Shares subject to buy-back and cancellation	(30,000,000)
Shares on issue at completion of Transaction	653,664,000

5.7 Effect of the Transaction on the control of the Company

The Buy-back Shares represent 4.39% of the Shares on issue in the Company as at the date of the Explanatory Memorandum. The effect of the Transaction will be to decrease Mr Lim's shareholding in the Company and increase each other Shareholder's proportionate increase as set out in the table below.

Shareholder	Immediately before selective buy-back and cancellation		After selective and cancel	
	Number of Shares	% of total Shares	Number of Shares	% of total Shares
Mr Lim	50,000,000 ¹	7.31%	20,000,000 ¹	3.06%
Other Shareholders	633,664,000	92.69%	633,664,000	96.94%
TOTAL	683,664,000	100.00%	653,664,000	100.00%

1. Mr Lim currently holds 20,0000,000 Consideration Shares which are escrowed for 24 months from the Listing Date. As the Consideration Shares are subject to escrow imposed by ASX, no agreements with respect to the disposal of those Consideration Shares can be entered into. Mr Lim's obligations are to deliver to the Company 30,000,000 Shares for buy-back and cancellation. Mr Lim is therefore required to acquire the Buy-back Shares prior to completion. For the avoidance of doubt, Mr Lim will continue to hold his Consideration Shares and will deal with them in the manner he deems fit following the expiry of the escrow period.

5.8 Reviewed financial statements and pro-forma statement of financial position

A copy of the Company's reviewed financial statements for the half-financial year ending 30 September 2016 is contained in the Company's half-year report announced to ASX on 25 November 2016.

A copy of the pro-forma statement of financial position, demonstrating the effects of the Transaction, is set out at Schedule 2.

5.9 Share price information

The Company's closing share price on 3 March 2017, being the last trading day prior to the announcement of the selective buy-back was A\$0.075. The closing share price on 3 March 2017, being the last trading day prior to the finalisation of the Explanatory Memorandum was A\$0.075.

Trading in the Company's Shares is currently illiquid.

5.10 Company focus following disposal of the Assets

Following completion of the Transaction, the Company will:

- (a) focus on the area of marketing education seminars and workshops;
- (b) develop and build up the Company's capability in the area of Ad-Tech, for which Digimatic Media, WeWe Media and Digimatic Creatives provide a solid foundation.

5.11 Directors' recommendation

The Directors (other than Mr Lim), having considered the potential advantages and disadvantages of the Transaction and the Independent Expert's Report, are of the view that the Transaction is in the best interests of the Company and its Shareholders (other than Mr Lim).

The Directors (other than Mr Lim) unanimously recommend that the non-associated Shareholders should vote in favour of Resolution 2. All Directors (other than Mr Lim) intend to vote all the Shares that they control in favour of Resolution 2.

Other than as set out elsewhere in this Explanatory Memorandum, no Director has an interest or will participate in the Transaction.

6. Resolution 3 - Disposal of the Company's interest in Digimatic Solutions and Digimatic Australia to Mr Lim Hui Jie

6.1 General

Under the terms of the proposed Transaction, Mr Lim will acquire the Assets from the Company.

6.2 Listing Rules

Listing Rule 10.1 provides that an entity must not acquire a substantial asset from, or dispose of a substantial asset to (among others), a related party of the entity or an associate of such person. A substantial asset is an asset that has a value equating to 5% or more of the equity interests of the entity. A related party includes a director of the company.

Given that Mr Lim, as executive director of the Company, is a related party of the Company, the Company must obtain Shareholder approval for the Transaction, which includes the transfer of the Assets to Mr Lim. The deemed value of consideration is \$\$3,000,000 which is more than 5% of the equity interests of the Company.

6.3 Independent Expert's Report

Under the Listing Rules, the Company is required to engage an independent expert to advise Shareholders whether the transfer of the Assets is fair and reasonable to the non-associated Shareholders.

Accordingly, the Independent Expert has prepared the Independent Expert's Report and a copy is attached as Schedule 3 to the Explanatory Memorandum.

The Independent Expert has concluded that the transfer of the Assets is fair and reasonable to the non-associated Shareholders of the Company.

Shareholders are encouraged to read the Independent Expert's Report in detail and consult a professional adviser if you have any questions.

6.4 Directors' recommendation

The Directors (other than Mr Lim) have outlined the reasons why the transfer of the Assets is in the best interests of the Company and Shareholders in section 5.4 above. These sections contain all material information relevant to Shareholders' decision on how to vote on Resolution 3.

The Directors (other than Mr Lim) unanimously recommend that the non-associated Shareholders vote in favour of Resolution 3. All Directors (other than Mr Lim) intend to vote all the Shares that they control in favour of Resolution 3.

Schedule 1 - Definitions and Interpretations

1. Definitions

In the Notice and this Explanatory Memorandum, unless the context otherwise requires:

A\$ means Australian dollars.

AEST means Australian Eastern Standard Time.

Articles means the Company's Memorandum of Incorporation and Articles of Association (interchangeable with **'Constitution'**).

Assets means 200,000 ordinary fully paid Shares in Digimatic Solutions being 100% of all the shares in Digimatic Solutions and 100 ordinary fully paid shares in Digimatic Australia Pty Ltd being 100% of all the shares in Digimatic Australia Pty Ltd.

ASX means ASX Limited ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Limited.

ASX Settlement Rules means ASX Settlement Operating Rules of ASX Settlement Pty Ltd (ABN 49 008 504 532).

Board means the board of Directors from time to time.

Buy-Back Shares has the meaning ascribed in Section 3 of this Explanatory Memorandum.

CDI means CHESS Depository Interests issued by CDN, where each CDI represents a beneficial interest in one Share.

CDI Voting Instruction Form means the CDI voting instruction form attached to the Notice.

CDN means CHESS Depository Nominees Pty Ltd (ABN 75 071 346 506) (AFSL 254514), in its capacity as depositary of the CDIs under the ASX Settlement Rules.

Chairperson means the person appointed to chair the Meeting.

Companies Act means the Companies Act (Cap.50) of Singapore.

Company means Digimatic Group Ltd ARBN 605 944 198.

Consideration Shares has the meaning ascribed to it in Section 3.1 of this Explanatory Memorandum.

Constitution means the Memorandum and Articles of Association of the Company.

Digimatic Australia means Digimatic Australia Pty Ltd ACN 613 402 770, a wholly owned subsidiary of the Company.

Digimatic Solutions means Digimatic Solutions Pte Ltd (Singapore Registration Number 201317018G), a wholly owned subsidiary of the Company (formerly known as ShangCommerce Pte Ltd).

Director means any director of the Company and Directors means all of them.

Explanatory Memorandum means this explanatory memorandum.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Listing Rules means the official listing rules of the ASX.

Notice means this notice of general meeting.

Resolution means any resolution detailed in the Notice as the context requires.

S\$ means Singaporean dollars.

Schedule means a schedule to the Notice.

Section means a section of this Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company or a CDI, as applicable.

Shareholder means a holder of a Share (including CDN in its capacity as depositary of the CDIs under the ASX Settlement Rules), or holder of a CDI, as applicable.

SST means Singapore Standard Time, being the time in Singapore.

Transaction has the meaning ascribed in Section 4 of the Notice.

2. Interpretation

In the Notice and this Explanatory Memorandum, headings and words in bold are for convenience only and do not affect the interpretation of the Notice and this Explanatory Memorandum and, unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in the Notice or this Explanatory Memorandum have a corresponding meaning;
- (d) a term not specifically defined in the Notice or this Explanatory Memorandum has the meaning given to it (if any) in the Companies Act;
- (e) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (f) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (g) a reference to a body (including, without limitation, an institute, association or authority), whether statutory or not:
 - (i) which ceases to exist; or

(ii) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions; and

(h) **"include"** and **"including"** are not words of limitation.

Schedule 2 - Pro-forma statement of financial position

DIGIMATIC GROUP LTD AND ITS SUBSIDIARIES Consolidated Pro Forma Financial Position As at 30 September 2016

