

CIRCULAR DATED 5 JUNE 2017

THIS CIRCULAR IS ISSUED BY CMC INFOCOMM LIMITED (THE “COMPANY”). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF ASIAN CORPORATE ADVISORS PTE. LTD., THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your issued and paid-up ordinary shares in the capital of the Company (“**Shares**”) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular to the purchaser or the transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted to any jurisdiction outside of Singapore.

*This Circular has been prepared by the Company and its contents have been reviewed by the Company’s Sponsor, SAC Capital Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The Company’s Sponsor has not independently verified the contents of this Circular.*

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

The contact person for the Sponsor is Mr. Ong Hwee Li (Telephone: 65-6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542. SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.



CMC INFOCOMM LIMITED

(Company Registration No.: 201506891C)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY UNCONDITIONAL CASH OFFER

by

YINDA PTE. LTD.

(Company Registration No.: 201617623D)
(Incorporated in the Republic of Singapore)

to acquire all the issued and paid-up ordinary shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by Yinda Pte. Ltd. and parties acting in concert with it.

Independent Financial Adviser to the Independent Directors

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200310232R)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES MUST BE RECEIVED BY THE CLOSE OF THE OFFER (AS DEFINED HEREIN) AT 5.30 P.M. (SINGAPORE TIME) ON 20 JUNE 2017 (“CLOSING DATE”). THE OFFEROR WILL NOT EXTEND THE OFFER BEYOND 5.30 P.M. ON THE CLOSING DATE. ACCORDINGLY, SHAREHOLDERS WHO WISH TO ACCEPT THE OFFER MUST DO SO BY SUCH TIME AND DATE. THE OFFER DOCUMENT FURTHER STATES THAT THE TERMS OF THE OFFER WILL ALSO NOT BE REVISED BY THE OFFEROR.

CONTENTS

| | Page |
|---|------|
| DEFINITIONS | 2 |
| CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS | 6 |
| INDICATIVE TIMELINE | 7 |
| LETTER TO SHAREHOLDERS | |
| 1. INTRODUCTION | 8 |
| 2. THE OFFER | 9 |
| 3. INFORMATION ON THE OFFEROR AND SHANGHAI YINDA GROUP | 10 |
| 4. INFORMATION ON THE COMPANY | 11 |
| 5. RATIONALE FOR THE OFFER | 11 |
| 6. OFFEROR'S INTENTION FOR THE COMPANY | 11 |
| 7. LISTING STATUS AND COMPULSORY ACQUISITION | 11 |
| 8. INDEPENDENCE OF THE DIRECTORS | 12 |
| 9. ADVICE OF THE IFA ON THE OFFER..... | 12 |
| 10. RECOMMENDATION OF THE INDEPENDENT DIRECTORS..... | 13 |
| 11. OVERSEAS SHAREHOLDERS | 13 |
| 12. ACTION TO BE TAKEN BY SHAREHOLDERS | 15 |
| 13. RESPONSIBILITY STATEMENT | 15 |
| 14. ADDITIONAL INFORMATION | 16 |
| APPENDIX I – LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE INDEPENDENT DIRECTORS OF CMC INFOCOMM LIMITED | 17 |
| APPENDIX II – GENERAL INFORMATION | 60 |
| APPENDIX III – EXTRACTS FROM THE CONSTITUTION OF THE COMPANY | 70 |
| APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2016 | 86 |
| APPENDIX V – 1H2017 RESULTS | 133 |

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

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| “1H2017” | : Half year ended 31 November 2016 |
| “1H2017 Results” | : The unaudited consolidated financial statements of the Group for 1H2017 |
| “Acquisition” | : The acquisition of 113,104,000 Shares, representing approximately 74.41% of the capital of the Company by the Offeror in accordance with the terms of the Share Purchase Agreement |
| “Catalist” | : The sponsor-supervised listing platform of the SGX-ST |
| “Catalist Rules” | : The Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended, modified or supplemented from time to time |
| “CDP” | : The Central Depository (Pte) Limited |
| “Circular” | : This circular to Shareholders dated 5 June 2017 in relation to the Offer |
| “Closing Date” | : 5.30 p.m. (Singapore time) on 20 June 2017, being the closing time and date for the lodgement of acceptances of the Offer |
| “CMCE” | : CMC Engineering Sdn. Bhd. |
| “Code” | : The Singapore Code on Take-overs and Mergers |
| “Companies Act” | : The Companies Act, Chapter 50 of Singapore |
| “Company” | : CMC Infocomm Limited |
| “Company Securities” | : Convertible securities, warrants, options or Derivatives in respect of Shares or securities which carry voting rights in the Company |
| “Constitution” | : The constitution of the Company comprising the memorandum and articles of association of the Company which were in force immediately before phase 2 of the Companies (Amendment) Act 2014 took effect on 3 January 2016 |
| “Derivatives” | : Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities |
| “Directors” | : The directors of the Company as at the Latest Practicable Date |
| “Distributions” | : Any dividends, rights and/or distributions in respect of the Shares |
| “FAA” | : Form of Acceptance and Authorisation for the Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with the CDP |

