

**MOKO SOCIAL MEDIA LIMITED  
ACN 111 082 485**

**(SUBJECT TO DEED OF COMPANY ARRANGEMENT)**

**NOTICE OF GENERAL MEETING OF SHAREHOLDERS AND EXPLANATORY STATEMENT**

**For a General Meeting of Shareholders to be held on Tuesday 18th December 2018 at  
11.00am (AEDT) at Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales,  
Australia**

## TO SHAREHOLDERS

Dear Shareholder

8th November 2018

As you may be aware, on 25 January 2017 the Company's Shares were suspended from quotation on the official list of the Australian Securities Exchange ("**ASX**").

On 31 May 2017 Mr Timothy Joseph Heenan and Mr Jason Mark Tracy of Deloitte Financial Advisory Pty Ltd were appointed Joint and Several Voluntary Administrators of the Company. Mr Timothy Joseph Heenan ceased to be an Administrator on 20 September 2017. On 15 November 2017 a Deed of Company Arrangement was signed. However that original DOCA could not be completed.

A proposal from Benelong Capital Partners Pty Ltd ("**Benelong**"), for the restructure and recapitalisation of the Company via a Varied DOCA was submitted on 27 June 2018 ("**Recapitalisation Proposal**").

The Creditors of the Company have agreed to the Benelong Recapitalisation Proposal. A Deed of Company Arrangement was entered into by the Company on 20 August 2018 under which, Mr Jason Mark Tracy was appointed Deed Administrator, to effect the terms of the Benelong Recapitalisation Proposal ("**Varied DOCA**").

The Recapitalisation Proposal requires, and is subject to, various approvals being obtained from the Shareholders ("**Resolutions**"). A summary of the Resolutions being put forward at the Meeting are as follows:

- (1) The existing shares consolidated 1:382
- (2) The company to allot and issue 30,655,00 shares to the Secured Creditor;
- (3) The company to allot and issue 144,000,000 shares to raise \$355,000;
- (4) The company to allot and issue 1,000,000 shares to a post DOCA creditor;
- (5) New directors be appointed to the Company; and

Accordingly, the Directors, with the consent of the Deed Administrator, have called a General Meeting of the Company to consider the Resolutions ("**Meeting**"). The Meeting will be held at 11.00am (Sydney Time) at the premises of Nicols and Brien , Level 2, 350 Kent Street, Sydney NSW on Tuesday, 18 December 2018.

Enclosed with this letter are the Notice of General Meeting ("**Notice**"), the Explanatory Statement and a Proxy Form.

The Recapitalisation Proposal is also subject to the following conditions ("**Conditions**"), summarised as follows:

- (a) Payment of \$170,000 to the Deed Administrator;
- (b) the Deed Administrator retiring from office upon collection of the \$170,000.
- (c) the Deed Administrator creating the Creditors Trust (as defined in the DOCA) and effectuating the DOCA in accordance with the terms of the DOCA;
- (d) the Resolutions being approved without amendment; and
- (e) creditors with a security interest registered on the PPSR Register remove such interest from the personal property securities register established by the Personal Property Securities Act, 2009.

If the Conditions are not met or waived by 31 December 2018 or such or other date as agreed by the Deed Administrator and Benelong or if it appears the terms of the DOCA cannot be fulfilled then the Deed Administrator may take steps to place the Company into liquidation.

In considering the Resolutions, Shareholders should bear in mind the Company's current financial circumstances. As mentioned above, the Company's Shares have been suspended from quotation on the ASX since 25 January 2017 and the Company requires recapitalisation in order to continue its operations and to seek reinstatement of its Shares to official quotation on the ASX. The company will have to comply with Chapter 1 and 2 of the ASX Listing Rules. ASX has absolute discretion in deciding whether or not to re-admit the company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted. Also, new shares that are issued under the resolutions proposed in this notice of meeting, may be subject to escrow.

Ultimately, if the Resolutions are approved and implemented, the Company will be debt free, and in a position to seek opportunities to create shareholder wealth.

If the Resolutions are not approved and the Conditions have not been met by the time stated in the DOCA, the DOCA may terminate in which case the Company may be placed into liquidation. It is expected that there will be no return to Shareholders in a liquidation.

#### Preparation of and responsibility for this document

The Deed Administrator has given his consent to convene the meeting and to despatch this Notice and the Explanatory Statement, but expresses no opinion about any of the contents (including but not limited to, any statements regarding the Recapitalisation Proposal) other than set out in their report to the Company's creditors dated 2 August 2018.

The Deed Administrator has not independently verified any of the information contained in this Notice or Explanatory Statement. Neither the Deed Administrator nor any servants, representatives, agents or employees of the Deed Administrator's firm make any representations or warranties (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this Notice or the Explanatory Statement.

To the fullest extent permitted by law, all such parties and entities expressly disclaim any and all liability for, based on or relating to, any such information contained in or omissions from this Notice and the Explanatory Statement.

The Deed Administrator makes no recommendation about how shareholders should vote on the resolutions contained in this Notice and he has not undertaken any due diligence in relation to the Recapitalisation Proposal and have relied upon discussion with the Proponent and their advisors. The Directors take responsibility for, and have caused the despatch of this Notice and the Explanatory Statement.

The ASX does not take any responsibility for the contents of this Notice of Meeting, and the fact that the ASX may re-admit the Company's securities to quotation on its official list is not to be taken in any way as an indication of the merits of the Company.

#### Investment Decisions

This document does not take into account the individual investment objectives, financial situation or particular needs of any other person. Shareholders should seek professional advice from a licensed financial advisor, accountant, stockbroker, lawyer or other appropriate adviser.

Yours faithfully  
Emma Waldon – Director



Moko Social Media Limited (ACN 111 082 485)  
(Subject to Deed of Company Arrangement)

## BUSINESS OF THE MEETING

### Agenda

#### Resolution 1 – Consolidation of Existing Shares and Options

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 2 to 8 for the purposes of Section 254H of the Corporations Act and Listing Rules 7.20 and 7.22.1 and for all other purposes, approval is given for the Company's existing ordinary shares and Options be consolidated on a 1:382 basis, ("Consolidation"), with any fractions rounded down."

#### Resolution 2 – Allotment and Issue of Shares to the Secured Creditor

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1, 3, and 4 to 7 for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX, and for all other purposes, approval is given to the Company to allot and issue 30,655,000 fully paid ordinary shares in the capital of the Company on a post consolidated basis to Rhonda Nairn or her nominee, at an issue price of nil cents and otherwise on the terms set out in the Explanatory Statement accompanying this Notice."

**Note:** The maximum level of voting power will be 17.03% (approx) if this resolution is passed along with all other resolutions.

**Voting Exclusion:** The Company will disregard any votes cast in favour of this resolution by or on behalf of Rhonda Nairn or her nominees or any associate of that person. However the entity need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### Resolution 3 – Allotment and Issue of Shares to RPK Nominees Pty Ltd

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1, 2, and 4 to 7 for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX, and for all other purposes, approval is given to the Company to allot and issue 1,000,000 fully paid ordinary shares in the capital of the Company on a post consolidated basis to RPK Nominees Pty Ltd or their nominee, at an issue price of nil cents and otherwise on the terms set out in the Explanatory Statement accompanying this Notice."

**Note:** The maximum level of voting power will be 0.56% (approx) if this resolution is passed along with all other resolutions.

**Voting Exclusion:** The Company will disregard any votes cast in favour of this resolution by or on behalf of RPK Nominees Pty Ltd or their nominees or any associate of that person. However, the entity need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or if it is cast by the

person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**4. Resolution 4 – Allotment and Issue of Shares to Mr Wei Jiang**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That subject to the passing of Resolutions 1 to 3 and 5 to 7 for the purposes of Item 7 of Section 611 of the Corporations Act, and for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 144,000,000 Shares at \$0.00246527777 per Share (all on a post-Consolidation basis) to Mr Wei Jiang to raise up to \$355,000 on the terms and conditions set out in the Explanatory Statement”.

**Voting Exclusion:** The Company will disregard any votes cast in favour of this resolution by or on behalf of Mr Wei Jiang or his nominee or any associate of Mr Wei Jiang. However, the Company need not disregard a vote if it is cast by a person who is entitled to vote, in accordance with the directions on the proxy form, or, it is cast by the person chairing the meeting 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.

**5. Resolution 5 – Appointment of Mr Gregory Barry Starr as a Director**

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

“That, subject to the passing of Resolutions 1 to 4, and 6 and 7, Gregory Barry Starr, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

**6. Resolution 6 – Appointment of Mr Steven Nicols as a Director**

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

“That, subject to the passing of Resolutions 1 to 5, and 7, Steven Nicols, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

**7. Resolution 7 – Appointment of Mr Greg Cornelsen as a Director**

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

“That, subject to the passing of Resolutions 1 to 6, Greg Cornelsen, being eligible and having consented to act, be elected as a director of the Company, with effect from close of the General Meeting.”

DATED: 8th November 2018

By order of the Board

Emma Waldon  
Director

A handwritten signature in black ink, appearing to read 'Emma', written in a cursive style.

Moko Social Media Limited (Subject to Deed of Company Arrangement).

## NOTES:

1. A Shareholder of the Company who is entitled to attend and vote at a general meeting of Shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if 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 it is cast by the person chairing the meeting 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.
3. For the purposes of Regulation 7.11.37 of the Corporations Act, the Deed Administrators have determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's share register at 11:00 am (Sydney Time) on Saturday, 16 December 2018 (the Entitlement Time). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.
4. In accordance with Section 250BA of the *Corporations Act 2001* the Company specifies the following information for the purposes of receipt of proxy appointments:

### **Mail and physical address**

C/- Benelong Capital Partners Pty Ltd  
Level 2, 350 Kent Street,  
SYDNEY NSW 2000

Facsimile: +61 2 9299 2239

The instrument appointing the proxy must be received by the Company at the address specified above at least forty eight (48) hours before the time notified for the meeting (proxy forms can be lodged by facsimile). Any proxy form received after that time will not be valid for the scheduled meeting.