30.9.2016 30.9.2016 SS SS SS Assets Non-current assets Property, plant and equipment 538,620 (487,012) 51,608 Intangible assets 4,003,206 (1,394,039) 2,600,000 - 100,000 - 100,000 Amount due from third party - 2,600,000 2,602,602,000 2,602,602,000		Actual (Reviewed)	Adjustments (Unaudited)	Consolidated Pro Forma (Unaudited)
Assets Non-current assets 538,620 (487,012) 51,608 Intangible assets 4,003,206 (1,394,039) 2,609,167 Other investment 100,000 - 100,000 Amount due from third party - 2,600,000 2,600,000 Current assets inventories 4,325 (4,325) - Trade and other receivables 3,384,133 (2,360,318) 1,023,815 Amount due from third party - 176,874 176,874 Prepayment 219,680 (80,946) 138,734 Fixed deposits 9,500,000 - 9,500,000 Cash and cash equivalents 3,126,982 (1,187,722) 1,939,260 Total assets 20,876,946 (2,737,488) 18,139,458 Equity Share capital 17,332,503 (3,000,000) 14,332,503 Non-controlling interest 308,464 - 308,464 - 308,464 Total assets 1,696,902 (635,340) 1,061,552 15,536,37 Non-contro			SŚ	
Non-current assets Property, plant and equipment intangible assets $538,620$ $(487,012)$ $51,608$ Intangible assets $4,003,206$ $(1,394,039)$ $2,600,000$ $2,600,010$ $2,600,000$ $2,600,010$ <th></th> <th>50</th> <th>30</th> <th>50</th>		50	30	50
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Intangible assets 4,003,206 (1,394,039) 2,609,167 Other investment 100,000 100,000 2,600,000 2,600,000 Amount due from third party - 2,600,000 2,600,000 2,600,000 Current assets Inventories 4,641,826 718,949 5,360,775 Current assets 3,384,133 (2,360,318) 1,023,815 Amount due from third party - 176,874 176,874 Prepayment 219,680 (80,946) 138,734 Fixed deposits 9,500,000 - 9,500,000 Cash and cash equivalents 3,126,982 (1,187,722) 1,939,260 16,235,120 (3,456,437) 12,778,683 18,139,458 Equity and liabilities Equity 11,169,345 1,294,824 Foreign currency translation reserve (1,690) - (1,690) Foreign currency translation reserve 17,456,292 (1,830,655) 15,625,637 Non-controlling interest 308,464 - 308,464 - 308,464 Tot	Non-current assets			
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4,641,826 718,949 5,360,775 Current assets Inventories 4,325 (4,325) - Trade and other receivables 3,384,133 (2,360,318) 1,023,815 Amount due from third party - 176,874 176,874 Prepayment 219,680 (80,946) 138,734 Fixed deposits 9,500,000 - 9,500,000 Cash and cash equivalents 3,126,982 (1,187,722) 1,939,260 16,235,120 (3,456,437) 12,778,683 12,778,683 Total assets 20,876,946 (2,737,488) 18,139,458 Equity and liabilities Equity 17,332,503 (3,000,000) 14,332,503 Retained earnings 125,479 1,169,345 1,294,824 Foreign currency translation reserve (1,690) - (1,690) 17,456,292 (1,830,655) 15,625,637 Non-controlling interest 308,464 - 308,464 Tade and other payables 1,696,902 (635,340) 1,061,562 Unearmed revenue	Other investment	100,000	-	100,000
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Inventories 4,325 (4,325) - Trade and other receivables 3,384,133 (2,360,318) 1,023,815 Amount due from third party - 176,874 176,874 Prepayment 219,680 (80,946) 138,734 Fixed deposits 9,500,000 - 9,500,000 Cash and cash equivalents 3,126,982 (1,187,722) 1,939,260 16,235,120 (3,456,437) 12,778,683 Total assets 20,876,946 (2,737,488) 18,139,458 Equity and liabilities Equity 12,778,683 122,479 1,169,345 Share capital 17,332,503 (3,000,000) 14,332,503 Retained earnings 125,479 1,169,345 1,294,824 Foreign currency translation reserve (1,690) - (1,690) Non-controlling interest 308,464 - 308,464 Total equity 17,764,756 (1,830,655) 15,625,637 Non-current liabilities 1,696,902 (635,340) 1,061,562 Uneamed revenue		4,641,826	718,949	5,360,775
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Fixed deposits 9,500,000 - 9,500,000 Cash and cash equivalents 3,126,982 (1,187,722) 1,939,260 16,235,120 (3,456,437) 12,778,683 Total assets 20,876,946 (2,737,488) 18,139,458 Equity and liabilities Equity 17,332,503 (3,000,000) 14,332,503 Retained earnings 125,479 1,169,345 1,294,824 Foreign currency translation reserve (1,690) - (1,690) Non-controlling interest 308,464 - 308,464 - Total and other payables 1,696,902 (635,340) 1,061,562 Unearned revenue 1,048,357 (166,667) 881,690 Provision for reinstatement cost 2,871,776 (802,007) 2,069,769 Non-current liabilities 175,414 (104,826) 70,588 Provision for reinstatement cost 65,000 - 65,000 Deferred tax liabilities 3,112,190 (906,833) 2,205,357	Amount due from third party	-		176,874
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Equity Share capital 17,332,503 (3,000,000) 14,332,503 Retained earnings 125,479 1,169,345 1,294,824 Foreign currency translation reserve (1,690) - (1,690) Non-controlling interest 308,464 - 308,464 Total equity 17,764,756 (1,830,655) 15,625,637 Current liabilities 17,764,756 (1,830,655) 15,934,101 Current liabilities 17,764,756 (1,830,655) 15,934,101 Current liabilities 1 1,048,357 (166,667) 881,690 Provision for income tax 126,517 - 126,517 Version for reinstatement cost 65,000 - 65,000 Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 135,588 Total liabilities 3,112,190 (906,833) 2,205,357	Total assets	20,876,946	(2,737,488)	18,139,458
Share capital 17,332,503 (3,000,000) 14,332,503 Retained earnings 125,479 1,169,345 1,294,824 Foreign currency translation reserve (1,690) - (1,690) Non-controlling interest 308,464 - 308,464 Total equity 17,764,756 (1,830,655) 15,625,637 Non-controlling interest 308,464 - 308,464 Total equity 17,764,756 (1,830,655) 15,934,101 Current liabilities 1,696,902 (635,340) 1,061,562 Unearned revenue 1,048,357 (166,667) 881,690 Provision for income tax 126,517 - 126,517 2,871,776 (802,007) 2,069,769 Non-current liabilities 175,414 (104,826) 70,588 Provision for reinstatement cost 65,000 - 65,000 Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 135,588 Total liabilities 3,112,190 (906,833) 2,205,357	Equity and liabilities			
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17,456,292 (1,830,655) 15,625,637 Non-controlling interest 308,464 - 308,464 Total equity 17,764,756 (1,830,655) 15,934,101 Current liabilities 17,764,756 (1,830,655) 15,934,101 Current liabilities 1,696,902 (635,340) 1,061,562 Unearned revenue 1,048,357 (166,667) 881,690 Provision for income tax 126,517 - 126,517 2,871,776 (802,007) 2,069,769 Non-current liabilities 175,414 (104,826) 70,588 Provision for reinstatement cost 65,000 - 65,000 Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 Total liabilities 3,112,190 (906,833) 2,205,357	Retained earnings	125,479	1,169,345	1,294,824
Non-controlling interest 308,464 - 308,464 Total equity 17,764,756 (1,830,655) 15,934,101 Current liabilities 1,696,902 (635,340) 1,061,562 Unearned revenue 1,048,357 (166,667) 881,690 Provision for income tax 126,517 - 126,517 2,871,776 (802,007) 2,069,769 Non-current liabilities - 65,000 - 65,000 Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 Total liabilities 3,112,190 (906,833) 2,205,357 - -	Foreign currency translation reserve	(1,690)	-	
Total equity 17,764,756 (1,830,655) 15,934,101 Current liabilities 1,696,902 (635,340) 1,061,562 Unearned revenue 1,048,357 (166,667) 881,690 Provision for income tax 126,517 - 126,517 Non-current liabilities - 65,000 - 65,000 Provision for reinstatement cost 65,000 - 65,000 - Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 Total liabilities 3,112,190 (906,833) 2,205,357			(1,830,655)	
Current liabilities Trade and other payables 1,696,902 (635,340) 1,061,562 Unearned revenue 1,048,357 (166,667) 881,690 Provision for income tax 126,517 - 126,517 Non-current liabilities 2,871,776 (802,007) 2,069,769 Non-current liabilities 175,414 (104,826) 70,588 Provision for reinstatement cost 65,000 - 65,000 Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 135,588 Total liabilities 3,112,190 (906,833) 2,205,357	-		-	
Trade and other payables 1,696,902 (635,340) 1,061,562 Unearned revenue 1,048,357 (166,667) 881,690 Provision for income tax 126,517 - 126,517 2,871,776 (802,007) 2,069,769 Non-current liabilities 65,000 - 65,000 Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 Total liabilities 3,112,190 (906,833) 2,205,357	Total equity	17,764,756	(1,830,655)	15,934,101
Unearned revenue 1,048,357 (166,667) 881,690 Provision for income tax 126,517 - 126,517 2,871,776 (802,007) 2,069,769 Non-current liabilities - 65,000 - 65,000 Deferred tax liabilities 175,414 (104,826) 70,588 240,414 135,588 Total liabilities 3,112,190 (906,833) 2,205,357 -	Current liabilities			
Provision for income tax 126,517 - 126,517 2,871,776 (802,007) 2,069,769 Non-current liabilities 65,000 - 65,000 Provision for reinstatement cost 65,000 - 65,000 Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 Total liabilities 3,112,190 (906,833) 2,205,357	Trade and other payables	1,696,902	(635,340)	1,061,562
2,871,776 (802,007) 2,069,769 Non-current liabilities Provision for reinstatement cost 65,000 - 65,000 Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 Total liabilities 3,112,190 (906,833) 2,205,357	Unearned revenue	1,048,357	(166,667)	881,690
Non-current liabilities Provision for reinstatement cost 65,000 - 65,000 Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 Total liabilities 3,112,190 (906,833) 2,205,357	Provision for income tax	126,517	-	
Provision for reinstatement cost 65,000 - 65,000 Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 Total liabilities 3,112,190 (906,833) 2,205,357				2 000 700
Deferred tax liabilities 175,414 (104,826) 70,588 240,414 (104,826) 135,588 Total liabilities 3,112,190 (906,833) 2,205,357		2,871,776	(802,007)	2,069,769
240,414 (104,826) 135,588 Total liabilities 3,112,190 (906,833) 2,205,357	Non-current liabilities	2,871,776	(802,007)	2,009,709
Total liabilities 3,112,190 (906,833) 2,205,357			(802,007)	
	Provision for reinstatement cost	65,000	-	65,000
Total equity and liabilities 20,876,946 (2,737,488) 18,139,458	Provision for reinstatement cost	65,000 175,414	(104,826)	65,000 70,588
	Provision for reinstatement cost Deferred tax liabilities	65,000 175,414 240,414	(104,826)	65,000 70,588 135,588

Preparation of the Consolidated Pro Forma Financial Position

The consolidated pro forma Financial Position has been prepared to demonstrate the impact of the following proposed transactions which will take place pursuant to the DMS Sale Agreement:

(a) disposal in investment of DMS amounting to S\$1,438,704;

(b) gain in sale of DMS Interest of S\$1,169,345; and

(c) sale proceed will be settled by cancelling 30million shares @ S\$0.10 per share on the Completion Date.