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| “FAT” | : Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP and are registered in such Shareholder’s name in the Register |
| “FY” | : The financial year ended or ending 31 May |
| “Group” | : The Company and its subsidiaries |
| “IFA” | : Asian Corporate Advisors Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Offer |
| “IFA Letter” | : The letter dated 5 June 2017 from the IFA to the Independent Directors in respect of the Offer as set out in Appendix I to this Circular |
| “Independent Directors” | : The Directors who are considered independent for the purposes of making the recommendation to the Shareholders in respect of the Offer, namely, Dato’ Abdul Rahman Bin Yusof, Liu Kwee Choy (alternate director to Non-Executive Chairman), Phua Cher Chuan, Hazwan Alif Bin Abdul Rahman, Sim Geok Soon, Yee Kit Hong, Hans Jakob Hinrichsen, Yong Kee Tong and Siow Yuen Khong Alex |
| “Latest Practicable Date” | : 26 May 2017, being the latest practicable date prior to the printing of this Circular |
| “Market Day” | : A day on which the SGX-ST is open for trading in securities |
| “Offer” | : The mandatory unconditional cash offer to acquire the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and/or the FAT |
| “Offer Announcement” | : The Offer announcement made by the Offeror on the Offer Announcement Date |
| “Offer Announcement Date” | : 7 May 2017 |
| “Offer Document” | : The document dated 22 May 2017 issued by the Offeror, in respect of the Offer |
| “Offer Period” | : The period from the Offer Announcement Date until the Closing Date |
| “Offer Shares” | : All the issued and paid-up Shares other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it |
| “Offeror” | : Yinda Pte. Ltd. |
| “Offeror Concert Group” | : The Offeror and the parties acting or presumed to be acting in concert with the Offeror |
| “Offeror Shares” | : Ordinary shares in the capital of the Offeror |
| “Offeror Securities” | : (a) Offeror Shares, (b) securities which carry substantially the same rights as any Offeror Shares, and (c) convertible securities, warrants, options and Derivatives in respect of any Offeror Shares or such securities in (b) |

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| “Overseas Shareholders” | : Shareholders whose addresses are outside Singapore as shown on the Register, or as the case may be, in the records of CDP |
| “Prospectus” | : The offer document dated 31 July 2015 issued by the Offeree, in respect of 24,000,000 new shares by way of public offer and placement |
| “Reference Period” | : The period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date |
| “Register” | : The register of Shareholders as maintained by the Registrar |
| “Registrar” | : B.A.C.S. Private Limited |
| “SFA” | : Securities and Futures Act, Cap 289 of Singapore |
| “SGX-ST” | : Singapore Exchange Securities Trading Limited |
| “Shanghai Yinda” | : Shanghai Yinda Science and Technology Industrial Co Ltd |
| “Shanghai Yinda Group” | : Shanghai Yinda Technology Group Co Ltd |
| “Share Purchase Agreement” | : The sale and purchase agreement dated 5 May 2017 entered into between the Vendors and the Offeror for the Acquisition |
| “Shareholders” | : Persons who are registered as holders of Shares in the Register and Depositors who have Shares entered against their names in the Depository Register |
| “Shares” | : Issued and paid-up ordinary shares in the capital of the Company |
| “SIC” | : The Securities Industry Council of Singapore |
| “Sponsor” | : SAC Capital Private Limited |
| “TEE” | : TEE International Limited |
| “Vendors” | : Collectively TEE and CMCE |
| “VWAP” | : Volume-weighted average price |

Currencies and Units of Measurement

| | |
|--------------------|---|
| “S\$” and “cents” | : Singapore dollars and cents, respectively, being the lawful currency of Singapore |
| “per cent.” or “%” | : Per centum or percentage |

- (a) The expressions “**acting in concert**” and “**associates**” shall have the meanings ascribed to them respectively in the Code.
- (b) The expressions “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the same meanings as ascribed to them respectively in Section 81SF of the SFA.
- (c) Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

- (d) The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.
- (e) References to “**Offer Document**” shall include the FAA and FAT, unless the context otherwise requires.
- (f) Any discrepancies in the figures included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown in the totals of the figures in this Circular may not be an arithmetic aggregation of the figures that precede them.
- (g) References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to the Shareholders.
- (h) Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Code, the Catalist Rules, the SFA or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to that word under the Companies Act, the SFA, the Code, the Catalist Rules, the SFA, or that modification, as the case may be, unless the context otherwise requires.
- (i) The expressions “**subsidiary**” and “**associated company**” shall have the meanings ascribed to them in Section 5 of the Companies Act and the Code, respectively.
- (j) Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date, respectively, unless otherwise specified.
- (k) **Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and in italics and capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter and the Constitution respectively.**
- (l) Any reference in this Circular to the total number of Shares is a reference to a total of 152,000,000 Shares in issue as at the Latest Practicable Date, unless the context otherwise requires.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “**expect**”, “**anticipate**”, “**believe**”, “**intend**”, “**project**”, “**plan**”, “**strategy**”, “**forecast**” and similar expressions or future or conditional verbs such as “**will**”, “**would**”, “**should**”, “**could**”, “**may**” and “**might**”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMELINE

| | | |
|--|---|---|
| Date of despatch of Offer Document | : | 22 May 2017 |
| Date of despatch of this Circular | : | 5 June 2017 |
| Closing Date | : | 5:30 p.m. (Singapore time) on 20 June 2017. The Offeror has given notice that the Offeror will not extend the Offer beyond 5:30 p.m. on the Closing Date and the Offer will not be open for acceptance beyond 5:30 p.m. on the Closing Date |
| Date of settlement of consideration for valid acceptances of the Offer | : | Within 7 business days after receipt of valid acceptances |

Note:

- (1) This indicative timetable has been extracted from the Offer Document. Please also refer to Appendix 1 to the Offer Document for further details.

CMC INFOCOMM LIMITED

(Company Registration No.: 201506891C)
(Incorporated in the Republic of Singapore)

Directors:

Dato' Abdul Rahman Bin Yusof (Non-Executive Chairman)
Liu Kwee Choy (Alternate Director to Non-Executive Chairman)
Phua Cher Chuan (Executive Director)
Hazwan Alif Bin Abdul Rahman (Non-Executive Director)
Sim Geok Soon (Non-Executive Director)
Yee Kit Hong (Lead Independent Director)
Yong Kee Tong (Independent Director)
Siow Yuen Khong Alex (Independent Director)
Hans Jakob Hinrichsen (Independent Director)

Registered Office:

Block 5008
Ang Mo Kio Avenue 5
#04-07 Techplace II
Singapore 569874

5 June 2017

To: The Shareholders of CMC Infocomm Limited

Dear Sir / Madam

MANDATORY UNCONDITIONAL CASH OFFER BY THE OFFEROR FOR THE OFFER SHARES

1. INTRODUCTION

1.1 **Offer Announcement.** On 7 May 2017, being the Offer Announcement Date, the Offeror announced that:

- (a) the Offeror had entered into the Share Purchase Agreement with the Vendors and had acquired an aggregate of 113,104,000 Shares from the Vendors at S\$0.095 per Share representing approximately 74.41% of all the Shares; and
- (b) completion of the Acquisition had taken place on the Offer Announcement Date. Accordingly, the Offeror is required to, in accordance with Section 139 of the SFA and Rule 14 of the Code, make an Offer for the Offer Shares.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

1.2 **Offer Document.** Shareholders should by now have received a copy of the Offer Document issued by the Offeror, setting out, *inter alia*, the terms and conditions of the Offer. **Shareholders are advised to read the terms and conditions of the Offer contained therein carefully.**

Copies of the Offer Document, the FAA and the FAT are available on the website of the SGX-ST at www.sgx.com.