For any questions, please call Steve Nicols on phone +61 2 9299 2289 or email to [steve@benelongcapitalpartners.com](mailto:steve@benelongcapitalpartners.com)

## EXPLANATORY STATEMENT

### 1. GENERAL INFORMATION

This Explanatory Statement has been prepared for the Shareholders of Moko Social Media Limited (**Company**)(Subject to Deed of Company Arrangement) in connection with the Resolutions 1-7 (inclusive) to be considered at the General Meeting of the Company's Shareholders to be held Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales at 11.00a.m. (Sydney Time) on Tuesday, 18 December 2018 ("**Meeting**").

The purpose of this Explanatory Statement is to provide information to Shareholders which is considered to be material to them in deciding whether or not to pass the Resolutions in the Notice of General Meeting of the Company ("**Notice**").

Shareholders should read this Explanatory Statement in full because individual sections do not give a comprehensive review of the Resolutions. In addition, this Explanatory Statement should be read in conjunction with the accompanying Notice.

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that reports have been made by the Company's appointed Administrators in accordance with the Corporations Act. The reports set out in detail the financial position of the Company, the actions and investigations to be taken by the Administrators and the reasons for the current status of the Company. The Administrators reports are available by contacting Deloitte Financial Advisory Pty Ltd on phone (08) 9365 7258, or Steve Nicols on phone (02) 9299 2289, who can arrange for copies to be sent.

If all of the Resolutions are passed and the Recapitalisation Proposal proposed by Benelong is completed, the Company will be debt free and solvent. Completion of the Benelong proposal will not be enough to meet the ASX Listing Rule requirements for re-quotations. Re-quotations is a difficult exercise (among other things, the company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules), and the completion of the Recapitalisation Proposal will not guarantee the reinstatement of the company to the official list of the ASX. ASX has absolute discretion in deciding whether or not to re-admit the company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted. Also, new shares that are issued under the resolutions proposed in this notice of meeting, may be subject to escrow. If Shareholders do not approve the Resolutions and consequently and as a consequence the Recapitalisation Proposal is rejected, the Company will likely go into liquidation and it is likely that there will be no return to Shareholders .

#### 1.1 Background

A general background in respect of the appointment of the Administrators is set out in the letter by the Deed Administrators to Shareholders accompanying the Notice ("**Letter**").

#### 1.2 History of the Company

The Company was incorporated on 22 September 2004, and was admitted to the Official List of the ASX on 27 June 2007.

The Company's business was the development of leading sports management mobile applications strategically targeting the lucrative US Universities, Colleges and High School markets. It developed 4 sports apps, namely REC\*IT, Big Teams, REC\*ITFITNESS, and REC\*IT Plus.



The company attempted to monetise these apps through advertising, e-commerce, payments, etc., but these efforts were not successful. The company incurred significant trading losses.

On 25 January 2017 the Company's Shares were suspended from quotation on the official list of the Australian Securities Exchange and on 31 May 2017 Administrators were appointed to the company.

### 1.3 Summary of the terms of the Recapitalisation Proposal

Set out below is a detailed summary of the Recapitalisation Proposal.

The Recapitalisation Proposal provides for the appointment of three New Directors.

The essential terms of the Recapitalisation Proposal are as follows:

- (a) Consolidation of existing shares.
- (b) Issue of shares to the Secured Creditor and post first DOCA lender as per Deed of Company Arrangement requirements;
- (c) Placement to exempt, professional and sophisticated investors, whom will subscribe in aggregate for 144 million shares to raise \$355,000.
- (d) The New Directors and a new company secretary for the Company will be appointed.

The Benelong Recapitalisation Proposal was submitted to the company by Benelong on 27 June 2018. It was accepted by the Company's Creditors on 17 August 2018. The Deed of Company Arrangement incorporating the Recapitalisation Proposal was signed on 20 August 2018. The Resolutions put forward in the Meeting are for the purposes of implementing the Recapitalisation Proposal. The key terms of the DOCA are that Benelong is to ensure \$170,000 is paid into the Deed Fund and ensure secured creditors and the post voluntary administration lender receive 31,655,000 shares; directors will be changed; creditors debts are extinguished and are transferred to the Creditors Trust; any residual assets held by the Deed Administrator at the time of completion under the DOCA; the company is removed from External Administration; the Deed Administrator retires; the conditions precedent are that shareholders pass all resolutions of the recapitalisation proposal.

The Recapitalisation Proposal involves the simultaneous completion or "effectuation" of the Deed of Company Arrangement and the creation of a Creditors Trust. This enables the Company to be immediately released from administration under the DOCA once all Resolutions are passed at the Meeting and all other conditions as set out in the DOCA are met or waived ("**Completion**"). The Company will also be released from all Creditors Claims estimated at \$3,419,701 and will have nil liabilities once Completion occurs.

The Creditors Trust Deed will be signed if shareholders approve all resolutions.

### 1.4 New Directors

*Proposed Director Mr Gregory Barry Starr BBus UTS, CPA*

Mr Starr is an experienced public company director holding senior board positions in a number of ASX listed companies over 20 years. He has been involved in many M&A and debt and equity financial transactions.

Over the past 3 years Mr Starr has held executive and non-executive board positions on ASX listed companies, Diatrema Resources Limited, KBL Mining Limited and Dongfang Modern Agriculture Holding Group Limited, and BIR Financial Limited.

Mr Starr brings significant corporate governance and investor relations experience in ASX listed companies to the Board.

*Proposed Director Mr Steven Nicols B.Comm UNSW, Chartered Accountant*

Mr Nicols is the founder of Benelong Capital Partners Pty Ltd, a firm that specialises in re-capitalising ASX listed companies. Benelong has operated since 2010. Mr Nicols has assisted in 24 re-capitalisations in this time. Several of these companies have re-quoted on the ASX and achieved market capitalisations of over \$100 million.

Mr Nicols has been a director of many ASX listed companies. Mr Nicols is also the founder of Nicols + Brien, an insolvency practice with offices in Sydney and Wollongong. It has 8 highly qualified staff, and was founded 20 years ago.

Mr Nicols brings a wealth of experience in managing the growth of junior listed companies. This includes corporate governance matters, as well as transaction structuring and execution.

In the three years immediately before the date of this Notice, Mr Nicols holds one other ASX listed company directorship, namely BIR Financial Limited.

*Proposed Director Mr Greg Cornelsen Degree in Economics, University of Queensland 1994*

Mr Cornelsen is an economist, business development specialist and a successful businessman having held leadership positions in both large Australian based multinationals and start-up operations. In 1990 he developed and grew Springbrook Natural Waters Pty Ltd from the ground right through to its sale to Palm Springs Limited. Previously he was a Senior Grain Trader for Elders managing the Futures and Foreign exchange trades of coarse grain to Japan.

He is also a former international rugby player, with 25 caps for the Australian Wallabies. His rugby and business backgrounds have allowed him to develop an extensive network within the Australian business community. He has acted as director of many ASX listed companies. His last directorship was Bluglass Limited from I.P.O. in 2006 to March 2018.

## **1.5 ASX Listing**

The Company is admitted to the Official List of ASX. However trading in the Company's Shares was suspended on 25 January 2017. Trading in the Shares will not recommence until all Resolutions are passed and not until the Company complies with Chapters 1 and 2 of the Listing Rules, or until ASX advises otherwise.

The intention of the New Directors with regard to the business of the Company is to use the working capital to be injected into the Company via the Recapitalisation Proposal for the purposes described in Section 1.11 of this Statement. The New Directors' plan is to identify and assess potential acquisition opportunities of a material asset and undertake a reverse takeover. There is no certain timeframe as to when this may occur. There is no present intention for any party to inject further capital into the Company apart from that already stated in the Recapitalisation Proposal.

## **1.6 Advantages and Disadvantages of the Recapitalisation Proposal**

### Advantages

- 1.6.1 The passing and consummation of Resolutions 1 to 7 as part of the recapitalisation proposal would result in a net cash position of approximately \$50,000 (assuming the capital raising of the \$355,000 referred to above) and having a company with minimal or no liabilities, compared with the current position whereby the Company has net assets of \$nil and significant debts of some \$3,419,701 to pay.
- 1.6.2 If the proposals per Resolutions 1 to 7 are consummated as part of the recapitalisation process, the net cash asset backing of a MKB share rises from nil cents to approximately \$0.0027777 cents.
- 1.6.3 If Resolutions 1 to 7 are passed together with the completion of the recapitalisation proposal, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company may be dissolved and struck off. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.
- 1.6.4 The proposed directors bring additional expertise to the Company in that such Directors have financial, legal, finance and corporate experience and/or experience as directors or managers of trading entities. Paragraph 1.3 above discloses the background of the proposed directors.

#### Disadvantages

- 1.6.5 A significant dilution of existing shareholders will occur. i.e. they will own approximately 2.41% as compared to 100% now of the expanded issued capital of the Company after the passing of Resolutions 1 to 7 (the passing of Resolutions 1 to 7 are dependent on all resolutions being passed). However, we note that MKB will be partly recapitalised with approximately \$50,000 in net cash (assuming completion of the \$355,000 total capital raising), will have no debt and will have the opportunity to consider the acquisition of other assets or businesses. It is assumed that all investors will obtain a benefit particularly if the Company's shares can be re-quoted on ASX (the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules). ASX has absolute discretion in deciding whether or not to re-admit the company to the official list and to quote its securities. This means the Company may not be reinstated and the shares may never be quoted. Also, any new shares that are issued under the resolutions proposed in this notice of meeting, may be subject to escrow.
- 1.6.6 The Company would only have approximately net cash of \$50,000 after the issue of the 144 million shares for a total capital raising of \$355,000 per Resolution 4. The Company would still need to find a new business and raise additional funds so that it could meet the Listing Rules. In the absence of a superior offer (made before shareholders vote on Resolutions 1 to 7) then shell value does not exist and it is quite possible in the absence of any other recapitalisation proposal, the Company could be placed into liquidation.
- 1.6.7 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable.