DIGIMATIC GROUP LTD. Independent Expert's Report

OPINION: The Proposed Transaction is Fair a Reasonable to Shareholders

3 March 2017







Financial Services Guide

3 March 2017

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Digimatic Group Limited ('DMC' or the 'Company') to provide an independent expert's report on the proposal to dispose of two of its wholly own subsidiaries, Digimatic Solutions Pte Ltd ('Digimatic Solutions') and Digimatic Australia Pty Ltd ('Digimatic Australia'), to Mr Lim Hui Jie ('Mr Lim') in exchange for the buy-back and cancellation of 30 million shares from Mr Lim. You will be provided with a copy of our report as a retail client because you are a shareholder of the Company.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (**'FSG'**). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.



Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately A\$28,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from DMC for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Toll free: 1300 78 08 08 Facsimile: (03) 9613 6399 Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

 $\ensuremath{\mathbb{C}}$ 2017 BDO Corporate Finance (WA) Pty Ltd



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3 March 2017

The Directors Digimatic Group Limited 82 Ubi Avenue 4, 06-04, Edward Boustead Centre SINGAPORE 408832

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 3 March 2017, Digimatic Group Ltd ('DMC' or the 'Company') signed agreements for the disposal of two of its wholly owned subsidiaries, Digimatic Solutions Pte Ltd ('Digimatic Solutions') and Digimatic Australia Pty Ltd ('Digimatic Australia'), to Mr Lim Hui Jie ('Mr Lim') in exchange for the buy-back and cancellation of 30 million DMC Shares ('Buy-back Shares') from Mr Lim. Mr Lim was, up to the date of announcement of the agreements, an Executive Director and Chief Executive Officer of the Company.

All references to monetary amounts are denominated in Singapore dollars ('S\$') unless stated otherwise.

2. Summary and Opinion

2.1 Purpose of the report

The directors of the Company have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the proposal to dispose of Digimatic Solutions and Digimatic Australia to Mr Lim in consideration for the Buy-back Shares (the '**Proposed Transaction**') is fair and reasonable to the non-associated shareholders of the Company ('**Shareholders**').

Our Report is prepared pursuant to Australian Securities Exchange ('ASX') Listing Rule 10.1 and is to be included in the Notice of Meeting and Explanatory Memorandum for the Company in order to assist the Shareholders in their decision whether to approve the Proposed Transaction.

2.2 Approach

As the Proposed Transaction requires approval under ASX Listing Rule 10.1, and that rule imports concepts from the Corporations Act, our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').



In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this Report. We have considered:

- How the value of Digimatic Solutions compares to the value of the Buy-back Shares to be received in consideration;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this Report and have concluded that the Proposed Transaction is fair and reasonable to Shareholders.

2.4 Fairness

In section 12, we determined that the value of Digimatic Solutions compares to the value of the Buy-back Shares, as detailed below.

	Ref	Low S\$	High \$\$
Value of Digimatic Solutions	10.2	184,646	184,646
Value of Buy-back Shares	11.3	600,000	720,000

Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, the Proposed Transaction is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this Report, in terms of both

- advantages and disadvantages of the Proposed Transaction; and
- other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Proposed Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information we believe that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:



ADVANTAGES AND DISADVANTAGES Section **Advantages** Section **Disadvantages** 13.3.1 The Proposed Transaction is fair 13.4.1 Shareholders forego the opportunity to benefit from any potential upside in Digimatic Solutions 13.3.2 Reduces losses and the requirement to fund future losses via working capital 13.3.3 Allows a more focused approach from Management 13.3.4 A cleaner corporate structure may improve the attractiveness of the Company to potential investors

13.3.5 Shareholders' interests will increase

Other key matters we have considered include:

Section	Description
13.1	Alternative proposals
13.2	Consequences of not approving the Proposed Transaction

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts. Based on the Company's most recent accounts announced on the ASX, the potential value of the Buy-back Shares is greater than 5% of the equity interest of the Company.

ASX Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity. Mr Lim is considered a related party of the Company as he was, until the Proposed Transaction was announced, an Executive Director and the current Chief Executive Officer of the Company.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction (Non-Associated Shareholders).



Accordingly, an independent experts' report is required for the Proposed Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to Non-Associated Shareholders of the Company.

3.2 Regulatory guidance

Neither the ASX Listing Rules nor the Corporations Act 2001 (Cth) ('**Corporations Act**') defines the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Proposed Transaction to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Proposed Transaction as if it were not a control transaction.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities, subject of the offer. In the case of the Proposed Transaction, Digimatic Solutions and Digimatic Australia are the subject of the offer and the Buy-back Shares are the consideration that the Company will receive. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in Section 3.2 we do not consider that the Proposed Transaction is a control transaction. As such, we have not included a premium for control when considering the value of DMC.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of Digimatic Solutions and the value of the Buy-back Shares to be received in consideration (fairness see section 12 'Is the Proposed Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness see section 13 'Is the Proposed Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:



'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposed Transaction

On 3 March 2017, the Company signed agreements for the disposal of two of its wholly owned subsidiaries, Digimatic Solutions and Digimatic Australia, to Mr Lim in exchange for the 30 million Buy-back Shares from Mr Lim. Up until the date the agreements were executed, Mr Lim was an Executive Director and the Chief Executive Officer of the Company.

Conditions precedent

Completion of the Proposed Transaction is conditional on the following:

- i. The Company obtaining requisite regulatory approvals;
- ii. The approval of the Board of the Company (excluding Mr Lim);
- iii. The Company's Articles being successfully amended to allow the buy-back for the cancellation of the Buy-back Shares;
- iv. Shareholders approving the selective buy-back and disposal of Digimatic Solutions and Digimatic Australia as set out in accordance with the Companies Act and ASX Listing Rules; and
- v. All other approvals, consents and requirements being obtained or fulfilled in order for completion to be effected.

Loans and waivers

- i. Interest on all outstanding loans owed by Digimatic Solutions to the Company, which amounts to approximately \$\$78,000 as at 31 March 2017, will be waived;
- ii. The Company will allow Digimatic Solutions to repay an existing intercompany loan on the following terms:
 - a) interest on the S\$2.60 million loan at a rate of 2% per annum on the outstanding principal amount will only start accruing from completion until 31 March 2019;
 - b) for the period 1 April 2019 to 31 March 2022, interest at the rate of 5% per annum shall accrue of the outstanding principal amount;
 - c) any repayments made shall go first towards the payment of any interest accrued;
 - d) interest accrued and unpaid at the end of every calendar year shall be compounded and form part of the principal;
 - e) the loan may be repaid, in part or in full, by any of the following means:
 - i. payment in cash at any time;
 - ii. via the offer to issue fully paid ordinary shares in Digimatic Solutions, which if accepted by the Company, Digimatic Solutions would issue that number of shares that is the higher of up to 13% of the total enlarged share capital of Digimatic



Solutions in satisfaction of the amount of S\$2.60 million (or pro-rated accordingly in the event of part payment) plus payment in cash for any accrued interest unpaid or at a price per share based on the latest valuation of Digimatic Solutions represented by the subscription amount per share paid by the most recent third party investment of a minimum of S\$100,000 in Digimatic Solutions after completion; or

- iii. as an alternative to the above, the number of shares in Digimatic Solutions based on any other valuation agreed between Digimatic Solutions and the Company, provided that in each case above, where Digimatic Solutions has positive EBITDA based on its latest available management accounts and subject to satisfactory financial due diligence by the Company, that the Company accept the offer made by Digimatic Solutions.
- a sum of approximately \$\$240,000, comprising management fees of approximately \$\$133,000 and payments made by the Company on behalf of Digimatic Solutions of approximately \$\$107,000, owed by Digimatic Solutions to the Company in relation to Digimatic Solutions' Australian operations will be waived; and
- iv. expenses of approximately \$\$38,000 to be paid by the Company on behalf of Digimatic Solutions in relation to Australian operations will be waived.

Both parties shall also agree a list of Company employees who will be transferred to Digimatic Solutions. The Company will also provide free rental of the premises currently occupied by Digimatic Solutions until 30 September 2017, together with accounting and human resource support.

Capital structure

Following completion of the Proposed Transaction, the potential changes in shareholding of the Company are summarised in the table below.

		Other	
	Mr Lim	Shareholders	Total
Issued shares at the date of our Report	50,000,000	633,664,000	683,664,000
% holding at the date of our Report	7.31%	92.69%	100.00%
Following the Proposed Transaction:			
Cancellation of the Buy-back Shares	(30,000,000)	-	(30,000,000)
Number of shares after the approval of the Proposed Transaction	20,000,000	633,664,000	653,664,000
% holding after the approval of the Proposed Transaction	3.06%	96.94%	100.00%

Mr Lim currently holds 20 million Shares which are escrowed for 24 months from the Company listing on the ASX. As these shares are subject to escrow imposed by ASX, no agreements with respect to the disposal of those shares can be entered into. Mr Lim's obligations are to deliver to the Company 30 million shares for buy-back and cancellation. Mr Lim is therefore required to acquire the Buy-back Shares prior to completion. For the avoidance of doubt, Mr Lim will continue to hold his 20 million shares under escrow and will deal with them in the manner he deems fit following the expiry of the escrow period.



5. Profile of the Company

5.1 Background

DMC is a publicly listed company which was incorporated in the Republic of Singapore on 3 March 2015 as CPA Digital Media Group Limited. The Company changed its name to Digimatic Group Ltd. in May 2015, and subsequently listed on the ASX on 16 December 2015. Through its subsidiaries, the Company operates in the business of online performance based marketing and assists brands with connections to customers through various channels.

The current directors and senior management of DMC are:

- Mr Clive Tan Che Koon, Non-Executive Chairman;
- Mr Ivan Ong, Executive Director;
- Mr Zane Robert Lewis, Non-Executive Director;
- Mr Denis Koh, Chief Information Officer; and
- Ms Chung Pit Lee, Chief Financial Officer.