1.3 **IFA.** The Company has appointed Asian Corporate Advisors Pte. Ltd. as the independent financial adviser to advise the Independent Directors in respect of the Offer.

1.4 **Purpose of this Circular.** The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer before deciding whether or not to accept the Offer.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

2. THE OFFER

2.1 Principal Terms

The principal terms and conditions of the Offer, as extracted from the Offer Document, are set out below.

2.2 Terms of the Offer

Paragraph 2.1 of the Offer Document states that the Offer will be made for all the Offer Shares, subject to the terms and conditions set out in the Offer Document. The terms of the Offer will not be revised.

2.3 Offer Price

Paragraph 2.2 of the Offer Document states that the consideration for each Offer Share will be as follows:

“For each Offer Share: S\$0.095 in cash

The Offeror will not revise the Offer Price.”

2.4 No Encumbrances

Paragraph 2.3 of the Offer Document states the following:

“The Offer Shares will be acquired:

- (a) fully paid-up;*
- (b) free from any Encumbrance whatsoever; and*
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all Distributions declared, paid or made by the Company on or after the Offer Announcement Date.*

Accordingly, if any Distribution is declared, paid or made by the Company on or after the Offer Announcement Date, and:

- (i) if the settlement date in respect of the Offer Shares accepted pursuant to the Offer falls on or before the Books Closure Date, the Offeror will pay the relevant accepting Shareholders the Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of those Offer Shares from the Company; and***
- (ii) if the settlement date in respect of the Offer Shares accepted pursuant to the Offer falls after the Books Closure Date, the amount of the Distribution in respect of such Offer Shares will be deducted from the Offer Price payable for such Offer Shares, as the Offeror will not receive the Distribution in respect of those Offer Shares from the Company.”***

2.5 Undertaking from Vendors not to accept the Offer

Paragraph 3 of the Offer Document states the following:

“Under the Share Purchase Agreement, each Vendor has irrevocably and unconditionally undertaken to the Offeror not to accept the Offer in respect of the remaining 7,448,000 Shares held by each of them after completion of the Acquisition, and that they shall not transfer, sell or otherwise dispose of, or encumber such Shares for a period of six months from the date of completion of the Acquisition.”

2.6 Warranty

Paragraph 4 of the Offer Document states the following:

“A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warranted that he sells such Offer Shares, as or on behalf of, the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances whatsoever and (c) transferred together with all rights, benefits and entitlements attached to them as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions declared, paid or made by the Company on or after the Offer Announcement Date.”

2.7 Duration of the Offer

Paragraph 5 of the Offer Document states the following:

“The Offer is open for acceptance by Shareholders for at least 28 days after the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.

Shut Off Notice

The Offer will close at 5:30 p.m. (Singapore time) on 20 June 2017, being the Closing Date. The Offeror will not extend the Offer beyond 5:30 p.m. on the Closing Date and the Offer will not be open for acceptance beyond 5:30 p.m. on the Closing Date.”

2.8 Further Details of the Offer

Further details on the Offer, in relation to (a) the settlement of the consideration of the Offer, (b) the requirements relating to the announcement(s) of the level of acceptances of the Offer and (c) the right of withdrawal of acceptances of the Offer are set out in Appendix 1 to the Offer Document.

2.9 Procedures for acceptance of the Offer

The procedures for acceptance of the Offer are set out in Appendix 2 of the Offer Document and the accompanying FAA and/or FAT (as the case may be).

3. INFORMATION ON THE OFFEROR AND SHANGHAI YINDA GROUP

3.1 Offeror

Information on the Offeror and the Shanghai Yinda Group is set out in Appendix 3 of the Offer Document, selected extracts of which are reproduced below.

“2. PRINCIPAL ACTIVITIES AND SHARE CAPITAL

The Offeror is a private limited company incorporated in Singapore, and is a wholly-owned subsidiary of Shanghai Yinda. As at the date of this announcement, the Offeror has an issued share capital of S\$1,722,451.00 comprising 1,722,451 issued ordinary shares and the directors of the Offeror are Qian Zhongcheng, Qian Zimin and Song Xingyi.

The directors of Shanghai Yinda are Song Xingyi and Qian Zhongcheng. Shanghai Yinda is held by Shanghai Yinda Group (60%), Song Xingyi (20%) and Qian Zhongcheng (20%). Shanghai Yinda Group is in turn held by Song Xingyi (47.8%), Wang Hua (37.0%) and Wang Zhijun (15.2%) and its directors are Song Xingyi, Wang Hua and Wang Zhijun.

Shanghai Yinda Group is engaged in the information technology, telecommunications and related businesses.”

3.2 Further information on the Offeror

Shareholders should refer to Appendix 3 of the Offer Document for further information on the Offeror and the Shanghai Yinda Group.

4. INFORMATION ON THE COMPANY

Please refer to Appendix II of this Circular for information on the Company.

5. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer as set out in paragraph 10 of the Offer Document has been extracted from the Offer Document and reproduced below.

“10. RATIONALE FOR THE OFFER

The Offer is made by the Offeror to comply with Rule 14.1 of the Code.”