#### **1.7 Conclusion**

The Resolutions 1 to 7 set out in the Notice are important and affect the future of the Company. All of the Resolutions 1 to 7 need to be approved in order to implement the Recapitalisation Proposal. Shareholders are therefore urged to give careful consideration to the Notice the contents of this Statement.

## 1.8 Capital Raising

The Company intends to raise up to \$355,000 by issuing up to 144 million Shares (on a post Consolidation basis) at an issue price of \$0.00246527777 each to exempt, professional and sophisticated investors identified or introduced by Benelong (Placement).

Funds raised under the Placement will be used in accordance with the table set out in Section 1.11 below.

## 1.9 Financial Effect of Placement

The completion of the Placement will increase the Company's cash balance by up to \$355,000 (before costs) and also increase the Company's issued capital by the same amount.

In the event that the Placement and the DOCA are completed, all assets currently under the control of the Deed Administrators will be transferred to the Creditors' Trust and all claims of the Company's Creditors will be released and replaced by claims as beneficiaries of the Creditors' Trust. The Company's only asset will be the cash raised under the Placement, less any amounts expended in accordance with the table set out in Section 1.11 and the only liabilities will be those incurred in relation to the items set out in Section 1.11.

The Company has not presented pro forma financial information in relation to the transactions as recent historical audited financial information is not available owing to the Company being in administration. In addition, the Deed Administrators are of the opinion that to present a financial position based on this historical information would not be representative of the Company's current financial position.

## 1.10 Control Implications

The Company is seeking shareholder approval under Corporations Act, Section 611 and Item 7 for the purposes of Resolution 4.

A table showing the impact of the various issues of securities pursuant to this Notice on the aggregated Shareholding interests of existing Shareholders is set out below (on a post Consolidation basis).

	Before		After	
	# Shares	% of Shares	# of Shares	% of Shares (Approx)
<b>Change as a result of Share issue only</b>				
Existing Shareholders	1,659,796,126	100%	4,345,000	2.41%
Others	0	0%	144,000,000	80%
Secured Creditors & Lenders	0	0%	31,655,000	17.59%
		TOTAL	180,000,000	100%

## 1.11 Purpose of funds to be raised under the Recapitalisation Proposal

The Recapitalisation Proposal seeks to raise the sum of \$355,000 through issues of Shares to sophisticated, professional or other exempt investors who do not require a disclosure document under section 708 of the Corporations Act. The purpose of these capital raisings are to:

- (a) pay for the Deed of Company Arrangement (“**DOCA**”), payment to creditors so as to remove the Company from Administration and to extinguish all liabilities;
- (b) pay for the recapitalisation costs, detailed below;
- (c) provide working capital to meet the administration costs of the Company.

An estimated budget is set out below.

***Estimated Use of Funds – Expenditure Budget***

<b>Total funds raised \$355,000</b>	<b>\$</b>
Deed of Company Arrangement Payment	170,000
Legal costs and fees for initial proposal	85,000
Costs of calling shareholders meeting	50,000
Working Capital for proposed administration costs of the company including proposed accounting and proposed auditing and assessment of opportunities	50,000
<b>Total funds utilised (\$)</b>	<b>\$355,000</b>

The company’s arrangement with Benelong Capital Partners Pty Ltd is the company will reimburse Benelong in cash, for payments Benelong pays to third parties to achieve the recapitalisation proposal. Therefore, Benelong is taking a risk that it may not be reimbursed payments Benelong pays to third parties if the recapitalisation proposal fails. For example, Benelong has paid \$27,500 for the ASX yearly listing fee. The estimated costs of Nicols and Brien of \$95,000, plus G.S.T., will be paid only if the recapitalisation proposal is successful, from company funds or from the investors.

The Deed Administrators arrangement with Benelong is that Benelong is required to procure payment of \$170,000 into the Deed Fund in order to pay creditors and extinguish all company liabilities. When the payment occurs, Benelong is entitled to be reimbursed by the company, as stated above. The investors arrangement with Benelong is that Benelong may be paid a mandate fee of \$90,909, plus G.ST. and a success fee if the recapitalisation proposal is successful, payable in cash by the investors.

## **2. Resolution 1 – Consolidation of Capital**

### **2.1 Background**

If this Resolution is passed and excluding any Securities issued pursuant to the other Resolutions, the number of shares on issue will be reduced from 1,659,796,126 to 4,345,000 (subject to rounding).

### **2.2 Legal requirements**

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

### **2.3 Fractional entitlements**

Not all Security Holders will hold that number of Shares which can be evenly divided by 100. Where a fractional entitlement occurs, the Company will round that fraction down to the nearest whole Security. This means some shareholders holding less than 382 shares will be rounded down to zero.

### **2.4 Taxation**

It is not considered that any taxation implications will exist for Security Holders arising from the Consolidation. However, Security Holders are advised to seek their own tax advice on the effect of the Consolidation and the Company accepts no responsibility for the individual taxation implications arising from the Consolidation.

## 2.5 Holding statements

From the date of the Consolidation, all previous holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a pre-Consolidation basis.

After the consolidation become effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security Holder to check the number of Securities held prior to disposal or exercise (as the case may be).

## 2.6 Proposed capital structure

### Current Capital Structure

	Shares	Percentage %
Current Shares on Issue	1,659,796,126	100

### Proposed Capital Structure

	Shares	(Approx) % Percentage
Existing Shares Consolidated 1:382	4,345,000	2.41%
Resolution 2 Issue of Shares to Secured Creditor	30,655,000	17.03%
Resolution 3 Issue of Shares to RPK Nominees Pty Ltd	1,000,000	0.56%
Resolution 4 Placement of Shares	144,000,000	80%
TOTALS	180,000,000	100%

## 2.7 Indicative timetable

If this Resolution is passed, the Consolidation will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules):

Action	Date
Company announces Consolidation and sends out Notice of Meeting	15 November 2018
Company tells ASX that Shareholders have approved the Consolidation	18 December 2018
Last day for Company to register transfers on a pre-Consolidation basis	21 December 2018
First day for Company to send notice to each holder of the change in their details of holdings	24 December 2018
First day for the Company to register securities on a post-consolidation basis and first day of issue of	

holding statements	
Issue date	2 January 2019
Last day for Securities to be entered into holders' Security holdings	
Last day for the Company to send notice to each holder of the change in their details of holdings	

### 3. **Resolution 2 Allotment and Issue of new Shares to the Secured Creditor**

This Resolution is required to be approved by Shareholders in accordance with ASX Listing Rule 7.1 and Resolution 2, seeks approval for the issue of 30,655,000 shares to Rhonda Nairn or her nominee for nil consideration. This is a requirement under the Deed of Company Arrangement. It equates to part payment of creditors debts with equity.

#### **Information required by ASX Listing Rules**

- (a) The following information is provided to Shareholders in accordance with Listing Rule 7.3 for the purpose of obtaining shareholder approval under Listing Rule 7.1 for Resolution 2:
- (b) The maximum number of shares to be issued by the Company to Rhonda Nairn or her nominee is 30,655,000 in shares at an issue price of \$Nil to raise \$Nil;
- (c) It is anticipated that the issue of the shares will occur on one date and will not be later than three months after the date of the meeting;
- (d) It is proposed that 30,655,000 shares be issued to Rhonda Nairn or her nominee;
- (e) The new shares will rank equally with the existing shares;
- (f) No funds will be raised from the issue of the shares; and
- (g) The date of allotment of the shares will be the same date on which they are issued;
- (h) The shares issued will be fully paid ordinary shares in the capital of the company issued on the same terms and conditions as the company's existing shares.

### 4. **Resolution 3 Allotment and Issue of new Shares to RPK Nominees Pty Ltd**

This Resolution is required to be approved by Shareholders in accordance with ASX Listing Rule 7.1 and Resolution 3, seeks approval for the issue of 1,000,000 shares to RPK Nominees Pty Ltd or its nominee for nil consideration. This is a requirement under the Deed of Company Arrangement. It equates to part payment of creditors debts with equity.

#### **Information required by ASX Listing Rules**

- (a) The following information is provided to Shareholders in accordance with Listing Rule 7.3 for the purpose of obtaining shareholder approval under Listing Rule 7.1 for Resolution 3:
- (b) The maximum number of shares to be issued by the Company to RPK Nominees Pty Ltd or its nominee is 1,000,000 in shares at an issue price of \$Nil to raise \$Nil;
- (c) It is anticipated that the issue of the shares will occur on one date and will not be later than three months after the date of the meeting;

- (d) It is proposed that 1,000,000 shares be issued to RPK Nominees Pty Ltd or its nominee;
- (e) The new shares will rank equally with the existing shares;
- (f) No funds will be raised from the issue of the shares; and
- (g) The date of allotment of the shares will be the same date on which they are issued.
- (h) The shares issued will be fully paid ordinary shares in the capital of the company issued on the same terms and conditions as the company's existing shares.

## **5. Resolution 4 – Allotment and Issue of Placement of Shares**

### **5.1 General**

Resolution 4 seeks Shareholder approval for the issue of up to 144 million Shares at an issue price of \$0.00246527777 per Shares to raise up to \$355,000 (all on a post-Consolidation basis) (**Placement**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 4 will be to allow the Company to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **5.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is 144 million (on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will be \$0.00246527777 per Share (on a post-Consolidation basis);
- (d) the Shares will be issued to Mr Wei Jiang
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Placement towards funding the recapitalisation of the Company (including payment to the Creditors' Trust under the DOCA) with remaining funds being used for working capital purposes.

### **5.3 Section 611 of the Corporations Act**

Shareholder approval of Resolution 4 is also required under Item 7 of Section 611 of the Corporations Act given Resolution 4 involves the issue of more than 20% of all Shares then on issue.



Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases;

- (a) From 20% or below to more than 20%; or
- (b) From a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

The "associate" reference includes a reference to a person in concert with whom a primary person is acting or proposes to act,

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

## **Chapter 2E of the Corporations Act**

Section 208(1) of the Corporations Act requires that for a public company to give a financial benefit to a related party of the public company, it must either fall within certain exceptions or obtain shareholder approval. A related party includes a party that does or may control a public company. Accordingly, Mr Wei Jiang is a related party of the Company for the purposes of Chapter 2E of the Corporations Act.