The Company has the following subsidiaries:

- (a) Digimatic Media Private Limited ('DMM'), formerly known as CPA Academy Pte Ltd, was acquired by the Company on 23 May 2015. DMM is a wholly-owned subsidiary of the Company and is an education business branded as Ace Profits Academy focussed on the provision of various marketing seminars and workshops in Singapore;
- (b) Digimatic Solutions, formerly known as ShangCommerce Pte Ltd, was acquired by the Company on 29 May 2015. Digimatic Solutions is a wholly-owned subsidiary of the Company and is primarily involved in the provision of technology and platforms for brands to initiate e-commerce and online sales;
- (c) Wewe Media Group Pte Ltd ('**WWM**') was acquired by the Company on 20 July 2015. WWM is a whollyowned subsidiary of the Company, and is an internet advertising business focussed on the provision of lead generation and client acquisition services;
- (d) Digimatic Creatives Pte Ltd ('DMR'), formerly known as AP Media Pte Ltd, is an integrated production agency focusing on content creation as well as full end-to-end branding consultation and strategic positioning advice to help clients meet their business and marketing objectives. The Company acquired a 51% interest in DMR on 29 February 2016;
- (e) Digimatic Ventures Limited ('DMV') is a wholly-owned subsidiary of the Company, and was incorporated on 22 March 2016. DMV is focussed on seeking, structuring and acquiring companies or businesses; and
- (f) Digimatic Australia is a wholly-owned subsidiary of the Company and is focussed on serving the needs of Australian customers through the provision of business solutions via commerce technology. We note that Digimatic Australia has no current operations, nor any significant balance sheet items.



5.2 Historical Statement of Financial Position

Consolidated Statement of Financial Position	Reviewed as at 30-Sep-16 S\$	Audited as at 31-Mar-16 S\$	Audited as at 31-Mar-15 S\$
CURRENT ASSETS			
Cash and cash equivalents	3,126,982	9,582,988	-
Inventories	4,325	4,325	-
Trade and other receivables	3,384,133	2,642,651	4,250
Prepayment	219,680	80,021	-
Fixed deposits	9,500,000	5,000,000	-
TOTAL CURRENT ASSETS	16,235,120	17,309,985	4,250
NON CURRENT ASSETS			
Property, plant and equipment	538,620	466,426	-
Intangible assets	4,003,206	3,619,771	-
Other investment	100,000	-	-
TOTAL NON CURRENT ASSETS	4,641,826	4,086,197	-
TOTAL ASSETS	20,876,946	21,396,182	4,250
CURRENT LIABILITIES			
Trade and other payables	1,696,902	2,396,414	765,910
Unearned revenue	1,048,357	884,868	-
Provision for income tax	126,517	155,548	-
TOTAL CURRENT LIABILITIES	2,871,776	3,436,830	765,910
NON CURRENT LIABILITIES			
Deferred tax liabilities	175,414	175,407	-
Provision for reinstatement cost	65,000	50,000	-
TOTAL NON CURRENT LIABILITIES	240,414	225,407	-
TOTAL LIABILITIES	3,112,190	3,662,237	765,910
NET ASSETS/(LIABILITIES)	17,764,756	17,733,945	(761,660)
EQUITY			
Issued capital	17,332,503	17,332,503	4,250
Reserves	(1,690)	(1,592)	-
Accumulated profits/(losses)	125,479	90,585	(765,910)
Non-controlling interest	308,464	312,449	-
TOTAL EQUITY	17,764,756	17,733,945	(761,660)

Source: DMC's audited financial statements as at 31 March 2015 and DMC Group's audited financial statements as at 31 March 2016 and reviewed financial statements as at 30 September 2016

Commentary on Historical Statement of Financial Position

We note the following in relation to the Company's historical statement of financial position:

- Trade and other receivables of \$\$3.38 million as at 30 September 2016 comprised trade receivables from related companies and third parties, other receivables, amounts due from directors, deposits and unbilled revenue.
- Fixed deposits of \$\$5.00 million as at 31 March 2016 and \$\$9.50 million at 30 September 2016 represented the Company's total investible funds that were placed in a fixed deposit in order to have sufficient cash to be used for planned acquisitions. The fixed deposits had a maturity of more than three months and a weighted average effective interest rate of 1.20% per annum.
- Intangibles of S\$4.00 million as at 30 September 2016 comprised brands, trademarks, development costs and impairment testing of goodwill and brands. Brands related to 'Wewe' and 'ShangCommerce' brand names for the Group's Media and Solutions businesses, and trademarks related to the source code relating to the operating system of the e-commerce platform.



- Trade and other payables of \$\$2.40 million as at 31 March 2016 largely comprised accruals of \$\$1.21 million, amount due to directors of \$\$0.43 million and trade payables to third parties of \$\$0.25 million. Other items included trade payables to related company, goods and services tax payable, deposits from customers and other payables.
- Issued capital increased from S\$0.004 million as at 31 March 2015 to S\$17.33 million as at 30 September 2016. This increase followed the issue of Company shares over the period as part of numerous acquisitions by the Company and Initial Public Offer ('IPO') in December 2015.

5.3 Historical Statement of Profit or Loss and Other Comprehensive Income

	Reviewed for the	Audited for the A	udited for the period
Consolidated Statement of Profit or Loss and Other Comprehensive	half year ended	year ended	from incorporation
Income	30-Sep-16	31-Mar-16	to 31-Mar-15
	S\$	S\$	S\$
Revenue	8,507,834	9,081,883	-
Less: Cost of sales	(5,801,983)	(5,143,406)	-
Gross profit	2,705,851	3,938,477	-
Other income	110,114	918,646	-
Expenses			
Administration expenses	(2,750,163)	(3,749,423)	(765,910)
Finance expenses	-	(8,750)	-
Other expenses	(18,041)	-	-
Profit/(loss) from continuing operations before income tax	47,761	1,098,950	(765,910)
Income tax expense	(21,752)	(75,930)	-
Profit/(loss) from continuing operations after income tax	26,009	1,023,020	(765,910)
Foreign currency translation differences	(98)	(1,592)	-
Total comprehensive profit/(loss) for the year	25,911	1,021,428	(765,910)

Source: DMC's audited financial statements for the period from date of incorporation to 31 March 2015, DMC Group's audited financial statements for the year ended 31 March 2016 and reviewed financial statements for the half year ended 30 September 2016

Commentary on Historical Statement of Profit or Loss and Other Comprehensive Income

We note the following in relation to the Company's Historical Statement of Profit or Loss and Other Comprehensive Income:

- Revenue of \$\$9.08 million for the year ended 31 March 2016 comprised programme fees of \$\$4.78 million, commission income of \$\$2.42 million, rendering of services of \$\$1.40 million and sale of goods of \$\$0.48 million. Revenue of \$\$8.51 million for the half year ended 30 September 2016 comprised programme fees of \$\$3.33 million, commission income of \$\$2.24 million, rendering of services of \$\$2.58 million and sale of goods of \$\$0.36 million.
- Other income for the year ended 31 March 2016 comprised waiver of loan from shareholder totalling S\$0.52 million, productivity innovation credit ('PIC') and small to medium sized enterprises ('SME') grants, gain from bargain purchase, net foreign exchange differences and interest income. Other income for the half year ended 30 September 2016 comprised predominantly interest income, PIC and SME grants and other items.
- Finance expenses wholly related to interest on loan.



5.4 Capital Structure

The share structure of DMC as at 17 February 2017 is outlined below:

	Number
Total ordinary shares on issue	683,664,000
Top 20 shareholders	609,847,297
Top 20 shareholders - % of shares on issue	89.20%

Source: Share registry information

The range of shares held in DMC as at 17 February 2017 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	9	2,542	0.00%
1,001 - 5,000	8	28,540	0.00%
5,001 - 10,000	23	191,437	0.03%
10,001 - 100,000	395	25,387,659	3.71%
100,001 - and over	155	658,053,822	96.25%
TOTAL	590	683,664,000	100.00%

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 17 February 2017 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Champion Star United Inc	155,140,000	22.69%
Aden Ventures Limited	82,642,325	12.09%
8 Business Pte Ltd	66,250,999	9.69%
Mr Shao Kuang Ivan Ong	60,829,999	8.90%
Subtotal	364,863,323	53.37%
Others	318,800,677	46.63%
Total ordinary shares on Issue	683,664,000	100.00%

Source: Share registry information

6. Profile of Digimatic Solutions

6.1 Background

Digimatic Solutions, formerly known as ShangCommerce Pte Ltd, was established in 2013 and is a private limited company incorporated in the Republic of Singapore. Digimatic Solutions is focussed on the provision of technology solutions for brand and businesses, through the building of eCommerce websites, mobile applications and end-to-end customised platforms. Currently, Mr Jozua Lee is the Managing Director of Digimatic Solutions.

On 29 May 2015, DMC acquired 100% equity interest in Digimatic Solutions by way of the issue of 80,254,000 DMC shares to former shareholders of Digimatic Solutions and their nominees. Mr Lim, co-founder of Digimatic Solutions, received 20 million of those shares.