6. OFFEROR’S INTENTION FOR THE COMPANY

The full text of the Offeror’s intention for the Company as set out in paragraph 11 of the Offer Document has been extracted from the Offer Document and reproduced below.

“11. INTENTION OF THE OFFEROR

The Offeror presently has no intention to (a) introduce any major changes to the business of the Company; (b) redeploy the fixed assets of the Company; or (c) discontinue the employment of the employees of the Company, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Company which may present themselves.”

As announced by the Company on 5 May 2017, Mr Phua Cher Chuan (“**Mr Phua**”) resigned from his position as Chief Executive Officer pursuant to a change in controlling interest in the Company. The announcement stated that Mr Phua would remain as an Executive Director of the Company and a new Chief Executive Officer would be appointed in due course.

Subsequently, the Company announced on 30 May 2017 that the Nominating Committee had recommended the appointment of Mr Qian Zimin (“**Mr Qian**”) as Chief Executive Officer and the Board had approved his appointment based on his qualifications and work experience. The announcement stated that Mr Qian would be responsible for the overall management of the Group’s business and corporate development.

As of 30 May 2017, Mr Qian is the Managing Director of the Offeror and the cousin of Mr Qian Zhongcheng, another director of the Offeror. Mr Qian Zhongcheng is also a director and 20% shareholder of Shanghai Yinda.

7. LISTING STATUS AND COMPULSORY ACQUISITION

The full text of the Offeror’s intentions with regards to compulsory acquisition and the listing status of the Company as set out in paragraph 12 of the Offer Document has been extracted from the Offer Document and reproduced below.

“12. LISTING STATUS AND COMPULSORY ACQUISITION

Pursuant to Rule 1104 of the Catalist Rules, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror Concert Group to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 200 Shareholders who are members of the public. Rule 1303(1) of the Catalist Rules provides that if the Offeror succeeds in receiving acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Catalist Rules, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted.

The Offeror's present intention is to maintain the listing status of the Company. However, in the event the free float requirement is not satisfied at the close of the Offer, the Offeror will assess the options available at that time.

Pursuant to Section 215(1) of the Act, in the event that the Offeror acquires not less than 90% of the total number of issued Shares as at the close of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquiring all the Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

In addition, pursuant to Section 215(3) of the Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares as at the close of the Offer, the Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

As stated above, the Offeror's present intention is to maintain the listing status of the Company. However, if the Offeror receives acceptances pursuant to the Offer in respect of not less than 90% of the total number of Offer Shares in issue as at the close of the Offer (other than those already held by the Offeror, its related companies and their respective nominees as at the date of this Offer Document), the Offeror will consider whether or not to exercise its rights of compulsory acquisition under section 215(1) of the Act to acquire those Offer Shares not acquired by the Offeror pursuant to the Offer."

8. INDEPENDENCE OF THE DIRECTORS

As at the Latest Practicable Date, all of the Directors consider themselves to be independent for the purposes of making a recommendation on the Offer.

9. ADVICE OF THE IFA ON THE OFFER

9.1 IFA

Asian Corporate Advisors Pte. Ltd. has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. Shareholders should read and consider carefully the recommendation of the IFA to the Independent Directors in respect of the Offer as set out in the IFA Letter (set out in Appendix I herein) and the recommendation of the Independent Directors set out in Section 10 of this Circular before deciding whether to accept or reject the Offer.

9.2 Evaluation of the Offer by the IFA

The IFA Letter setting out the advice and recommendations of the IFA to the Independent Directors in respect of the Offer is set out in Appendix I to this Circular. The key considerations relied upon by the IFA in arriving at its advice to the Independent Directors are set out in paragraph 8 of the IFA Letter.

Shareholders should read and consider carefully the key considerations relied upon by the IFA in arriving at its advice to the Independent Directors, in conjunction with, and in the context of the full text of the IFA Letter.

9.3 Advice of the IFA to the Independent Directors in respect of the Offer

After having regard to the considerations set out in the IFA Letter, and based on the circumstances of the Company and the information as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors at paragraph 10 of the IFA Letter, an extract of which is set out below. Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise stated, all terms and expressions used in the extract below shall have the meanings given to them in the IFA Letter.

*"In summary, having regard to our analysis and the consideration in this Letter and after having considered carefully the information available to us and based on market, economic and other relevant considerations prevailing as at the Latest Practicable Date and subject to our terms of reference, **we are of the opinion that the financial terms of the Offer is, on balance, FAIR AND REASONABLE.***

For the purposes of evaluation of the Offer from a financial point of view, we have adopted the approach that the term "fair and reasonable" comprises two distinct concepts:

- (i) Whether the Offer is "fair" relates to the value of the offer price which is based strictly on the evaluation of the Offer Price (i.e. by looking at the financial or fundamental analyses of the Offer Price as set out in this Letter and based on information known to us or which is publicly available).*
- (ii) Whether the Offer is "reasonable", after taking into consideration the actual and potential financial impact of other circumstances surrounding the Offer and the Company which we consider relevant (being both quantitative and qualitative factors available and made known to us) as well as comparison of the Offer with relevant precedent transactions.*

*We consider the financial terms of the Offer to be **FAIR**, from a financial point of view after factoring, inter alia, the following: -*