Pursuant to Resolution 4 the company is seeking shareholder approval for the issue of 144 million shares to raise \$355,000.

The following information is provided:

- (a) The related party is Mr Wei Jiang
- (b) The maximum number of shares, being the nature of the financial benefits being provided to be issued, will be 144 million shares;
- (c) The shares will be issued no later than 1 month after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules state;
- (d) The issue price will be \$0.0024652777 per share;
- (e) The funds raised will be used for the same purposes as all other funds raised under the capital raising as set out in Section 1.11 this explanatory statement;

- (f) The shares issued under the capital raising will be fully paid ordinary shares in the capital of the company issued on the same terms and conditions as the company's existing shares;
- (g) The value of the financial benefit is calculated by the number of securities being issued multiplied by the issue price under General Placement and is set out below:

Securities	Value per Security	Financial Benefit	Amount Paid
144 Million Shares	\$0.0024652777	\$355,000	\$355,000

The company has been suspended from trading since 25 January 2017 with the last trading price of the company prior to going into administration being \$0.003.

The company will be issuing shares at \$0.0024652777 and the directors therefore consider that \$0.0024652777 is a more appropriate valuation for the cost of the shares being issued, the subject of Resolution 4

- (h) The current relevant interests of Mr Wei Jiang in the securities of the company are nil.
- (i) The remuneration and emoluments from the company to Mr Wei Jiang for the previous financial year and the proposed remuneration and emoluments for the current financial year are also \$Nil.

Related Party	Financial Year ended 30 June 2018	Financial Year ended 30 June 2017
Mr Wei Jiang	\$Nil	\$Nil

- (j) The trading history of the shares on ASX in the 12 months before the date of this notice is set out below:

	Price	Date
Highest	0	19 October 2017
Lowest	0	19 October 2017
Last	0	19 October 2017

Shareholders should note that the company's securities were suspended from quotation on 25 January 2017 and remain suspended.

- (k) The primary purpose of the issue of the shares is to raise fresh capital; and
- (l) none of the current directors have an interest in the outcome of Resolution 4. The directors make a positive recommendation because the company is subject to Deed of Company Arrangement and currently insolvent.
- (m) the directors and the Deed Administrators are not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the company to pass Resolution 4.

## Information required by Item 7 of the Section 611 of the Corporations Act

Also set out below are the matters required to be disclosed in accordance with Item 7(b) of Section 611 of the Corporations Act.

- (a) *the identity of the person proposing to make the acquisition and their associates:*

It is proposed that 144 million Shares be issued to Mr Wei Jiang as per Resolution 4. Mr Wei Jiang, nor related parties, do not have relevant interests in any Shares existing as at the date of this notice.

- (b) *the maximum extent of the increase in that persons voting power in the company that would result from the acquisition:*

If Resolution 4 is passed, Mr Wei Jiang's voting power in the Company will increase from 0% to 80% (approx).

- (c) *the voting power that the relevant allottees would have as a result of the acquisition:*

If Resolution 4 is passed, Mr Wei Jiang's voting power in the Company will be 80% (approx).

- (d) *the maximum extent of the increase in the voting power of each of the allottee's associates that would result from the acquisition.*

As Mr Wei Jiang has no holding or any relevant interest in existing Shares there is no increase in its voting power in the Company as a result of the acquisition.

- (e) *the voting power that each of the allottee's associates would have as a result of the acquisition:*

As Mr Wei Jiang has no associates holding any relevant interest in existing shares, there is no increase in its voting power in the Company as a result of the acquisition.

## Other Required Information – ASIC regulatory Guide 74

The following further information is disclosed:

- (a) The Company will review its current business activities. As part of the process, it is proposed that 3 New Directors will be elected to the Board. These elections form the subject of separate Resolutions. The current Directors and company secretary will be resigning;
- (b) In accordance with the Recapitalisation Proposal, the Company intends to raise capital to:
- (i) pay for the DOCA and recapitalisation costs and expenses so as to remove the Company from Administration and to extinguish all debt of the Company; and
  - (ii) meet the administration and working capital costs of the Company.

The Company will have sufficient funds if all Resolutions are passed and share capital raised in order to meet the aims of the Recapitalisation Proposal;

- (c) There is no current intention to redeploy any other fixed assets of the Company or to change the Company's existing policies in relation to financial matters or

dividends. At present, the Company does not pay a dividend. The dividend policy of the Company will be assessed in accordance with the future profitability of the Company's business; and

- (d) Proposed directors Mr Greg Starr, Mr Greg Cornelsen, Mr Steve Nicols do not intend to inject further capital into the company.
- (e) Independent Expert's Report or IER is enclosed, and shareholders are urged to read it in full,

The Corporations Act provides that an independent expert's report of the transaction (as contemplated by Resolution 4 must be provided to Shareholders. The IER provides an opinion as to whether the acquisition of the voting power referred to in Resolution 4 and this section, is fair and reasonable to the non-associated Shareholders of the Company.

Accordingly, Benelong has commissioned Stantons International Securities to produce the IER as an independent expert. The IER is enclosed with the Notice and is attached to Annexure A.

Stantons International Securities has concluded that the acquisition of the voting power by Mr Wei Jiang as contemplated by Resolution 4 ("**Acquisition**") **is fair and reasonable to the Shareholders of the Company.**

The advantages and disadvantages of the Recapitalisation Proposal are outlined in the IER and are provided to enable non-associated Shareholders of the Company to determine whether they are better off if the Acquisition proceeds than if not.

Shareholders are urged to carefully read the IER in deciding how to vote on the Resolutions, particularly Resolution 4

- (f) Mr Wei Jiang will only have a right to compulsorily acquire the shares of minority shareholders pursuant to Section 664C of the Corporations Act if he owns more than 90%. However even if he were to later on obtain 90%, he has no intention whatsoever to compulsorily acquire the shares of minority shareholders.

## **Other required information – ASIC Regulatory Guide 76**

The following further information is disclosed:

- (a) The related party is Mr Wei Jiang
- (b) The nature of the financial benefit is the issue of 144 million Ordinary Shares in the capital of the Company as set out in this Explanatory Memorandum;
- (c) The Directors of the Company make a positive recommendation in relation to whether Shareholders should or should not vote in favour of the Resolution;
- (d) No Directors have an interest in the outcome of the Resolution

All other information that is reasonably required by Shareholders to decide whether or not it is in the Company's interests to pass a resolution and that is known to the Company, is set out in this Explanatory Memorandum and in the Independent Expert's Report.

## **6. Resolution 5 to 7 – Appointment of new Directors**

### **6.1 General**

Clause 13.3 of the Company's constitution provides that:

- (a) the Company's Shareholders in general meeting may appoint new Directors of the Company;

- (b) the appointment of a person as a Director at a general meeting will take effect from the end of the meeting unless the Resolution otherwise states;
- (c) the appointment of a person as a Director at a general meeting is subject to the Company receiving at its registered office at least 30 business days before the meeting a written nomination from the person or a Shareholder duly signed by the nominee and giving his or her consent to the nomination; and
- (d) notice of every candidature for election as Director shall be given to Shareholders with or as part of the notice of meeting.

Having received nominations for the following persons to be appointed as new Directors of the Company, and having received consents to act as a Director from each such person, Resolutions 5 to 7 respectively seek Shareholder approval for the appointment of the following persons as Directors effective from the close of the General Meeting:

- (a) Mr Gregory Barry Starr – Resolution 5;
- (b) Mr Steven Nicols – Resolution 6; and
- (c) Mr Greg Cornelsen – Resolution 7.

A summary of experience of each of the proposed Directors is set out in paragraph 1.4 above.

## **7. ENQUIRIES**

Shareholders are invited to contact Mr Steve Nicols of Benelong Capital Partners Pty Ltd on phone +61 2 9299 2289 if they have any queries in respect of the matters set out in these documents.

## **TIME AND PLACE OF MEETING AND HOW TO VOTE**

### **Venue**

A General Meeting of the shareholders of Moko Social Media Limited (Subject to Deed of Company Arrangement) will be held at 11.00 am (Sydney Time) on Tuesday, 18 December 2018 at:-

Nicols and Brien  
Level 2  
350 Kent Street  
SYDNEY NSW 2000  
AUSTRALIA  
Phone +61 2 9299 2289

### **How to Vote**

You may vote by attending the Meeting in person, by proxy or authorised representative.

#### **Voting in Person**

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 11.00 a.m. (Sydney Time).

#### **Voting by Proxy**

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- send the proxy by facsimile to the Company on facsimile number (International: + 61 2 9299 2239); or
- deliver the proxy to the Company at c/- Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales, Australia.

so that it is received not later than 11.00am (Sydney Time) on Saturday, 16 December 2018.

**Your proxy form is enclosed.**

## GLOSSARY

**Administrators** mean Timothy Joseph Heenan and Jason Mark Tracy of Deloitte Financial Advisory Pty Ltd, Level 9, 225 George Street, Sydney NSW.

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market known as the Australian Securities Exchange, operated by ASX Limited, as the context requires

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX.

**Benelong** means Benelong Capital Partners Pty Ltd (ACN 145 496 233)

**Benelong Capital Contribution** means the sum of \$170,000 required under the DOCA

**Board** means the board of directors of the Company.

**Company** means Moko Social Media Limited (Subject to Deed of Company Arrangement) (ACN 111 082 485).

**Constitution** means the Company's constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Creditor** means a creditor of the Company as at the date of the Notice.

**Creditor's Trust** means the trust to be established in accordance with the terms of the Recapitalisation Proposal and the DOCA for the purpose of satisfying approved Creditor's claims.

**Deed Administrator** means Jason Mark Tracy of Deloitte Financial Advisory Pty Ltd, Level 9, 225 George Street, Sydney, NSW.

**Deed of Company Arrangement or DOCA or Varied DOCA** means the Deed of Company Arrangement between Benelong, Deed Administrators and the Company Dated 20 August 2018 and includes any variation to such.