	Unaudited as at	Audited as at Audited as at Audited as at		
Statement of Financial Position	30-Sep-16	31-Mar-16	31-Mar-15	31-Mar-14
	S\$	S\$	S\$	S\$
CURRENT ASSETS				
Cash and cash equivalents	489,722	366,296	131,865	137,920
Inventories	4,325	4,325	30,610	10,000
Trade and other receivables	2,361,568	922,611	536,895	1,500
Prepayments	80,946	8,464	-	-
TOTAL CURRENT ASSETS	2,936,561	1,301,696	699,370	149,420
NON-CURRENT ASSETS				
Property, plant and equipment	487,012	164,677	35,172	15,001
TOTAL NON-CURRENT ASSETS	487,012	164,677	35,172	15,001
TOTAL ASSETS	3,423,573	1,466,373	734,542	164,421
CURRENT LIABILITIES				
Trade and other payables	3,072,260	1,231,137	578,892	15,366
Unearned revenue	166,667	61,364	-	-
TOTAL CURRENT LIABILITIES	3,238,927	1,292,501	578,892	15,366
TOTAL LIABILITIES	3,238,927	1,292,501	578,892	15,366
NET ASSETS/(LIABILITIES)	184,646	173,872	155,650	149,055
EQUITY				
Share capital	200,000	200,000	200,000	200,000
Accumulated losses	(15,354)	(26,128)	(44,350)	(50,945)
TOTAL EQUITY	184,646	173,872	155,650	149,055

6.2 Historical Statement of Financial Position

Source: Digimatic Solutions' audited financial statements as at 31 March 2014, 31 March 2015 and 31 March 2016, and financial statements extracted from the reviewed DMC accounts as at 30 September 2016

Commentary on Historical Statement of Financial Position

We note the following in relation to the Digimatic Solutions' Historical Statement of Financial Position:

- We have not undertaken a review of Digimatic Solutions' unaudited financial statements in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.
- Trade and other receivables of \$\$2.36 million as at 30 September 2016 related to amounts owed from customers, deposits and intercompany receivables of Digimatic Solutions.
- Trade and other payables of \$\$3.07 million as at 30 September 2016 largely comprised intercompany payables of \$\$2.44 million, accrued operating expenses of \$\$0.42 million and deposits from customers of \$\$0.19 million. Other items included trade payables and other payables.
 - The intercompany payable amount of S\$2.44 million comprised S\$2.12 million and S\$0.32 million payable to DMC and other related companies, respectively.



Statement of Profit or Loss and Other Comprehensive Income	Unaudited for the half year ended 30-Sep-16 S\$	Audited for the year ended 31-Mar-16 S\$	Audited for the year ended 31-Mar-15 S\$	Audited for the period from incorporation to 31-Mar-14 S\$
Revenue	2,201,353	1,320,184	666,710	-
Less: Cost of sales	(1,188,699)	(756,905)	(14,151)	
Gross profit	1,012,654	563,279	652,559	-
Other income	18,295	671,572	30,827	-
Expenses				
Administrative expenses	(982,797)	(1,211,927)	(676,791)	(50,945)
Finance expenses	(37,378)	(4,702)	-	-
Profit/(loss) from continuing operations before income tax	10,774	18,222	6,595	(50,945)
Income tax expense	-	-	-	-
Total comprehensive profit/(loss) for the year	10,774	18,222	6,595	(50,945)

6.3 Historical Statement of Comprehensive Income

Source: Digimatic Solutions' audited financial statements for the years ended 31 March 2014, 31 March 2015 and 31 March 2016, and financial statements extracted from the reviewed DMC accounts for the half year ended 30 September 2016

Commentary on Historical Statement of Profit or Loss and Other Comprehensive Income

We note the following in relation to Digimatic Solutions' Historical Statement of Profit or Loss and Other Comprehensive Income:

- We have not undertaken a review of Digimatic Solutions' unaudited financial statements in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.
- Other income of \$\$0.67 million for the year ended 31 March 2016 comprised PIC and SME grants, interest income from third parties, unrealised and realised exchange gain and other income. The majority of this other income balance related to the waiver of loan from shareholder totalling \$\$0.52 million.

7. Economic analysis

7.1 Global

Overall, the global economy is continuing to grow at a moderate level, entering 2017 with more momentum than what was originally expected. Labour market conditions in advanced economies have improved over the past year but growth in global industrial production and trade remains subdued.

In China, growth was stronger over the second half of 2016 which was supported by higher spending on infrastructure and property construction. This has come as a result of China shifting away from an economy dependent on manufacturing, to one driven by consumer demand.

Global financial markets have seen improved sentiment following a period of increased volatility. However, uncertainty regarding the global economic outlook and policy settings for major jurisdictions continues. Globally, monetary policy remains accommodative.



7.2 Australia

Commodity prices

Commodity prices have increased in recent months, following a steep decline over the past few years. The increase in commodity prices is partly attributable to factors such as increased Chinese demand for bulk commodities. Chinese authorities have also restricted domestic production to reduce overcapacity, which has further contributed to the appreciation of prices.

The increase in commodity prices has seen a consequent increase in Australia's terms of trade. The increase bucks a declining trend in Australia's terms of trade, which have steadily declined over the past four years.

Domestic growth

In Australia, the available information suggests that the economy is growing moderately. The Australian economy has experienced a large decline in mining investment. However, this is being offset by growth in other areas such as residential construction, government expenditure and exports.

It is expected that global inflation will remain relatively low over the coming years, suggesting there is still downwards pressure on inflation in Australia.

Credit growth

Credit growth has picked up over the last three months, partly due to a number of large privatisations being financed by business credit. Furthermore, loan approvals data suggests that lending to investors has risen over the past few months, which is consistent with the increase in investor housing loan approvals.

Overall conditions in the established housing market have strengthened recently, although there is substantial variation across the country. In Perth, housing prices are strengthening slightly.

Financial conditions remain accommodative globally, with funding costs for creditworthy borrowers remarkably low.

Impact of currency movements

An overall depreciating Australian dollar since 2013 has assisted the ongoing adjustment of the economy towards non-resource sectors following the end of the mining boom. However, over the last few months, the Australian dollar has gradually appreciated due to Australia's rise in the terms of trade.

Source: <u>www.rba.gov.au</u> Statement by Philip Lowe, Governor: Monetary Policy Decision 7 February 2017

7.3 Singapore

Singapore is a well-established and successful free-market economy and due to its small, open market economy, utilises an exchange rate-based monetary policy.

The Monetary Authority of Singapore ('MAS') is the central bank of Singapore, and manages Singapore's exchange rate, foreign reserves and liquidity in the banking sector. The MAS releases its monetary policy statements in April and October each year.

In the last monetary policy statement dated 14 October 2016, MAS stated that the Singapore economy had contracted by 4.1% on a quarter-on-quarter seasonally adjusted annualised basis in the third quarter of 2016, following the 0.2% expansion in the second quarter of 2016. This decline was reflective of sluggish external conditions and concentrated in Singapore's manufacturing sector.



Modest growth is expected for the Singaporean economy, with the shift in the composition of demand towards less import-intensive consumption spending continuing. However, overall growth in 2017 is expected to be only slightly higher than that of 2016.

Based on the above, MAS decided to maintain the rate of appreciation of the Singapore dollar nominal effective exchange rate policy band at zero percent. This was decided in order to maintain medium-term price stability.

Source: <u>www.mas.gov.sg</u> Monetary Policy Statement 14 October 2016

8. Industry analysis

8.1 Overview

Through its subsidiaries, Digimatic operates in the digital marketing industry and offers its services through various platforms. Other services offered include, but are not limited to, business analytics, website development, eCommerce and location based services.

Over the past five years, the digital marketing industry has expanded moderately. This increase can be primarily attributed to consumers and businesses increasing their online presence through a range of devices in order to save time and costs and improve product offerings.

According to the World Bank, global mobile cellular subscriptions have increased from approximately 76 subscriptions per 100 people in 2010 to approximately 99 subscriptions per 100 people in 2015. This simple figure demonstrates the increasing use of mobile phone devices globally, which in turn has had a significant impact on the platforms in which businesses market their products and services. In addition to mobile phones, global internet usage has also increased. According to World Bank, internet usage has increased from approximately 29 users per 100 people in 2010 to approximately 44 users per 100 people in 2015.

Key external drivers which impact the level of demand for digital marketing industry services include the business confidence index, household consumption expenditure and demand from internet publishing and broadcasting. Companies operating within the digital marketing industry are likely to benefit when business confidence is high, as firms increase their advertising budgets during periods of strong economic growth. Further, when household consumption expenditure is high, consumers have a greater reaction to marketing campaigns as they look to make high-value purchases. Greater advertising through websites also benefits the digital marketing industry as a whole as demand for advertising increases.

8.2 Services segmentation

The digital marketing industry has two core service offerings, being advertising and broadcasting through print media. However, services such as online advertising and internet campaigns have since surpassed these traditional advertising methods due to global technological advances.

In relation to online advertising methods, this can involve various pricing models for advertisers which can be broadly categorised into:

• impression-based pricing, which may include costs per impression, involves an advertiser paying based on the number of times that an advertisement is displayed; and



• performance-based pricing, which may include cost per acquisition, cost per click or cost per lead. Performance-based pricing involves an advertiser paying for actual performance of its product or service based on measurable results received from the advertising medium used.

Online advertising services primarily comprises specialised website, smartphone and tablet advertising campaigns, website and interactive application development and marketing tools such as search engine optimisation. Larger operators may also offer ancillary services such as business analytics and overall technical support.

8.3 Outlook

Over the next few years, developments in mobile internet technology are likely to see increased demand for mobile applications that use innovative advertising methods tailored to the consumer. Furthermore, as more digital communication channels become available, many messages may become diluted or lost among other advertisements as Industry operators start to use the same advertising methods.

Marketing expenditure is also anticipated to continue shifting away from traditional paid media advertising and towards incorporating below-the-line advertising methods due to the shift towards online marketing methods. This means that advertising methods promoted in mediums apart from radio, television, billboards, print and film will incur costs associated with online marketing such as website banner advertising, in-app advertising and digital advertising. As a result, digital marketing industry operators will be forced to find less intrusive and cost-effective ways to reach and communicate with their relevant target markets.

As a result of the above, and as more consumers become internet and mobile phone enabled, it is vital for Industry operators to continue seeking new and innovative ways of interacting with consumers via various digital channels.