- (i) The weak historical financial performance and position of the Group, including but not limited to the fact that the Group has been loss making for the period under review despite increasing revenue. Furthermore net cash was used in operating activities during the periods under review (instead of being generated from), save for FY2015. The Group's financial performance and asset turnover pales in comparison with the Selected Comparable Companies.*
- (ii) Offer Price represents a premium over the Group's NAV and NTA per Share as at 30 November 2016.*
- (iii) Whilst the Group is the smallest and the only loss making company as compared to the Selected Comparable Companies, the valuation of the Group (as implied by the Offer Price) in terms of P/NAV and P/NTA ratio appears to be in line with the median and simple average for the Selected Comparable Companies respectively. In addition, it is also noted that the trading statistics for the shares of the Selected Comparable Companies, are based on transactions which do not result in transfer or acquisition of "control". As at the Offer Announcement Date, the Offer is unconditional with the Offeror and its concert parties, holding an aggregate of 74.41% of the issued Share capital of the Company, and having "control" of the Company. Thus while the "relative" valuation of the Company as reflected by the Offer Price is lower than the valuation accorded during the IPO, it is comparable to the Selected Comparable Companies and the "relatively-lower" valuation as reflected by the Offer Price should be viewed in the context of the increase in audited loss after tax attributable to Shareholders since FY2014.*
- (iv) The valuation of the Group as implied by the Offer Price and in terms of P/NTA multiple appears in general to be more favourable as compared to the Selected Non-Privatisation MGO Transactions. In addition, the valuation of the Group as implied by the Offer Price in terms of premium over the last transacted price for Shares (based on the Unaffected Date) prior to the Offer Announcement Date is comparable to other offers in the Selected Non-Privatisation MGO Transactions.*

We consider the financial terms of the Offer to be, on balance, **REASONABLE**, from a financial point of view after factoring, inter alia, the following: -

- (i) *As at the Latest Practicable Date, the Offeror Concert Group holds approximately 74.4% of the total number of issued Shares. Accordingly, the Offeror Concert Group has statutory control of the Company, which places the Offeror in a position to significantly influence, inter alia, the management, operating and financial policies of the Company and is in a position to pass ordinary resolutions for matters in which the Offeror Concert Group do not have an interest, at general meetings of Shareholders. Under such circumstances, competing offer for the Shares is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror Concert Group hold as at the Latest Practicable Date. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.*
- (ii) *The Offer Price represents a premium of approximately 35.7% over the last transacted price of S\$0.07 per Share on the Catalyst on 27 April 2017, being the Unaffected Date or the last trading day prior to 5 May 2017 (before the “trigger” for the Offer).*
- (iii) *Excluding the number of traded Shares on the Affected Date, the total number of Shares traded for the 12-months period prior to the Offer Announcement Date was approximately 3.5 million Shares with an average daily trading volume of approximately 14 thousand Shares, representing approximately 0.01% of the issued Share capital as at the Latest Practicable Date or approximately 0.05% of the issued Share capital held by Shareholders other than the Substantial Shareholders (including the Offeror Concert Group) and the Directors as at the Latest Practicable Date.*
- (iv) *The daily average number of Shares traded commencing from the IPO Date till prior to and including the Unaffected Date is significantly low as compared to the number of issued Shares as at the Latest Practicable Date. We note that approximately 56.582 million Shares were traded on 5 May 2017; and were mainly due to the Offeror's acquisition (from the Vendors) of 113.104 million Shares. As represented and confirmed by Management, the exceptional trading volume was recorded due to the disposal of approximately 56.552 million Shares by one of the Vendor, TEE International Limited. Since the IPO Date till the Latest Practicable Date, other than 5 May 2017, the Trading Day with the next largest trading volume of approximately 6.3 million Shares occurred on the IPO Date. Likewise, the Shares appear to be relatively inactive in the context that the Shares were traded on 72 Trading Days out of the 252 Market Days during the 1 year period prior to the Announcement Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller.*
- (v) *The Directors' confirmation that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.*

Thus the Offer represents a realistic opportunity for Shareholders to liquidate their investments in the Company, which has been loss making since IPO given the illiquid nature of the Shares. Furthermore despite the fact that it is the only loss making and negative ROE company as compared to its peers, the valuation of the Company based on P/NTA and P/NAV is comparable to the Selected Comparable Companies.

ACA's Recommendation on the Offer

*Based on our assessment of the financial terms of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders **ACCEPT** the Offer. The Offer is fair from the financial point of view (in particular the Offer Price and the implied valuation multiples for the Group being reflective of the Group's financial performance and position, despite being generally less favourable than the Selected Comparable Companies), the Offer represents a realistic opportunity for Shareholders to realise their entire investment in cash taking into account, inter alia, low trading liquidity for the Shares prior to the Unaffected Date. The Company as it stands on its own is fairly valued, without benefit and knowledge of the future plans of the Company.*

Subsequent to the Offer Announcement Date, the prices for the Shares appear to be marginally lower than the Offer Price. The higher average daily trading volume subsequent to the Offer Announcement Date as compared to the 1-year period prior to the Offer Announcement Date may, inter alia, have been supported by the Offer Announcement and the Offer. As such, there is no assurance that the observed increase in the average number of Shares traded on a daily basis or the trading activities for the Shares will be maintained or that the transacted prices for the Shares will be the same and at the levels prevailing during the period commencing after the Announcement Date and ending on the Latest Practicable Date in the event that the Offer closes.

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price.

However, in the event that Shareholders are able to dispose of the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market."

10. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

The Independent Directors, having carefully considered the terms of the Offer and the advice given by the IFA to the Independent Directors in the IFA Letter, **CONCUR** with the advice of the IFA in respect of the Offer.

Accordingly, the Independent Directors recommend that Shareholders **ACCEPT** the Offer. However, in the event that Shareholders are able to dispose of the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market.

Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully. Shareholders are also advised to read the IFA Letter set out in Appendix I to this Circular carefully and to consider the recommendations of the Independent Directors in their entirety before deciding whether to accept or reject the Offer. Shareholders should note that the advice of the IFA to the Independent Directors in respect of the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

Further, in rendering the above recommendation, the Independent Directors have not had regard to the general or specific investment objectives, financial situations, tax status or position, risk profiles or unique needs and constraints or other particular circumstances of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

11. OVERSEAS SHAREHOLDERS

11.1 Overseas Shareholders

The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown in the Register or Depository Register (as the case may be) (each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant jurisdictions in which they are located. Overseas Shareholders should refer to paragraph 16 of the Offer Document which is reproduced below.