**Director** means a director of the Company.

**Dollar or \$** means Australian dollars.

**Explanatory Statement** or **Statement** means the explanatory statement to the Notice of General Meeting.

**Glossary** means this glossary.

**Meeting** means the general meeting of the Shareholders convened by the Notice to be held on 18 December 2018.

**New Directors** means the Directors to be appointed under Resolutions 5, 6 and 7 .

**Notice** means this notice of general meeting of the Shareholders in respect of the Meeting to be held on 18 December 2018.

**Recapitalisation Proposal** means the Recapitalisation Proposal submitted by Benelong to the Deed Administrators dated 27 June 2018 relating to the restructure and recapitalisation of the Company.

**Resolutions** means the resolutions described in the Notice.

**Shareholder** means the holder of Shares.

**Shares** means ordinary class shares in the capital of the Company.

**Sydney Time** means time in Sydney NSW from time to time currently AEDT.

**Trustee** means Trustee of the Creditors Trust, being Jason Mark Tracy, or any Corporate Trustee related to him.



**PROXY FORM  
APPOINTMENT OF PROXY  
MOKO SOCIAL MEDIA LIMITED  
(Subject to Deed of Company Arrangement)  
ACN 111 082 485**

**GENERAL MEETING**

I/We

being a Member of Moko Social Media Limited (Subject to Deed of Company Arrangement) entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at Nicols and Brien, Level 2, 350 Kent Street, Sydney, New South Wales on Tuesday 18 December 2018 at 11.00 a.m. (Sydney Time) and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

---

**Voting on Business of the General Meeting**

	FOR	AGAINST	ABSTAIN
Resolution 1 Consolidation of Existing Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Allotment and Issue of Shares to Secured Creditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Allotment and Issue of Shares to RPK Nominees Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Allotment and Issue of Shares to Mr Wei Jiang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Election of Mr Gregory Barry Starr as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Election of Mr Steven Nicols as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Election of Mr Greg Cornelsen as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**OR**

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the % of voting rights this proxy represents is

%

Dated this                      day of                      20

Individuals and joint holders   Companies (affix common seal if appropriate)

Signature
Signature

Director
Sole Director and Sole Company Secretary

## Instructions for Completing 'Appointment of Proxy' Form

1. A Shareholder entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - For a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. You may fax the Proxy form to: Facsimile No. +61 2 9299 2239 or mail to Benelong Capital Partners Pty Ltd, Level 2, 350 Kent Street, Sydney NSW 2000.
7. The instrument appointing the proxy must be received by the Company at the address specified above at least forty eight (48) hours before the time notified for the meeting (proxy forms can be lodged by facsimile).
8. Any questions, please call Steve Nicols on phone +61 2 9299 2289, or email to [steve@benelongcapitalpartners.com](mailto:steve@benelongcapitalpartners.com)

30 October 2018

The Directors  
Moko Social Media Limited  
(Subject to a Deed of Company Arrangement)  
C/- Benelong Capital Partners Pty Ltd  
Level 2, 350 Kent Street  
SYDNEY NSW 2000

## Summary of Opinion

The fair value of a MOKO Share on a control basis prior to the Proposed Transactions (cents)	nil
Fair value of a MOKO Share on a minority basis post the Proposed Transactions (cents)	0.02314

For the purposes of Section 611 (item 7) of TCA, in relation to the approval for MOKO to issue a total of up to 144,000,000 shares to Wei Jiang, in our opinion, taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in sections 7 and 8 of this report, the proposal as outlined in paragraph 1.3 and Resolution 4 of the Notice is considered to be fair and reasonable to the non-associated shareholders at the date of this report.

Dear Sirs

**RE: MOKO SOCIAL MEDIA LIMITED (ACN 111 082 485 ("MOKO" OR "THE COMPANY")) MEETING OF SHAREHOLDERS PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 ("TCA") RELATING TO THE PROPOSAL TO ISSUE UP TO 144,000,000 SHARES TO MR WEI JIANG.**

## 1. Introduction

- 1.1 We have been requested by Steve Nicols of Benelong Capital Partners Pty Ltd ("Benelong") to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposal as set out in Resolution 4 of the Notice of Meeting ("the Notice") to be disseminated to shareholders of MOKO in November 2018.

Under the proposals put forward by MOKO, Benelong (also described as the Promoter) and the secured creditor, Rhonda Nairn Wei Jiang's shareholding would increase from a starting point that is nil to a shareholding in a recapitalised MOKO of in excess of 20%.

- 1.2 Further details on the proposal with Wei Jiang and information on the proposed new directors of MOKO are noted in Sections 5 and 1.4 of the Explanatory Statement ("ES") attached to the Notice that outlines the resolutions being put to the shareholders of MOKO.
- 1.3 Resolution 4, which is subject to the passing of Resolutions 1 to 3 and 5 to 7 relates to the approval for the Company to allot and issue up to 144,000,000 shares at an issue price of \$0.00246527777 to Wei Jiang to raise up to a gross total of \$355,000 from Wei Jiang. The proposed issue of shares to Wei Jiang and the raising of \$355,000 is known in the report as the Proposed Transaction.

1.4 In addition, as part of the recapitalisation proposal involving Benelong (Recapitalisation Proposal), there are the following additional resolutions:

- Resolution 1 relates to the consolidation of capital on a 1 for 382 basis (refer below);
- Resolution 2 relates to the allotment and issue of 30,655,000 fully paid shares to the secured creditor, Rhonda Nairn (or nominee) for \$nil consideration;
- Resolution 3 relates to the allotment and issue of 1,000,000 fully paid shares to a post DOCA creditor, RPK Nominees Pty Ltd ("RPK") for \$nil consideration; and
- Resolutions 5, 6 and 7 relate to the election of Gregory Barry Starr (Starr), Steven Nicols (Nicols) (associated with Benelong) and Greg Cornelsen (Cornelsen) respectively as directors of the Company.

We are not reporting on the fairness and reasonableness of Resolutions 1 to 3 and 5 to 7. This report specifically addresses Resolution 4 only. However, we note that all of the other resolutions are all part of the recapitalisation proposal of MOKO. Resolutions 1 to 7 are all interdependent on each other. Further details on the resolutions are included in the ES.

1.5 We understand that the proposal with Benelong and Wei Jiang also includes the following:

- Pay the MOKO Creditors Trust (via the Deed Administrator) the sum of \$170,000;

In the event that the Recapitalisation Proposal (and the Proposed Transaction) is consummated, the Company would have approximately \$50,000 net cash funds, it would review all of the remaining ventures the Company may have and seek new business opportunities. The Company will not have its shares re-quoted on ASX until it complies with Chapters 1 and 2 of the ASX Listing Rules.

1.6 The proposed issue of a total of 144,000,000 shares to Wei Jiang is referred to in this report as the Subscription for a total capital raising of a gross \$355,000 as noted above and in the ES.

1.7 Following the consummation of the resolutions relating to the issue of new shares, the following table depicts the new share structure of the Company. Section 1.10 of the ES refers to the shareholding details if all resolutions are passed and consummated. The total number of shares on issue would be 180,000,000 as detailed in the following table.

	Existing shareholders/ New shareholders other than the Subscribers	Maximum No. of Shares to be issued to Wei Jiang pursuant to Resolution 4	% held by Wei Jiang	Total
<b>Existing shareholders</b>	<b>1,659,796,126</b>	-	-	<b>1,659,796,126</b>
Consolidation of capital (Resolution 1)	(1,655,451,126)	-	-	(1,655,451,126)
Post the 1 for 382 consolidation of capital	4,345,000			4,345,000
Issue to Rhonda Nairn or nominee (Resolution 2)	30,655,000	-	-	30,655,000
Issue to RPK (Resolution 3)	1,000,000	-	-	1,000,000
Issue to Wei Jiang (Resolution 4)	144,000,000	144,000,000	100.00	144,000,000
<b>Total shares on issue before any further share issues</b>	<b>180,000,000</b>	<b>144,000,000</b>	<b>80.00</b>	<b>180,000,000</b>

- 1.8 The above recapitalisation is subject to the Company obtaining necessary shareholder approvals and any ASX or ASIC regulatory approvals.
- 1.9 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that person's or someone else's voting power in the company increases:
- (a) from 20% or below to more than 20%; or
  - (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

- 1.10 Wei Jiang currently holds no shares in MOKO. Following completion of the recapitalisation and the other proposals noted in paragraphs 1.3 and 1.4 above and in the Notice, Wei Jiang would own a total of 144,000,000 shares in MOKO representing approximately 80.00% of the then shares on issue. There would be 180,000,000 MOKO shares on issue.
- 1.11 A notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) of TCA should be accompanied by an independent expert's report stating whether it is fair and reasonable to approve the issue of 144,000,000 post consolidated shares to Wei Jiang.

To assist shareholders in making a decision on the proposals outlined in the Notice, (and in particular Resolution 4 relating to the issue of shares to Wei Jiang), Benelong has requested that Stantons International Securities Pty Ltd prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the proposal under Resolution 4 is fair and reasonable to the non-associated shareholders of MOKO (not associated with Wei Jiang).

- 1.12 We are not reporting on the fairness and reasonableness of the other resolutions referred to in the Notice and ES, other than Resolution 4 as outlined above.

- 1.13 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposal with Wei Jiang
- Corporate history and nature of business
- Future direction of MOKO
- Basis of valuation of MOKO shares
- Premium for control
- Fairness of the Proposals
- Conclusion as to fairness
- Reasonableness of the Proposal
- Conclusion as to reasonableness
- Sources of information
- Appendix A and Financial Services Guide

- 1.14 In determining the fairness and reasonableness of the transactions pursuant to Resolution 4 we have had regard to the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". The Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above-mentioned offer.

Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash.

An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottees and whether a premium for potential control is being paid by the allottees. Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transactions proceed compared with if they do not.

- 1.15 Accordingly, our report in relation to Resolution 4 comprising the approval to issue a total of up to 144,000,000 shares to Wei Jiang is concerned with the fairness and reasonableness of the proposals with respect to the existing non-associated shareholders of MOKO and whether Wei Jiang is paying premiums for control.