Source: IBIS World and www.worldbank.org

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

9.1. Valuation of Digimatic Solutions and Digimatic Australia

In our assessment of the value of Digimatic Solutions, we have chosen to employ the following methodologies:

• FME; and



• NAV

We have chosen these methodologies for the following reasons:

- The DCF approach is particularly applicable to businesses with limited lives, experiencing growth and that are in the start-up phase, with irregular cash flows. Digimatic Solutions was incorporated in 2013 and therefore has a limited financial history and is still continuing to grow and expand. Therefore, the DCF approach may have been a suitable approach for the valuation of Digimatic Solutions as the future growth potential could have been effectively captured based on an appropriate discount rate to factor in the potential risk. However, the DCF approach has not been considered given that we were not provided with suitable or extended cash flows. Therefore, we do not consider that we have reasonable grounds, under RG 111, based on Digimatic Solutions' historical performance, to consider the DCF approach.
- DMC owns 100% of the issued capital in Digimatic Solutions. Digimatic Solutions' shares are not separately listed on the ASX and hence, there is no regulated and observable market where Digimatic Solutions shares are traded. Accordingly, we cannot value the shares of Digimatic Solutions based on the QMP basis.
- The FME approach is most commonly applicable to profitable businesses with relatively steady growth histories and forecasts. Our review of the historical financial performance of Digimatic Solutions indicates that either losses or minimal profits have been achieved since incorporation. We will assess the financial performance of Digimatic Solutions on a normalised basis in order to determine if we have a reasonable basis to assess future maintainable earnings of Digimatic Solutions.
- The NAV methodology has also been considered as an appropriate valuation approach to undertake. However, we note that asset based methods ignore the possibility that the value of Digimatic Solutions could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as goodwill and intellectual property rights.

We note that Digimatic Australia has no current operations, nor any significant balance sheet items, therefore we have assigned a nil value to Digimatic Australia.

Based on the above, we consider the most appropriate methodologies to value Digimatic Solutions is the FME and NAV methodologies.

9.2. Valuation of Buy-back Shares

The Buy-back Shares consist of 30 million DMC shares. Therefore, in valuing the Buy-back Shares we must value DMC, excluding any value associated with Digimatic Solutions or Digimatic Australia which is to be disposed under the terms of the Proposed Transaction.

In our assessment of the value of DMC we have chosen to employ the following methodologies:

- FME; and
- NAV

We have chosen these methodologies for the following reasons:

• The DCF approach is particularly applicable to businesses with limited lives, experiencing growth and that are in the start-up phase, with irregular cash flows. DMC was incorporated in 2015 and



acquired a number of businesses, including Digimatic Solutions, following that date. The Company therefore has a limited financial history and is still continuing to grow and expand. Therefore, the DCF approach may have been a suitable approach for the valuation of the Company as the future growth potential could have been effectively captured based on an appropriate discount rate to factor in the potential risk. However, the DCF approach has not been considered, given that we have not been provided with suitable or extended cash flows. Therefore, we do not consider that we have reasonable grounds, under RG 111, based on the Company's historical performance, to consider the DCF approach.

- The Company is listed on the ASX meaning there is a regulated and observable market where its shares can be traded. However, the historical trading and value of the Company's shares on the ASX incorporates Digimatic Solutions as a 100% owned subsidiary and therefore any valuation obtained under the QMP methodology would incorporate the valuation of Digimatic Solutions. Accordingly, we cannot use the QMP methodology.
- The FME approach is most commonly applicable to profitable businesses with relatively steady growth histories and forecasts. Our review of the historical financial performance of the Company, excluding the results of Digimatic Solutions, indicates that it has generated profits for the year ended 31 March 2016 and the half year ended 30 September 2016. We will assess the financial performance of the Company, excluding Digimatic Solutions and Digimatic Australia, on a normalised basis in order to determine if we have a reasonable basis to assess future maintainable earnings of the Company.
- The NAV methodology has also been considered as an appropriate valuation approach to undertake. However, we note that asset based methods ignore the possibility that the value of the Company could exceed the realisable value of its assets.

Based on the above, we consider the most appropriate methodologies to value the Company excluding Digimatic Solutions, and therefore the Buy-back Shares, is the FME and NAV methodologies.

10. Valuation of Digimatic Solutions

10.1 Future Maintainable Earnings Value

When performing an FME valuation we must determine what the future maintainable earnings of Digimatic Solutions are and then determine an appropriate capitalisation multiple to apply to these earnings.

In calculating future maintainable earnings, the figure selected should represent what is currently sustainable. Any anticipated growth in earnings is accounted for via the capitalisation rate. We have reviewed the historical accounts of Digimatic Solutions and for each of the periods reviewed, made adjustments to the net profit after tax for the following items:

- Non-recurring or one-off items such as profit on sale of assets;
- Non-operating revenues and expenses;
- Unrecorded items; and
- Abnormal or non-commercial transactions.



Normalised Earnings

The objective of normalising earnings is to determine the underlying profitability expected to be maintained by Digimatic Solutions. Our adjustments are limited to those adjustments obvious from a review of the detailed financial statements and those provided by the management of Digimatic Solutions.

Our normalisation adjustments are set out below:

					Incorporation
		Half year ended	Year ended	Year ended	on 24-Jun-13
		30-Sep-16	31-Mar-16	31-Mar-15	to 31-Mar-14
	Notes	S\$	S\$	S\$	S\$
Net profit/(loss) after tax		10,774	18,222	6,595	(50,945)
Add back: Income tax		-	-	-	-
Add back: Interest expense		37,378	4,702	-	-
Deduct: Interest income		-	(21)	-	-
EBIT	-	48,152	22,903	6,595	(50,945)
Normalisation adjustments:					
Miscellaneous income	1	(12,082)	(520,000)	(1,345)	-
PIC and SME grants received	2	(9,488)	(70,839)	(29,482)	-
Foreign exchange differences (net)	3	3,276	-	-	-
Total normalisation adjustments	-	(18,294)	(590,839)	(30,827)	-
Normalised EBIT		29,858	(567,936)	(24,232)	(50,945)

Source: BDO analysis

The following normalisation adjustments were made to Digimatic Solutions' earnings before interest and taxation ('EBIT').

Note 1: Miscellaneous income

The miscellaneous income for the year ended 31 March 2016, totalling S\$0.52 million, relate to the waiver of loan from a shareholder. The other items of miscellaneous income for the other periods above are one off in nature and are not considered recurring.

We therefore consider miscellaneous income as being unrelated to the operating activities of Digimatic Solutions and have deducted it from EBIT.

Note 2: PIC and SME grants received

We have deducted PIC and SME grants received as we consider these amounts to be unrelated to the operating activities of Digimatic Solutions.

Note 3: Foreign exchange differences (net)

Foreign exchange differences pertain to differences arising on the translation of assets and liabilities to S\$ at the rate of exchange ruling at the end of the reporting period, with the profit or loss translation differences being recognised in other income. We consider these amounts to be items which do not arise in the ordinary course of business and are unlikely to recur going forward. We have therefore adjusted these amounts accordingly.

Calculating Future Maintainable Earnings



In calculating the future maintainable earnings of Digimatic Solutions, we have considered the historical levels of normalised earnings to determine an estimated future maintainable earnings position for Digimatic Solutions. The purpose of this is to derive a sustainable level of profitability that we consider to be achievable in the future.

				Incorporation
	Half year ended	Year ended	Year ended	on 24-Jun-13
	30-Sep-16	31-Mar-16	31-Mar-15	to 31-Mar-14
	S\$	S\$	S\$	S\$
Normalised EBIT	29,858	(567,936)	(24,232)	(50,945)

Source: BDO analysis

However, after normalising the results above, Digimatic Solutions still has a history of operating losses and only a marginal normalised positive EBIT for the half year ended 30 September 2016. We also note that based on actual results for the nine month period ended 31 December 2016 and management's forecast information for the year ended 31 March 2017, Digimatic Solutions is forecast to be loss-making.

As a result of the above, we do not consider there to be a reasonable basis to estimate a positive future maintainable earnings figure for Digimatic Solutions at this point in time. As such, the resulting valuation would be nil therefore the use of the FME valuation would not be appropriate as a primary methodology.

10.2 Net Asset Valuation of Digimatic Solutions

The value of Digimatic Solutions' tangible assets on a going concern basis is reflected in our valuation below:

NAV - Digimatic Solutions		30-Sep-16
NAV - Digimatic solutions	Notes	S\$
CURRENT ASSETS		
Cash and cash equivalents		489,722
Inventories		4,325
Trade and other receivables	1	2,361,568
Prepayments		80,946
TOTAL CURRENT ASSETS	-	2,936,561
NON-CURRENT ASSETS		
Property, plant and equipment		487,012
TOTAL NON-CURRENT ASSETS	-	487,012
TOTAL ASSETS	-	3,423,573
CURRENT LIABILITIES	-	
Trade and other payables		24,354
Accruals		417,324
Unearned revenue		166,667
Intercompany payables	2	2,436,919
Deposits from customers		193,663
TOTAL CURRENT LIABILITIES	-	3,238,927
TOTAL LIABILITIES	-	3,238,927
NET ASSETS/(LIABILITIES)		184,646

Source: BDO analysis



We have been advised that there has not been a significant change in the net assets of Digimatic Solutions since 30 September 2016. We have determined that the fair market value of the assets and liabilities as at 30 September 2016 are equal to the carrying values as set out in the above statement of financial position. The table above indicates the net asset value of Digimatic Solutions is \$\$184,646.

Note 1: Trade and other receivables

We have reviewed the aged receivables report of Digimatic Solutions as at 30 September 2016 to determine if there are any long overdue receivables that may warrant the inclusion of a provision. We note that there is one significant debtor that remains outstanding from 30 September 2016, totalling approximately S\$0.77 million. Following our discussions with Management in regard to the recovery of this debtor we were advised that Digimatic Solutions has received a repayment schedule from the relevant debtor and the all amounts outstanding will be repaid over the next few months. As a result, we have not made any adjustments regarding a provision for doubtful debts.

Note 2: Intercompany payables

As at 30 September 2016, Digimatic Solutions had an amount payable to the DMC Group totalling S\$2,436,919, comprising S\$2,115,080 due to DMC and the remaining amount due to DMC subsidiaries. The terms of repayment of the loan following the completion of the Proposed Transaction are outlined in section 4 of this Report.