“16. OVERSEAS SHAREHOLDERS

16.1 Overseas Shareholders

The availability of the Offer to Overseas Shareholders may be affected by laws and regulations of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about and observe any applicable legal requirements. Where there are potential restrictions on sending this Offer Document, the FAA and/or the FAT to any overseas jurisdiction, the Offeror reserves the right not to send these documents to any overseas jurisdiction. For the avoidance of doubt, the Offer is made to all Shareholders holding Offer Shares, including to those to whom this Offer Document, the FAA and/or the FAT have not been or will not be sent.

Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

16.2 Overseas Jurisdiction

It is the responsibility of any Overseas Shareholder who wishes to accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities and legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable, and the Offeror and any person acting on its behalf (including CDP and the Registrar) shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments that may be required to be paid. In accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities and legal requirements.

The Offeror reserves the right not to treat any acceptance of the Offer in or from any overseas jurisdiction and/or in respect of an Overseas Shareholder as valid. Overseas Shareholders accepting the Offer should note that if they have, in the FAT, provided addresses in overseas jurisdictions for the receipt of remittances of payment by the Offeror, such acceptance may be rejected.

Any Overseas Shareholder who is in doubt about his position should consult his professional advisers in the relevant jurisdictions.

16.3 Copies of this Offer Document, the FAA and/or the FAT

Overseas Shareholders may obtain copies of the Offer Document, the FAA and/or the FAT and any related documents, during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date from, as the case may be, (a) the Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544 or (b) CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588. Electronic copies of the Offer Document, the FAA and/or the FAT may also be obtained from the website of the SGX-ST at www.sgx.com. Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws, write in to the Registrar at the aforementioned address to request for the Offer Document, the FAA and/or the FAT and any related documents to be sent to an address in Singapore by ordinary post at his own risk, provided always that the last date for despatch in respect of such request shall be a date falling three Market Days prior to the Closing Date. It is the responsibility of the Overseas Shareholder who wishes to request for the Offer Document, the FAA and/or the FAT and any related documents to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities and legal requirements. In requesting for this Offer Document, the FAA and/or the FAT and any related documents, the Overseas Shareholder represents and warrants to the Offeror that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities and legal requirements.

16.4 Notice

The Offeror reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.”

11.2 Copies of Circular

This Circular may not be sent to Overseas Shareholders due to potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Shareholder may, nevertheless, obtain copies of this Circular during normal business hours up to the Closing Date, from the offices of the Registrar at B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544, up to five (5) Market Days prior to the Closing Date.

In requesting for this Circular and any related documents, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

12.1 Shareholders who wish to accept the offer

The Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. (Singapore Time) on 20 June 2017, being the Closing Date, abiding by the procedures for the acceptance of the Offer as set out in Appendix 2 to the Offer Document, the FAA and/or the FAT.

12.2 Shareholders who do not wish to accept the offer

The Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

13. RESPONSIBILITY STATEMENT

Save for (a) the IFA Letter, (b) the information extracted from the Offer Announcement and the Offer Document, and (c) the information relating to the Offeror, the Directors (including those who may have delegated detailed supervision of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Offer and the Group, and the Directors are not aware of any facts, the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source (including, without limitation, the Offer Announcement and the Offer Document), the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are, after having made all reasonable enquiries and to the best of their knowledge and belief, fair and accurate in all material aspects.

14. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully

For and on behalf of the Board of Directors

YEE KIT HONG

Lead Independent Director

APPENDIX I – LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE INDEPENDENT DIRECTORS OF CMC INFOCOMM LIMITED

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No: 200310232R)

160 Robinson Road #21-05
SBF Center
Singapore 068914

The Independent Directors (as hereinafter defined)
CMC Infocomm Limited
5008 Ang Mo Kio Avenue 5
#04-07 Techplace II
Singapore 569874

5 June 2017

MANDATORY UNCONDITIONAL CASH OFFER (“OFFER”) BY YINDA PTE. LTD. (“OFFEROR”) FOR THE OFFER SHARES (AS DEFINED HEREIN)

Unless otherwise defined or where the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular dated 5 June 2017 (the “Circular”) issued by the Company.

1. INTRODUCTION

On 7 May 2017 (the “**Offer Announcement Date**”), the Offeror announced that pursuant to the sale and purchase agreement dated 5 May 2017 (“**Share Purchase Agreement**”) entered into between TEE International Limited and CMC Engineering Sdn. Bhd. (collectively, the “**Vendors**”) and the Offeror for the acquisition of 113,104,000 issued and paid-up ordinary shares in the capital of the Company (“**Shares**”) (“**Acquisition**”) from the Vendors at S\$0.095 per Share and completion of the Acquisition had taken place on the Offer Announcement Date. Accordingly, the Offeror will make an Offer for all the issued and paid-up Shares other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (the “**Offer Shares**”) at S\$0.095 in cash for each Offer Share (“**Offer Price**”) in accordance with Section 139 of the Securities and Futures Act and Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”) as the number of Shares acquired represents approximately 74.41% of all the Shares.

On 22 May 2017, the Offeror announced that the offer document dated 22 May 2017 issued by the Offeror (“**Offer Document**”), setting out, *inter alia*, the terms and conditions of the Offer has been despatched to Shareholders (defined later) on 22 May 2017.

Asian Corporate Advisors Pte. Ltd. (“**ACA**”), has been appointed as the independent financial adviser (“**IFA**”) to advise the directors of the Company (“**Directors**”), who are considered as independent for the purpose of making a recommendation to Shareholders in relation to the Offer (the “**Independent Directors**”). We note from the Circular that the Directors who are considered independent for the purposes of making a recommendation to shareholders of the Company (“**Shareholders**”) in respect of the Offer, are namely Dato’ Abdul Rahman Bin Yusof, Liu Kwee Choy (alternate director to Non-Executive Chairman), Phua Cher Chuan, Hazwan Alif Bin Abdul Rahman, Sim Geok Soon, Yee Kit Hong, Hans Jakob Hinrichsen, Yong Kee Tong and Siow Yuen Khong Alex. Subsequent to 26 May 2017 (the “**Latest Practicable Date**”), we note that the Company has on 30 May 2017 announced the appointment of Mr Qian Zimin as the Chief Executive Officer who is the managing director of the Offeror and the cousin of Mr Qian Zhongcheng, another director of the Offeror. Mr Qian Zhongcheng is also a director and 20% shareholder of Shanghai Yinda Science and Technology Industrial Co Ltd (“**Shanghai Yinda**”).