1.16 **Summary of Opinion**

<b>The fair value of a MOKO Share on a control basis prior to the Proposed Transactions (cents)</b>	<b>nil</b>
<b>Fair value of a MOKO Share on a minority basis post the Proposed Transactions (cents)</b>	<b>0.02314</b>

**For the purposes of section 611 (item 7) of TCA, the proposal in relation to the approval to issue a total of 144,000,000 shares as set out in Resolution 4 of the Notice is in our opinion, taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 8 of this report, to be considered to be fair and reasonable to the non-associated shareholders at the date of this report.**

- 1.17 Each shareholder needs to examine the share price of MOKO (but currently suspended from trading), market conditions and announcements made by MOKO up to the date of the shareholders meeting at the time of exercise of vote to ascertain the impact, if any, on Resolution 4. The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

**2. Implications of the Proposals**

- 2.1 As at 29 October 2018, there are believed to be 1,659,796,126 ordinary fully paid shares on issue in MOKO. Post the implementation of all of the recapitalisation proposals, the number of shares will be approximately 180,000,000 post consolidated shares as set out in paragraph 1.8 above.

Further details on the shares that could be on issue and the shareholding interests of the individual Subscribers and other parties are noted in Section 1 of this report and in the Proposed Capital Structure Table in Section 1.1.4 of the ES and in Section 2.3 of the ES attached to the Notice.

- 2.2 Pursuant to Resolution 4, the Company will raise a gross \$355,000 on the issue of 144,000,000 Subscription Shares at an issue price of \$0.00246527777 per share. Following the issue of Subscription Shares and assuming the issue of shares pursuant to Resolutions 2 and 3, Wei Jiang's shareholding will increase from nil% to approximately 80.00%.
- 2.3 The estimated costs of the Notice for the Meeting of Shareholders and other recapitalisation costs (including the DOCA costs and Deed repayment) will be approximately \$305,000 (as noted in the ES attached to the Notice) (including the payment of \$170,000 to the MOKO Creditors Trust).

- 2.4 The recapitalisation proposal provides that from the date of the Meeting, the Board is likely to include Messer's Starr, Nicols and Cornelsen (Resolutions 5, 6 and 7 seeks to ratify the election of such directors). Existing Directors and the existing Company Secretary will be replaced as part of the Recapitalisation proposal.
- 2.5 Set out below is an estimated unaudited statement of financial position of the Company as at July 2017 as noted in the Circular to Creditors of 2 August 2018 together with the pro-forma balance sheet (statement of financial position) adjusted to include the transactions assuming all resolutions are passed and consummated.

	<b>Estimated Statement of Financial Position* \$</b>	<b>Statement of Financial Position after Resolutions 1 to 7 passed \$</b>
<b>Current circulating Assets</b>		
Net circulating assets	120,972	50,000
Total current/circulating assets	120,972	50,000
<b>Non-Circulating Assets</b>		
Net non-circulating assets	5,000	-
Total non-current assets	5,000	-
Total Assets	125,972	50,000
<b>Liabilities</b>		
Secured creditor 1 <sup>st</sup> ranking	(677,000)	
Secured convertible note holders	(809,500)	-
Administrators costs	(427,690)	-
Unsecured creditors	(2,170,501)	-
Total Liabilities	(4,084,691)	-
Net Assets (Liabilities)	(3,958,719)	50,000
<b>Equity</b>		
Issued Capital	Not available	Not available
Reserves	Not available	Not available
Accumulated Losses	Not available	Not available
Total Equity/(Deficiency)	(3,958,719)	50,000
Shares on issue	1,659,796,126	180,000,000
Net assets/(liabilities) per share (cents)	(23.847)	0.02777

We have read the Administrators Circular to Creditors and note that no offers have been made to purchase the Company as a shell company. We note that the Administrators recommended the Benelong proposal to recapitalise the Company. It is noted that values of shell companies vary considerably but for small cap companies may vary between \$250,000 and \$500,000. However, it is noted that the Company cannot sell itself. The amount payable is dependent on a number of factors including shareholder spread, ASX compliance matters and extent of debt amongst many factors. In our view a Company such as MOKO may have a shell value not exceeding \$400,000 but realistically this would be based on the premise that the Company has no or very minimal debt and a reasonable chance of being relisted on ASX within a reasonable time frame. MOKO has net liabilities and will need to comply with ASX Listing Rules (Chapters 1 and 2) in order to have its shares requoted. This can be a difficult exercise and no guarantee that it can occur. The raising of an initial gross \$355,000 will not be enough to ensure meeting ASX Listing Rules for re-quotations.



In the event that a notional value was ascribed to the Company as a shell company of \$400,000, the value per share would be 0.2222 cents on a post recapitalisation basis. However, we consider this is misleading as no investor(s) would pay for a controlling interest in MOKO without a firm recapitalisation proposal that not only assumes the investor(s) would place funds in MOKO but would assume further investors would place funds in MOKO to recapitalise the Company (at least to the extent of sufficient funds to pay out creditors) and have some sufficient working capital to explore new business opportunities, and probably seek ASX quotation, that as noted elsewhere in this report, has quite a challenge attached to it.

Note 1

The movement in the cash assets is reconciled as follows:

	\$
Cash Assets:	
Opening Balance per Administrators report	1,138
Transfer to the Creditors Trust per the DOCA	(1,138)
Placement of 144,000,000 Subscription Shares (Resolution 4)	355,000
Repayment of creditors/DOCA Costs (including \$170,000 to the Creditors Trust)	(305,000)
Net cash on hand	<u>50,000</u>

The most recent available set of audited or reviewed financial statements of the Company is for the year ended 30 June 2016 (released on the ASX on 20 September 2016). The estimated statement of financial position referred to in the Circular to Creditors of August 2018 has not been audited or audit reviewed by Stantons International Securities Pty Ltd.

### 3. Corporate History and Nature of Business

- 3.1 The Company was incorporated on 22 September 2004, and was admitted to the Official List of the ASX on 27 June 2007. The Company's business was the development of leading sports management mobile applications strategically targeting the lucrative US universities, colleges and high school markets. It developed 4 sports apps, namely REC\*IT, Big Teams, REC\*ITFITNESS, and REC\*IT Plus. The Company attempted to monetise these apps through advertising, e-commerce, payments, etc., but these efforts were not successful. The company incurred significant trading losses.

On 25 January 2017 the Company's Shares were suspended from quotation on the official list of the Australian Securities Exchange and on 31 May 2017 Administrators were appointed to the company. The original recapitalisation did not proceed.

The Recapitalisation Proposal by Benelong provides for the appointment of three New Directors.

The essential terms of the Benelong Recapitalisation Proposal are as follows:

- (a) Consolidation of existing shares.
- (b) Issue of shares to the Secured Creditor and post first DOCA lender as per Deed of Company Arrangement requirements;
- (c) Placement to exempt, professional and sophisticated investors, whom will subscribe in aggregate for 144,000,000 shares to raise \$355,000.
- (d) The New Directors and a new company secretary for the Company will be appointed.

The Benelong Recapitalisation Proposal was submitted to the company by Benelong on 27 June 2018. It was accepted by the Company's Creditors on 17 August 2018. The Varied Deed of Company Arrangement incorporating the Recapitalisation Proposal was signed on 20 August 2018. The Resolutions put forward in the Meeting are for the purposes of implementing the Recapitalisation Proposal. The key terms of the Varied DOCA are that Benelong is to ensure \$170,000 is paid into the Deed Fund and ensure secured creditors and the post voluntary administration lender receive 31,655,000 shares; directors will be

changed; all creditors debts (secured and unsecured) are extinguished and are transferred to the Creditors Trust; together with any residual assets held by the Deed Administrator at the time of completion under the DOCA; the company is removed from External Administration; the Deed Administrator retires; the conditions precedent are that shareholders pass all resolutions of the recapitalisation proposal.

The Recapitalisation Proposal involves the simultaneous completion or "effectuation" of the Deed of Company Arrangement and the creation of a Creditors Trust. This enables the Company to be immediately released from administration under the DOCA once all Resolutions are passed at the meeting and all other conditions as set out in the DOCA are met or waived ("Completion"). The Company will also be released from all Creditors Claims estimated at \$3.657 million plus Administrators fees and costs (total liabilities approximately \$4.085 million) and will have nil liabilities once Completion occurs.

The Creditors Trust Deed will be signed if shareholders approve all resolutions.

### ***Future Business***

The proposed new directors will seek out opportunities in other industries with a view to enhancing shareholder value. Any significant change in the nature of Company's activities will require shareholder approval under Listing Rule 11.

- 3.2 A summarised unaudited statement of financial position of MOKO post ratification of Resolutions 1 to 7 is outlined in paragraph 2.5 of this report.

## **4. Future Directions of MOKO**

- 4.1 We have been advised that the initial proposals are:

- To complete all the proposals as noted in the resolutions in the Notice and raise up to \$355,000 from Wei Jiang. These funds will be used to pay \$170,000 for the DOCA to extinguish creditors, pay for the recapitalisation costs, provide funds for the consideration of opportunities as identified by the Company and to meet future costs and expenses of the Company such as accounting and auditing expenses;
- The Composition of the board of directors of MOKO will change in the near future as outlined in paragraph 2.4; and
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow.

If Resolutions 1 to 7 are passed together with the completion of the recapitalisation proposal, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company may be dissolved and struck off. However, in the short term the re-quotation of the Company's shares on ASX is unlikely as the Company will need to meet Chapters 1 and 2 of the ASX Listing Rules. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.

## **5. Basis of Valuation of MOKO**

### **5.1 Shares**

- 5.1.1 In considering the proposals as outlined in Resolution 4, we have sought to determine whether the issue price of the subscription shares to Wei Jiang is in excess of the current fair value of the shares in MOKO on issue and whether the proposed Subscriptions are at a price that MOKO could make to unrelated third parties and then conclude whether the proposals are fair and reasonable to the existing non-associated shareholders of MOKO.
- 5.1.2 The valuation methodologies we have considered in determining a theoretical value of a MOKO share are:

- capitalised maintainable earnings/discounted cash flow;
- takeover bid - the price at which an alternative acquirer might be willing to offer;
- adjusted net asset backing and windup value; and
- the recent market prices of MOKO shares.