11. Valuation of the Buy-back Shares

11.1. Future Maintainable Earnings Value

When performing an FME valuation we must determine what the future maintainable earnings of the Company are and then determine an appropriate capitalisation multiple to apply to these earnings.

In calculating future maintainable earnings, the figure selected should represent what is currently sustainable. Any anticipated growth in earnings is accounted for via the capitalisation rate. We have reviewed the historical accounts of DMC and for each of the periods reviewed, made adjustments to the net profit after tax for the following items:

- Non-recurring or one-off items such as profit on sale of assets;
- Non-operating revenues and expenses;
- Unrecorded items; and
- Abnormal or non-commercial transactions.

Normalised Earnings

The objective of normalising earnings is to determine the underlying profitability expected to be maintained by the Company. Our adjustments are limited to those adjustments obvious from a review of the detailed financial statements and those provided by the management of the Company. Our normalisation adjustments are set out below:



	Notes	Half year ended 30-Sep-16 S\$	Year ended 31-Mar-16 S\$	Incorporation to to 31-Mar-15 S\$
Net profit/(loss) after tax		26,009	1,023,020	(765,910)
Add back: Income tax		21,752	75,930	-
Add back: Interest expense		-	8,750	-
Deduct: Interest income		(60,700)	(16,910)	-
EBIT		(12,939)	1,090,790	(765,910)
Normalisation adjustments:				
EBIT contribution of Digimatic Solutions	1	(48,152)	(22,903)	-
Waiver of loan from shareholder	2	-	(520,000)	-
PIC and SME grants received	3	(21,678)	(137,599)	-
Gain from bargain purchase	4	-	(59,036)	-
Foreign exchange differences (net)	5	9,454	(30,816)	-
Initial public offering expenses	6	-	-	765,910
Venue rental	7	(9,372)	-	-
Other income	8	(27,818)	-	-
Total normalisation adjustments		(97,566)	(770,354)	765,910
Normalised EBIT		(110,505)	320,436	-

Source: BDO analysis

The following normalisation adjustments were made to the Company's EBIT.

Note 1: Remove Digimatic Solutions EBIT contribution

In order to reflect DMC's EBIT following the disposal of Digimatic Solutions, we have deducted the EBIT of Digimatic Solutions. We note that Digimatic Solutions was only acquired on 29 May 2015 so did not contribute to the Company's EBIT for the period ended 31 March 2015.

Note 2: Waiver of loan from shareholder

We consider the waiver of loan from shareholder of S\$0.52 million for the year ended 31 March 2016 to be a non-recurring, one-off item and have therefore adjusted the EBIT accordingly.

Note 3: PIC and SME grants received

We have deducted PIC and SME grants received as we consider these amounts to be unrelated to the operating activities of DMC.

Note 4: Gain from bargain purchase

Gain from bargain purchase is reflective of a one-off gain from the acquisition of a subsidiary, and therefore does not represent normal business revenue. We have therefore deducted this amount from DMC's EBIT.

Note 5: Foreign exchange differences (net)

Foreign exchange differences pertain to differences arising on the translation of assets and liabilities to S\$ at the rate of exchange ruling at the end of the reporting period, with the profit or loss translation differences being recognised in other income. We consider these amounts to be items which do not arise in the ordinary course of business and unlikely to recur going forward. We have therefore adjusted these impacts accordingly.



Note 6: Initial public offering expenses

We have added back initial public offering expenses of DMC incurred during the period from incorporation to 31 March 2015 of S\$0.77 million, as we consider these to be one-off expenses associated with the listing of DMC on the ASX.

Note 7: Venue rental

We consider venue rental as being unrelated to the operating profits of the business and have therefore adjusted its impact.

Note 8: Other income

We have deducted other income for the half year ended 30 September 2016 as we do not consider this to be a recurring revenue source for DMC going forward.

Calculating Future Maintainable Earnings

In calculating future maintainable earnings, we have considered the historical levels of normalised earnings to determine an estimated future maintainable earnings position for DMC. The purpose of this is to derive a sustainable level of profitability that we consider to be achievable in the future.

	Half year ended	Year ended	Incorporation to
	30-Sep-16	31-Mar-16	to 31-Mar-15
	S\$	S\$	\$\$
Normalised EBIT	(110,505)	320,436	-

Source: BDO analysis

For the period from incorporation to 31 March 2015 the Company only incurred expenses in relation to its listing on the ASX and therefore no EBIT was achieved. After normalising the results above for the year ended 31 March 2016 and the half-year ended 30 September 2016, DMC recorded a normalised profit of S\$320,436 and a normalised loss of S\$110,505 respectively. We also note that based on actual results for the nine month period ended 31 December 2016 and management's forecast information for the year ended 31 March 2017, the Company is forecast to be loss-making.

As a result of the above, we do not consider there to be a reasonable basis to estimate a positive future maintainable earnings figure for the Company at this point in time. As such, we do not consider the use of the FME valuation methodology to be appropriate.

11.2. Net Asset Valuation of the Company

The value of the Company's assets on a going concern basis is reflected in our valuation below:



NAV		30-Sep-16	Adjustments	Low Adjusted NAV	High Adjusted NAV
INA V	Notes	S\$	S\$	S\$	S\$
CURRENT ASSETS					
Cash and cash equivalents	1	3,126,982	(489,722)	2,637,260	2,637,260
Inventories	1	4,325	(4,325)	-	-
Trade and other receivables	1,2	3,384,133	(2,494,568)	889,565	889,565
Prepayment	1	219,680	(80,946)	138,734	138,734
Fixed deposits		9,500,000	-	9,500,000	9,500,000
TOTAL CURRENT ASSETS	-	16,235,120	(3,069,561)	13,165,559	13,165,559
NON CURRENT ASSETS					
Property, plant and equipment	1	538,620	(487,012)	51,608	51,608
Intangible assets	3	4,003,206	(1,394,039)	-	2,609,167
Other investments		100,000	-	100,000	100,000
Amount due from Digimatic Solutions	4	-	2,600,000	2,600,000	2,600,000
TOTAL NON CURRENT ASSETS	_	4,641,826	718,949	2,751,608	5,360,775
TOTAL ASSETS	_	20,876,946	(2,350,612)	15,917,167	18,526,334
CURRENT LIABILITIES	-				
Trade and other payables	1	1,696,902	(635,341)	1,061,561	1,061,561
Unearned revenue	1	1,048,357	(166,667)	881,690	881,690
Provision for income tax		126,517	-	126,517	126,517
TOTAL CURRENT LIABILITIES	-	2,871,776	(802,008)	2,069,768	2,069,768
NON CURRENT LIABILITIES					
Deferred tax liabilities		175,414	-	175,414	175,414
Provision for reinstatement cost		65,000	-	65,000	65,000
TOTAL NON CURRENT LIABILITIES	-	240,414	-	240,414	240,414
TOTAL LIABILITIES	-	3,112,190	(802,008)	2,310,182	2,310,182
NET ASSETS		17,764,756	(1,548,604)	13,606,985	16,216,152
Shares on issue (number)	-			683,664,000	683,664,000
Value per share (\$)				0.020	0.024

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of the Company since 30 September 2016 apart from those adjustments discussed below. Other than those items discussed below, we have determined that the fair market value of the assets and liabilities as at 30 September 2016 are equal to the carrying values as set out in the above statement of financial position.

The table above indicates the net asset value of a DMC share, excluding Digimatic Solutions and Digimatic Australia is in the range of \$0.020 and \$0.024. The following adjustments were made to the net assets of DMC as at 30 September 2016 in arriving at our valuation.

Note 1: Remove all assets and liabilities associated with Digimatic Solutions and Digimatic Australia

In order to reflect the Company's net asset position following the Proposed Transaction we have removed all assets and liabilities that relate to Digimatic Solutions and Digimatic Australia as at 30 September 2016. All assets and liabilities removed have been taken from the statement of financial position of Digimatic Solutions as disclosed in section 10.2.

Note 2: Trade and other receivables (forgiveness of Digimatic Solutions debt)

Under the terms of the Proposed Transaction a sum of approximately \$\$240,000, comprising management fees of approximately \$\$133,000 and payments made by the Company on behalf of Digimatic Solutions of



approximately \$\$107,000, owed by Digimatic Solutions to the Company in relation to Digimatic Solutions' Australia operations will be waived.

Expenses of approximately \$\$38,000 to be paid by the Company on behalf of Digimatic Solutions in February and March 2017 in relation to Australian Operations will be waived.

Management has advised that the \$\$133,000 pertaining to management fees were accrued in the Company's balance sheet at 30 September 2016 under trade and other receivables. As a result, we have reduced trade and other receivables of the Company by a further \$\$133,000 to reflect the waiver of the amounts owed by Digimatic Solutions to DMC.

Note 3: Intangible assets

As at 30 September 2016, an amount of S\$1,394,039 in intangibles assets was carried on the Company's statement of financial position which related to Digimatic Solutions. An amount of S\$777,418 related to goodwill on the acquisition of Digimatic Solutions and an amount of S\$616,621 related to the Digimatic Solutions brand names. Following completion of the Proposed Transaction, the Company will no longer hold an interest in Digimatic Solutions and these amounts will be written off. Due to the FME valuation approach not being suitable as a primary valuation methodology, we have also considered the effect of carrying the intangibles of DMC at nil.

Note 4: Amount due from Digimatic Solutions

On completion of the Proposed Transaction an amount of \$\$2,600,000 is payable by Digimatic Solutions to the Company. The terms of repayment of this loan following the completion of the Proposed Transaction is outlined in section 4 of this Report.