This letter (“**Letter**”) and any other document, which may be issued by ACA, in respect of the Offer for the purpose of revising, amending or supplementing or updating (as the case may be) and setting out, *inter alia*, our views and evaluation of the financial terms of the Offer and our recommendations thereon, will form part of the Circular providing, *inter alia*, details of the Offer and the recommendations of the Independent Directors with regard to the Offer. Unless otherwise defined or the context otherwise requires, all terms defined in the Offer shall have the same meaning ascribed herein.

2. TERMS OF REFERENCE

ACA has been appointed to advise the Independent Directors on the financial terms of the Offer and whether the Shareholders should accept or reject the Offer. We do not warrant the merits of the Offer other than to form a view, for the purposes of Rule 7.1 and 24.1 (b) of the Code, as to whether the financial terms of the Offer are fair and reasonable. We have confined our evaluation strictly and solely on the financial terms of the Offer and have not taken into account the commercial risks and/or merits (if any) of the Offer or their strategic merits or the future prospects of the Company and its subsidiaries (“**Group**”) including, *inter alia* the contracts that the Company and the Group has embarked upon or are about to embark upon or the comparison with other deals involving the Shares or the timing or the time extended for the Offer. Such evaluation or comment remains the responsibility of the Directors and the management of the Company (“**Management**”) although we may draw up on their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter. We do not express any opinion on the relative merits of the Offer as compared to any other alternative transaction. We were not requested or authorized to solicit, and we have not solicited, any indications of interest from any third party with respect to the Offer Shares or assets or businesses of the Group. In addition, we do not express any views or opinions on the legality of the Offer or all other matters pertaining to the Offer or documents for the Offer (the Circular and the Offer Document), *inter alia*, the mechanism or processes of acceptances, its eligibility or validity or other alternatives (if any) or the sufficiency of information or any undertakings provided. Our scope does not include determining the independence of the Independent Directors for the purpose of making recommendation in respect of the Offer. We note from the Circular that the Directors who are considered independent for the purposes of making a recommendation to Shareholders in respect of the Offer, are namely Dato’ Abdul Rahman Bin Yusof, Liu Kwee Choy (alternate director to Non-Executive Chairman), Phua Cher Chuan, Hazwan Alif Bin Abdul Rahman, Sim Geok Soon, Yee Kit Hong, Hans Jakob Hinrichsen, Yong Kee Tong and Siow Yuen Khong Alex.

In the course of our evaluation, we have held discussions with Directors and Management regarding their assessment of the rationale for the Offer and have examined publicly available information collated by us, including the unaudited and audited financial statements as well as information, both written and verbal, provided to us by the Directors and Management and professional advisers of the Company, including its consultants or advisers, solicitors, auditors and valuers (where applicable). We have not independently verified such information but have made such reasonable enquiries and used our judgement as we deemed necessary on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or the manner it has been classified or presented.

We have relied upon the assurance of the Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the six (6) months financial period ended 30 November 2016 (“**HY2017**”) for the Group. Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or

the Group or the Shares, irrespective of the outcome of the Offer. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance *inter alia* the future economic benefits of the Group's order books or its ability to complete such orders and neither are we responsible for it or for any updates pursuant to any announcements subsequent to the issuance of this Letter or the timing of the Offer or the dates for issuance of the Circular. Accordingly, any estimates or analysis or evaluation of the merits of the Company or the Group or the Shares in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities (including without limitation, property, plant and equipment) or contracts entered into or to be entered into by the Group (where applicable) and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into (where applicable) by the Group. With respect to such valuation, we are not experts in the evaluation (including without limitation, market value or economic potential) or appraisal of assets and liabilities (including without limitation, property, plant and equipment) including, *inter alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon (where applicable) and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the values of the assets and liabilities, *inter alia* intangibles (being customer relationships arising from the purchase prices allocation upon acquisition of the Group's subsidiaries CMCCS (as defined herein) and CMCT (as defined herein) in previous periods), gross amounts due from (or to) customers for contracts work-in-progress as well as the financial performance or condition of the Group as reflected in the unaudited financial statements for HY2017 and the audited financial statements for the Group for the financial year ended 31 May 2016 ("FY2016") are true and fair. The Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for HY2017 for the Group and the audited financial statements for the Group for FY2016 to be false or misleading in any material aspect. In addition, the Directors have confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of assets and liabilities including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading.

The Directors further confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter and the unaudited financial statements for the Group for HY2017, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable), and the information provided to us, as at the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter alia*, includes general as well as company-specific or industry-specific conditions or sentiments or factors. The Independent Directors should note that our evaluation is based solely on publicly available information and such other information provided by the Company or its Directors or Management as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after HY2017 for the Group or developments (both macro and company-specific) and that these factors do and will necessarily affect the evaluation of the Offer and our recommendation or opinion or views.

The Directors have collectively and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of all information and representations as provided by the Directors and contained herein. The Directors have confirmed to ACA that to the best of their knowledge and belief, all material information available to them and the Management in connection with the Company, the Group, the Offer or the Offeror or such other parties has been disclosed to ACA in its entirety and included in the Circular, that such information is true, complete and

accurate in all material respects and that there is no other information or fact including the financial performance or expected future performance or future growth prospects or restructuring plans (if applicable) of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular or this Letter to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group including *inter alia*, the contracts that the Group has embarked on or are about to embark upon. We are therefore not expressing any view herein as to the returns that the Shareholders may have owning the Shares upon completion or close of the Offer or on the future financial performance of the Company or the Group or the plans (if any) that the Offeror may have for the Company. In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints or particular circumstances of any individual Shareholder. As each Shareholder would have different investment profiles and objectives, horizons and risk profiles, we would advise Independent Directors to recommend that any Shareholder, who may require advice in the context of his specific investment objective(s), investment portfolio(s), including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this Letter on the Offer or the Company or the Group or the Shares which we used or may have used may differ from the relative emphasis accorded by any individual Shareholder or Independent Director, and as such Independent Directors are advised to highlight to Shareholders as well as note for themselves that any reliance on our opinion or view or assessment, is subject to the contents of this Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views of the Offer or its recommendation, following the date of the issue of this Letter.