## **5.2 Capitalised maintainable earnings and discounted cash flows**

- 5.2.1 MOKO in its own right does not have a reliable cash flow or profit history from a business undertaking (the majority of its production assets are located in the subsidiary, which is not part of the recapitalisation process) and therefore this methodology is not considered to be appropriate. The Company entered into Administration in May 2017 and since then has been looking for new options to recapitalise the Company.

## **5.3 Takeover Bid**

- 5.3.1 It is possible that a potential bidder for MOKO could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. Currently the Company does not have sufficient funds to repay its creditors. In the view of the Administrators, in the absence of a more advantageous proposal, the current recapitalisation proposal is the most appropriate for the Company. However, if all of the 144,000,000 Subscription Shares are issued, Wei Jiang would control approximately 80.00% of the expanded ordinary issued capital of the Company.

## **5.4 Adjusted Net Asset Backing**

Net asset backing and windup value

- 5.4.1 As noted above prior to the recapitalisation proposal, MOKO has little cash or other assets and nil business activities (due to being in Administration). The net asset backing is nil as there is a net liability position of approximately \$3.958 million. On a windup basis, the return to shareholders arguably is nil (refer paragraph 2.5 of this report) as the liabilities exceed the negligible assets of the Company.

- 5.4.2 It is noted that values of shell companies vary considerably but for small cap companies may vary between \$250,000 and \$500,000 (assuming no or immaterial debt). However, it is noted that the Company cannot sell itself. The amount payable is dependent on a number of factors including shareholder spread, ASX compliance matters and extent of debt amongst many factors. In our view a Company such as MOKO may have a shell value not exceeding \$400,000 (on the assumption that all debt was eliminated and a relisting on ASX would occur within a reasonable time frame). We have conducted a number of expert's reports involving companies being recapitalised and in all cases the "shell value" was based on no or minimal debt. In view of a poor market and lack of investor sentiment for small cap companies over the past several years, a potential "shell value" may be on the lower side of the above range.

MOKO has significant debts and even if a value of \$400,000 was attributed to the Company, debts still exceed a potential shell value. Shell value is only paid for on the basis of a recapitalisation proposal (with a reasonable chance of relisting on ASX within a reasonable time frame) and not in isolation.

In addition, the Company will need to comply with ASX Listing Rules (Chapters 1 and 2) in order to have its shares relisted. This can be a difficult exercise and no guarantee that it can occur. The raising of \$355,000 will not be enough to ensure meeting ASX Listing Rules for re-quotation.

We reiterate that "shell value" is dependent on a commercial recapitalisation proposal and if shareholders do not approve the recapitalisation proposal involving the Subscribers and Benelong or a more superior offer (made before shareholders' vote on Resolutions 1 to 7), then shell value does not exist.

It is our understanding that the Company received other offers of recapitalisation but were not as beneficial or commercial to shareholders as the recapitalisation proposal of Benelong that will involve Wei Jiang and the Secured Creditor, Rhonda Nairn.

In the absence of a Recapitalisation Proposal, returns to shareholders are nil (and creditors are not repaid in full).

In the absence of a commercial recapitalisation (such as proposed by Benelong), MOKO would be placed into liquidation.

- 5.4.3 Purely based on the net cash value of MOKO following the issue of the 144,000,000 Subscription Shares to Wei Jiang (pursuant to Resolution 4), the net assets would be disclosed at approximately \$50,000 (assuming the Company raises \$355,000 as noted above) which would be equivalent to approximately 0.02777 cents per share, assuming 180,000,000 shares would be on issue (inclusive of Resolutions 1 to 4 also being consummated). This compares with the estimated current net value of a MOKO share of nil cents as noted elsewhere in this report (but recognising it may have some value as a shell company if all debts were eliminated). The Company has a deficiency in shareholders' funds and if placed into liquidation shareholders would receive nil value.

## 5.5 Market price of MOKO shares

- 5.5.1 As the Company has been suspended from the ASX since January 2017, we do not believe it is appropriate to value a MOKO share based on prior quoted prices of MOKO shares on the ASX.

### Summary conclusion on value of a share in MOKO

- 5.6 After taking into account the matters referred to in the preceding paragraphs, we are of the view that the current theoretical value of a MOKO share (prior to the Recapitalisation Proposal) is nil cents (notwithstanding a potential share value that is dependent on a firm recapitalisation proposal and all debts eliminated). As disclosed above the Company has no material assets with minimal business activities.
- 5.7 If the issue of the 144,000,000 Subscription Shares to Wei Jiang is finalised as noted in Resolution 4 and the Resolutions 1 to 3 proposals are consummated, the net value of a MOKO share immediately post this issue would approximate 0.02777 cents per share (assuming that \$355,000 is raised in total as noted in the Resolution 4 in the Notice and thus MOKO will have no interests in any business activities).

## 6. Premium for Control

- 6.1 Premium for control for the purposes of this report has been defined as the difference between the price per share that a buyer would be prepared to pay to obtain a controlling interest in the Company and the price per share at which the same person would be required to pay per share which does not carry with it control of the Company.
- 6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders' control more than 20% of the issued capital. In this case, Wei Jiang could initially hold approximately 80.00% of the expanded issued capital of MOKO. In take-over offers, it is often the case that a premium for control falls in the normal range of 15% to 50% and it is often accepted that at least a 20% premium for control should be payable. The actual premium may be more or less. In addition, we looked at the study undertaken in 2017 by a large accounting firm (RSM) and this study supported the above range of premiums. In this case, we assume a reasonable premium for control in the current circumstances of the Company (deficiency in equity and effectively no remaining business activities) should be 20%.
- 6.3 The MOKO shares that are proposed to be issued to Wei Jiang (the subject of Resolution 4), are deemed to be theoretically worth nil cents. After various transaction costs and payment

of directors' fees and other creditors, a net cash balance of approximately \$50,000 will remain in the Company (assuming the raising of the \$355,000 pursuant to Resolution 4 referred to above).

In our opinion, it is possible that Wei Jiang is only paying small premium for control, however, the non-associated shareholders of MOKO are benefiting in that the theoretical value of a MOKO share rises from nil cents (with minimal business activities) to a company with a theoretical cash backed value of approximately 0.02777 cents per share.

If Resolutions 1 to 7 are passed together with the completion of the Recapitalisation Proposal, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company may eventually be dissolved and struck off. However, in the short term the re-quotation of the Company's shares on ASX is unlikely as the Company will need to meet Chapters 1 and 2 of the ASX Listing Rules. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.

- 6.4 Our preferred methodology is to value MOKO and a MOKO share on a technical net asset basis which assumes a 100% interest in the Company. Therefore, no adjustment is considered necessary to the technical asset value determined under paragraph 5.4.2 as this already represents the fair value of the Company or a share in the Company on a pre-Proposed Transaction control basis.
- 6.5 We set out below the comparison of the low, preferred and high values of a MOKO share compared to the issue price for the 144,000,000 Subscription Shares to be issued to the Subscribers.

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of a MOKO Share	5.6	0.00	0.00	0.00
Issue price of the Subscription Shares to Wei Jiang (cents rounded)		0.2465	0.2465	0.2465
Excess between Subscription Prices and fair value		0.2465	0.2465	0.2465

We note elsewhere in this report the potential shell value of MOKO but also note that technically MOKO is insolvent and thus without a Recapitalisation Proposal, the value of a share in MOKO has no value.

- 6.6 On a pre-Proposed Transaction control basis, the value of a MOKO share is nil cents per share. The issue of 144,000,000 Subscription Shares to Wei Jiang is expected to raise \$355,000. Based on the preferred value of nil cents per share, a premium for control of approximately 0.2465 cents (rounded) per share is being paid by Wei Jiang.
- 6.7 We note that Wei Jiang will be able to elect a new board. Benelong and the Administrator have nominated Messrs Starr, Nicols and Cornelsen as incoming directors.

## 7. Fairness of the Proposals

- 7.1 The concept of "fairness" is to be taken to be the value of the offer price, or the consideration being equal to or greater than the value of the securities in the above-mentioned offer. As noted above the MOKO shares that are proposed to be issued to Wei Jiang, the subject of Resolution 4 are deemed to be theoretically worth nil cents. Assuming a 20% premium for control, the deemed theoretical value is still nil.

7.2 If the issue of the 144,000,000 Subscription Shares to Wei Jiang is completed, the theoretical value of a MOKO share increases to approximately 0.02777 cents. The theoretical value of a MOKO share post the issue of the shares to Wei Jiang from a non-associated shareholder's perspective, based on the estimated net assets of \$50,000 is 0.02277 cents as noted in paragraph 2.5 above which is in excess of the theoretical value pre-recapitalisation of nil cents per share (a company with negligible assets and debts totalling approximately \$4.085 million).

7.3 In arriving at our conclusion on fairness, we considered whether the transaction is "fair" by comparing:

- (a) the fair market value of a MOKO share pre-transaction on a control basis; versus
- (b) the fair market value of a MOKO share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transactions.

7.4 The low, preferred and high values of a MOKO share pre-the Recapitalisation Proposal/Proposed Transaction on a control basis is:

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of a MOKO Share	5.6	nil	nil	nil

7.5 The preferred fair market value of a MOKO share has been estimated at nil cents on a pre-Proposed Transaction control basis. Wei Jiang's Subscriptions results in an adjusted value of 0.2777 cents per MOKO share (refer below).

7.6 We set out below the range of estimated technical net asset values of MKO based on the post recapitalisation pro-forma Balance Sheet as detailed in paragraph 2.5 adjusted for a minority discount.