11.3. Value of the Buy-back Shares

Under the terms of the Proposed Transaction, the Buy-back Shares consist of 30 million Shares. Therefore our valuation of the Buy-back Shares is as follows:

	S\$	S\$
NAV per share (section 11.2)	0.020	0.024
Number of Buy-back Shares	30,000,000	30,000,000
Value of Buy-back Shares	600,000	720,000

Source: BDO analysis

12. Is the Proposed Transaction fair?

We have determined that the value of Digimatic Solutions compares to the value of the Buy-back Shares, as detailed below.

	Ref	Low \$\$	High \$\$
Value of Digimatic Solutions	10.2	184,646	184,646
Value of Buy-back Shares	11.3	600,000	720,000

Source: BDO analysis



The above pricing indicates that, in the absence of any other relevant information, the Proposed Transaction is fair for Shareholders.

13. Is the Proposed Transaction reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of the Company a premium over the value resulting from the Proposed Transaction.

13.2 Consequences of not approving the Proposed Transaction

Share price movement following announcement of the Proposed Transaction

As there has been minimal trading between the announcement and the date of this Report, we have not been able to consider share price movements subsequent to the announcement.

13.3 Advantages of approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

13.3.1. The Proposed Transaction is fair

As set out in section 12, the Proposed Transaction is fair. RG 111 states that an offer is reasonable if it is fair.

13.3.2. Reduces losses and the requirement to fund losses via working capital

Digimatic Solutions is currently forecasting losses. If the Proposed Transaction is approved, the Company will not be required to continue funding the Digimatic Solutions business unit. As a result, this will leave greater levels of working capital to be available for the core business.

13.3.3. Allows a more focused approach from management

If the Proposed Transaction is approved, it will allow management of the Company to pursue its strategies in the areas it has identified as having the highest potential return on investment being the area of Advertising Technology.

13.3.4. A cleaner corporate structure may improve the attractiveness of the Company to potential investors

If the Proposed Transaction is approved, the Company will have a cleaner corporate structure. This may improve the Company's appeal to current and potential future shareholders seeking exposure to Advertising Technology.

13.3.5. Shareholders' interests will increase

If the Proposed Transaction is approved, the voting power of all Shareholders will increase proportionately as the total number of shares on issue will decrease.



13.4 Disadvantages of Approving the Proposed Transaction

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed below:

13.4.1. Shareholders forego the opportunity to benefit from any potential upside in Digimatic Solutions and Digimatic Australia

If the Proposed Transaction is approved, the Company will transfer its interest in Digimatic Solutions and Digimatic Australia to Mr Lim. As such, existing Shareholders will not participate in any potential upside of Digimatic Solutions going forward.

14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is fair and reasonable to the Shareholders of Digimatic

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this Report;
- Signed Term Sheet between Mr Lim and Digimatic Solutions dated 3 March 2017;
- Audited financial statements of DMC for the period ended 31 March 2015 and year ended 31 March 2016;
- Reviewed financial statements of DMC for the half-year ended 30 September 2016;
- Audited financial statements of Shang Market Pte Ltd (named changed to Digimatic Solutions) for the years ended 31 March 2014, 31 March 2015 and 31 March 2016;
- Unaudited financial statements of DMS extracted from the reviewed financial statements of DMC for the half-year ended 30 September 2016;
- Unaudited group forecasts for the year ending 31 March 2017;
- Prospectus for DMC dated 2 November 2015;
- Current share registry information for DMC;
- Information in the public domain; and
- Discussions with Directors and Management of DMC.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of A\$28,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by DMC in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the DMC, including the non-provision of material information, in relation to the preparation of this report.



Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to DMC and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of DMC and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with DMC, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Digimatic and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 29 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 19 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.



18. Disclaimers and consents

This report has been prepared at the request of DMC for inclusion in the Notice of Meeting and Explanatory Memorandum which will be sent to all DMC Shareholders. DMC engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal to dispose of its wholly own subsidiary, Digimatic Solutions, to Mr Lim in exchange for the buy-back and cancellation of 30 million shares from Mr Lim.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting and Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting and Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting all appropriate due diligence. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Digimatic and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actual be achieved. BDO Corporate Finance (WA) Pty Ltd disclaims any possible liability in respect of these forecasts. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Digimatic, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.



Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

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Adam Myers Director

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Sherif Andrawes Director



Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 (Cth)
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Buy-back Shares	30 million fully paid ordinary shares in DMC
The Company	Digimatic Group Ltd.
Corporations Act	The Corporations Act 2001 (Cth)
DCF	Discounted Future Cash Flows
DMR	Digimatic Creatives Pte Ltd (formerly named AP Media Pte Ltd)
Digimatic Australia	Digimatic Australia Pty Ltd
Digimatic Solutions	Digimatic Solutions Pte Ltd (formerly named ShangCommerce Market Pte Ltd)
DMC	Digimatic Group Ltd.
DMM	Digimatic Media Private Limited (formerly named CPA Academy Pte Ltd)
DMV	Digimatic Ventures Limited
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
IPO	Initial Public Offer
MAS	Monetary Authority of Singapore



Reference	Definition
Mr Lim	Mr Lim Hui Jie
NAV	Net Asset Value
PIC	Productivity Innovation Credit
Proposed Transaction	The proposal to dispose of DMS to Mr Lim
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO dated 3 March 2017
PIC	Productivity innovation credit
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
\$\$	Singapore dollar
Shareholders	Shareholders of the Company not associated with Mr Lim
SME	Small to medium sized enterprises
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
WWM	Wewe Media Group Pte Ltd



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For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below: The Directors BDO Corporate Finance (WA) Pty Ltd 38 Station Street SUBIACO, WA 6008 Australia



Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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Digimatic Group ARBN 605 944 198

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LODGE YOUR INSTRUCTION ONLINE www.linkmarketservices.com.au **BY MAIL Digimatic Group Ltd** C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia **BY FAX** +61 2 9287 0309 BY HAND Link Market Services Limited 1A Homebush Bay Drive, Rhodes NSW 2138 **ALL ENQUIRIES TO** \bigcirc Telephone: 1300 554 474 Overseas: +61 1300 554 474

CDI VOTING INSTRUCTION FORM

DIRECTION TO CHESS DEPOSITARY NOMINEES PTY LTD

I/We being a holder of CHESS Depositary Interests (CDIs) of Digimatic Group Ltd (Company) hereby direct CHESS Depositary Nominees Pty Ltd (CDN) to vote the shares underlying my/our CDI holding at the General Meeting of stockholders of the Company to be held at 2pm (SST) on Wednesday, 29 March 2017 at 10 Anson Road International Plaza #10-26, Singapore 079903, and at any adjournment or postponement of that Meeting, in accordance with the following directions. By execution of this CDI Voting Instruction Form the undersigned hereby authorises CDN to appoint such proxies or their substitutes in their discretion to vote in accordance with the directions set out below.

PROXY APPOINTMENT- this only needs to be completed if you wish to attend the Meeting or appoint another person to attend the Meeting

If you wish to attend the Meeting in person or appoint another person or company other than CDN, who need not be a stockholder, to attend and act on your behalf at the Meeting or any

adjournment or postponement thereof, please insert their name(s) in this box.

Link will then send you a legal form of proxy which will grant you or the person specified by you the right to attend and vote at the Meeting. Please remember that a legal proxy is subject to all terms and conditions that apply to proxies as outlined in the *Notice of General Meeting* including any cut off time for receipt of valid proxies.

VOTING INSTRUCTIONS

Voting instructions will only be valid and accepted by CDN if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an 🗵

For Against Abstain*

Resolutions

- 1 Amendment to the Company's Articles
- 2 Approval of the selective share buy-back from Mr Lim Hui Jie
- 3 Disposal of the Company's interest in Digimatic Solutions and Digimatic Australia to Mr Lim Hui Jie

* If you do not mark the "For", "Against" or "Abstain" box your vote will not be counted.

SIGNATURE OF CDI HOLDERS – THIS MUST BE COMPLETED

CDI Holder 1 (Individual)

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Joint CDI Holder 2 (Individual)

Joint CDI Holder 3 (Individual)

DMC PRX1701

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

This form should be signed by the CDI Holder in accordance with the instructions overleaf.

Director

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's CDI register. If this information is incorrect, please make the correction on the form. CDI Holders sponsored by a broker should advise their broker of any changes. Please note: you cannot change ownership of your CDIs using this form.

DIRECTION TO CHESS DEPOSITARY NOMINEES PTY LTD

Each CHESS Depositary Interest (CDI) is evidence of an indirect ownership in the Company's shares of common stock (Shares). The underlying Shares are registered in the name of CHESS Depositary Nominees Pty Ltd (CDN). As holders of CDIs are not the legal owners of the Shares, CDN is entitled to vote at the Meetings of stockholders on the instruction of the registered holders of the CDIs.

APPOINTMENT OF A PROXY

If you wish to attend the Meeting in person or appoint some person or company other than CDN, who need not be a stockholder, to attend and act on your behalf at the Meeting or any adjournment or postponement thereof, please insert your name(s) or the name of your chosen appointee in the box in Step 2. Link will then send you a legal form of proxy which will grant you or the person specified by you the right to attend and vote at the Meeting. Please remember that a legal proxy is subject to all terms and conditions that apply to proxies as outlined in the *Notice of General Meeting* including any cut off time for receipt of valid proxies.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either holder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with Link. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: with respect to an Australian company, where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. With respect to a U.S. company or other entity, this form may be signed by one officer. Please give full name and title under the signature.

LODGEMENT OF A CDI VOTING INSTRUCTION FORM

This CDI Voting Instruction Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2pm (SST) on Monday, 27 March 2017,** being not later than 48 hours before the commencement of the Meeting. Any CDI Voting Instruction Form received after that time will be invalid.

CDI Voting Instruction Forms may be lodged using the reply paid envelope or:

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the CDI Voting Instruction Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, stockholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the CDI Voting Instruction Form).

BY MAIL

Digimatic Group Ltd C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia

BY FAX +61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited* 1A Homebush Bay Drive Rhodes NSW 2138

* in business hours (Monday to Friday, 9:00am-5:00pm)