MOKO Assets (to the benefit of creditors)	nil
Cash	50,000
Other current assets	nil
Other current liabilities	nil
Total net assets	<u>50,000</u>

Number of shares on issue	180,000,000
---------------------------	-------------

Net asset value per share (cents)	0.02777
Minority interest discount	16.67%
Minority value per share (cents)	<u>0.02134</u>

Issue Price (see paragraph 6.5 above (cents) (rounded)	0.2465
--	--------

7.7 To reflect the value of a MOKO share post the Proposed Transaction, to a minority shareholder, a minority interest discount is applied of 16.67% as this is the inverse of the 20% premium for control. In this case, the minority value per share is 0.02134 cents and if a 20% premium is applied, the controlling interest equates to 0.02777 cents (as above). The inverse is used to arrive at the fair value of a share to a minority shareholder. A 20% premium applied to the minority value per share then equals the value to a controlling shareholder. This is standard practice and is used by all independent valuers.

7.8 As noted above the fair market value of a MOKO share Post-Proposed Transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under Resolution 4 (and Resolutions 2 and 3) of the

Notice has a preferred fair value of approximately 0.02134 cents. Thus, on such a basis, the proposals under Resolution 4 would be fair.

## 7.9 Conclusion as to fairness

<b>The fair value of a MOKO Share on a control basis prior to the Proposed Transactions (cents)</b>	<b>nil</b>
<b>Fair value of a MOKO Share on a minority basis post the Proposed Transactions (cents)</b>	<b>0.02314</b>

**After taking into account the matters referred to in 7 above and elsewhere in this report, we are of the opinion that, in the absence of a superior proposal, the proposals as outlined in Resolution 4 of the Notice is fair to the non-associated shareholders of MOKO as at the date of this report.**

As noted above, if we ascribed a shell value of \$400,000 to the Company the net liabilities pre-the recapitalisation proposals would decrease to approximately \$3.558 million being (21.44) cents per share. This is less than the share price of 0.2465 cents (rounded) per share being subscribed by Wei Jiang under Resolution 4. If the Company had no debt and a shell value of \$400,000 the net asset value per share pre-recapitalisation would be approximately 0.2222 cents per post consolidated share. However, we reiterate that "shell value" is dependent on a commercial recapitalisation proposal and potential to obtain an ASX relisting in a reasonable time frame and if shareholders do not approve the Recapitalisation Proposal or a superior offer (made before shareholders' vote on Resolutions 1 to 7), then shell value does not exist.

## 8. Reasonableness of the Proposal

It is noted that if the Proposed Transaction was deemed fair, then the Proposed Transaction would also be deemed to be reasonable. In this case, the proposed issue of the 144,000,000 Subscription Shares is considered fair. However, we also set out some advantages, disadvantages and other factors for shareholder information.

### Advantages

- 8.1 The passing and consummation of Resolutions 1 to 7 as part of the recapitalisation proposal would result in a net cash position of approximately \$50,000 (assuming the capital raising of the \$355,000 referred to above) and having a company with minimal or no liabilities, compared with the current position whereby the Company has net assets of \$nil and significant debts to pay.
- 8.2 If the proposals per Resolutions 1 to 7 are consummated as part of the recapitalisation process, the net cash asset backing of a MOKO share rises from nil cents to approximately 0.027777 cents (assumes \$355,000 worth of shares are issued for cash).
- 8.3 If Resolutions 1 to 7 are passed together with the completion of the recapitalisation proposal, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company may be dissolved and struck off. However, in the short term the re-quotation of the Company's shares on ASX is unlikely as the Company will need to meet Chapters 1 and 2 of the ASX Listing Rules. The Company would need to find a new business and raise additional funds so that it could meet the Listing Rules.
- 8.4 The proposed directors (Messrs Starr, Nicols and Cornelsen) bring additional expertise to the Company in that such directors have financial, accounting and corporate experience and/or experience as directors of other trading entities. The ES discloses the background of the proposed directors.

Disadvantages

- 8.5 A significant shareholding in the Company is being given to Wei Jiang in that he could collectively own approximately 80.00% of the expanded issued capital of the Company after the passing of Resolutions 1 to 7 (the passing of Resolutions 1 to 7 are inter dependent of each other). However, we note that MOKO will be partly recapitalised with approximately \$50,000 in net cash (assuming only the \$355,000 total capital raisings), will have no debt and will have the opportunity to consider the acquisition of other assets or businesses. The existing shareholders are diluted to approximately 2.413% after the passing of Resolutions 1 to 4 but before any other shares are issued. The secured creditor, Rhonda Nairn would obtain an approximate 17.031% shareholding interest (she may subsequently divest 3,950,000 shares to the previous secured note holders). It is assumed that all investors will obtain a benefit particularly if the Company's shares can be re-quoted on ASX (the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules).
- 8.6 MOKO would only have approximately net cash of \$50,000 (assuming the raising of \$355,000 as noted above) after the issue of the 144,000,000 Subscription Shares to Wei Jiang (and the issue of 1,000,000 shares to RPK Nominees Pty Ltd and 30,655,000 shares to Rhonda Nairn. As noted above, in the short term the re-quotations of the Company's shares on ASX is unlikely as the Company will need to meet Chapters 1 and 2 of the ASX Listing Rules. The Company would still need to find a new business and raise additional funds so that it could meet the Listing Rules. In the absence of a superior offer (made before shareholders' vote on Resolutions 1 to 7) then shell value does not exist and it is quite possible in the absence of any other recapitalisation proposal, the Company could be placed into liquidation.
- 8.7 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable.

**9. Conclusion as to Reasonableness**

- 9.1 **After taking into account the matters referred to in sections 7 and 8 above and elsewhere in this report, we are of the opinion that, in the absence of a superior proposal, the proposals as outlined in Resolution 4 respectively are on balance reasonable to the non-associated shareholders of MOKO as at the date of this report.**

**10. Shareholder Decision**

- 10.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the issue of up to 144,000,000 Subscription Shares to Wei Jiang is fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to resolutions other than Resolution 4. The responsibility for such a voting recommendation lies with the directors of MOKO.
- 10.2 In any event, the decision whether to accept or reject Resolution 4 is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the proposal under Resolution 4 (and all other Resolutions) shareholders should consult their own professional adviser.
- 10.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in MOKO. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposal under Resolution 4 (and all other Resolutions). Shareholders should consult their own professional adviser in this regard.



**11. Sources of Information**

11.1 In making our assessment as to whether the proposals pursuant to Resolution 4 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of MOKO (such as the Administrators Circular to Creditors) which is relevant in the current circumstances. In addition, we have held discussions with Steve Nicols of Benelong Capital Partners Pty Ltd who is co-ordinating the recapitalisation proposal about the present state of affairs of MOKO. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the Company and publicly filed information on the financial position of the Company lodged via the ASX website.

11.2 Information we have received includes, but is not limited to:

- drafts of the October 2018 Notice of General Meeting of Shareholders of MOKO (and drafts of the ES attached);
- discussions with Steve Nicols from Benelong Capital Partners Pty Ltd who is co-ordinating the recapitalisation proposal;
- shareholding details of MOKO;
- announcement made by MOKO to the ASX from January 2016 to 29 October 2018;
- Circulars to Creditors of MOKO, dated 27 October 2017 and August 2018;
- DOCA and variation thereto in 2017 and 2018; and
- Audited consolidated accounts of MOKO for the year ended 30 June 2016.

11.3 Our report includes Appendix A and Financial Services Guide, attached to this report.

Yours faithfully

**STANTONS INTERNATIONAL SECURITIES PTY LTD**  
**(Trading as Stantons International Securities)**



**John Van Dieren - FCA**  
**Director**

## **APPENDIX A**

### **AUTHOR INDEPENDENCE**

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd (trading as Stantons International Securities) dated 30 October 2018, relating to the proposal pursuant to Resolution 4 outlined in the Notice of Meeting of Shareholders and the accompanying ES to be distributed to shareholders of MOKO in November 2018.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with MOKO other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$7,000 (excluding GST). The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities Pty Ltd nor John Van Dieren or Martin Michalik have received nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report. Stantons International Securities Pty Ltd and Stantons International Audit and Consulting Pty Ltd or any directors of Stantons International Securities Pty Ltd and Stantons International Audit and Consulting Pty Ltd do not hold any securities in MOKO. There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd has consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice. Stantons International Securities Pty Ltd has prepared other independent expert reports for parties associated with the Promoter or its nominees.

### **QUALIFICATIONS**

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (No 448697) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd are the directors and authorised representatives of Stantons International Securities. Stantons International Securities Pty Ltd and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr John Van Dieren (FCA) and Mr Martin Michalik (ACA) the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuations and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

### **DECLARATION**

This report has been prepared at the request of a director of the Company in order to assist the shareholders of MOKO to assess the merits of the proposal (Resolution 4) to which this report relates. This report has been prepared for the benefit of the MOKO shareholders and those persons only who are entitled to receive a copy for the purposes of Section 611 (Item 7) of the Corporations Act 2001 and does not provide a general expression of Stantons International Securities Pty Ltd's opinion as to the longer-term value of MOKO. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of MOKO or any of its subsidiaries. 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, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

#### **DUE CARE AND DILEGENCE**

This report has been prepared by Stantons International Securities with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolution 4 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 4.

#### **DECLARATION AND INDEMNITY**

Recognising that Stantons International Securities may rely on information provided by the directors (represented by Steve Nicols in lieu of the Directors), its officers and other parties (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), the directors (on behalf of MOKO) has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which MOKO may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by the directors; and
- (b) to indemnify Stantons International Securities (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from the directors, officers and MOKO providing Stantons International Securities any false or misleading information or in the failure of the directors, MOKO and their officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to the Promoter for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE  
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD  
(Trading as Stantons International Securities)  
Dated 30 October 2018**

1. Stantons International Securities Pty Ltd (ABN 42 128 908 289 and AFSL Licence No 448697) ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.
2. 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: 448697;
- remuneration that we and/or our staff and any associated entities receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report, we provide general financial product advice, not personal financial product advice, because it has been prepared without taking 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. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, 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.

6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. 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.

8. Associations and relationships

SIS is ultimately a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (that trades as Stantons International) and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 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  
Stantons International Securities Pty Ltd  
Level 2  
1 Walker Avenue  
WEST PERTH WA 6005

Telephone: 08 9481 3188  
Facsimile: 09 9321 1204

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaints 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.

9.2 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 Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
PO Box 3  
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399