Accordingly, our Letter or opinion or views or recommendation should not be used or relied by anyone for any other purposes and should only be used by the Independent Directors, subject to our terms of reference and the contents of this Letter as one of the basis for their opinions or views or recommendation. In addition, any references to our Letter as one of the basis for their opinion, views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this Letter in its entirety, *inter alia*, the matters, conditions, assumptions, limitations, factors, and bases as well as our terms of reference for this Letter.

3. TERMS AND CONDITIONS OF THE OFFER

As set out in Paragraph 2 of the Offer Document, we note that the Offeror offered to acquire the Offer Shares on the terms and conditions set out in the Offer Document. The principal terms and conditions of the Offer, as extracted from the Offer Document, are set out in italics below. We recommend that Shareholders read the terms and conditions contained therein carefully.

“2. TERMS OF THE OFFER

2.1 Terms of the Offer

The Offer will be made for all the Offer Shares, subject to the terms and conditions set out in this Offer Document. The terms of the Offer will not be revised.

2.2 Offer Price

The consideration for each Offer Share will be as follows:

For each Offer Share: S\$0.095 in cash

The Offeror will not revise the Offer Price.

2.3 No Encumbrances

The Offer Shares will be acquired:

- (a) *fully paid-up;*
- (b) *free from any Encumbrance whatsoever; and*
- (c) *together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all Distributions declared, paid or made by the Company on or after the Offer Announcement Date.*

Accordingly, if any Distribution is declared, paid or made by the Company on or after the Offer Announcement Date, and:

- (i) ***if the settlement date in respect of the Offer Shares accepted pursuant to the Offer falls on or before the Books Closure Date, the Offeror will pay the relevant accepting Shareholders the Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of those Offer Shares from the Company; and***
- (ii) ***if the settlement date in respect of the Offer Shares accepted pursuant to the Offer falls after the Books Closure Date, the amount of the Distribution in respect of such Offer Shares will be deducted from the Offer Price payable for such Offer Shares, as the Offeror will not receive the Distribution in respect of those Offer Shares from the Company.***

3. UNDERTAKING FROM VENDORS NOT TO ACCEPT THE OFFER

Under the Share Purchase Agreement, each Vendor has irrevocably and unconditionally undertaken to the Offeror not to accept the Offer in respect of the remaining 7,448,000 Shares held by each of them after completion of the Acquisition, and that they shall not transfer, sell or otherwise dispose of, or encumber such Shares for a period of six months from the date of completion of the Acquisition.

4. WARRANTY

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warranted that he sells such Offer Shares, as or on behalf of, the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances whatsoever and (c) transferred together with all rights, benefits and entitlements attached to them as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions declared, paid or made by the Company on or after the Offer Announcement Date.

5. DURATION OF THE OFFER

The Offer is open for acceptance by Shareholders for at least 28 days after the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.

Shut Off Notice

The Offer will close at 5:30 p.m. (Singapore time) on 20 June 2017, being the Closing Date. The Offeror will not extend the Offer beyond 5:30 p.m. on the Closing Date and the Offer will not be open for acceptance beyond 5:30 p.m. on the Closing Date.

6. **DETAILS OF THE OFFER**

Appendix 1 sets out further details on:

- (a) settlement of the consideration for the Offer;*
- (b) requirements relating to the announcements of level of acceptances of the Offer; and*
- (c) right of withdrawal of acceptances of the Offer.*

7. **PROCEDURE FOR ACCEPTANCE**

*The procedures for acceptance of the Offer are set out in **Appendix 2** and the accompanying FAA and/or FAT (as the case may be)."*

4. **INFORMATION ON THE OFFEROR AND SHANGHAI YINDA GROUP**

The information on the Offeror and the Shanghai Yinda Technology Group Co Ltd ("**Shanghai Yinda Group**") are set out in **Appendix 3** of the Offer Document, selected extracts of which are reproduced and set out in italics below. Shareholders should refer to **Appendix 3** of the Offer Document for further information on the Offeror and the Shanghai Yinda Group. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"2. PRINCIPAL ACTIVITIES AND SHARE CAPITAL

The Offeror is a private limited company incorporated in Singapore, and is a wholly-owned subsidiary of Shanghai Yinda. As at the date of this announcement, the Offeror has an issued share capital of S\$1,722,451.00 comprising 1,722,451 issued ordinary shares and the directors of the Offeror are Qian Zhongcheng, Qian Zimin and Song Xingyi.

The directors of Shanghai Yinda are Song Xingyi and Qian Zhongcheng. Shanghai Yinda is held by Shanghai Yinda Group (60%), Song Xingyi (20%) and Qian Zhongcheng (20%). Shanghai Yinda Group is in turn held by Song Xingyi (47.8%), Wang Hua (37.0%) and Wang Zhijun (15.2%) and its directors are Song Xingyi, Wang Hua and Wang Zhijun.

Shanghai Yinda Group is engaged in the information technology, telecommunications and related businesses."

5. **INFORMATION ON THE COMPANY**

The information on the Company are set out in **Appendix II** of the Circular.

6. **UNDERTAKING FROM VENDORS NOT TO ACCEPT THE OFFER**

The information on the undertaking from Vendors not to accept the Offer set out in italics below has been extracted from Paragraph 3 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"3. UNDERTAKING FROM VENDORS NOT TO ACCEPT THE OFFER

Under the Share Purchase Agreement, each Vendor has irrevocably and unconditionally undertaken to the Offeror not to accept the Offer in respect of the remaining 7,448,000 Shares held by each of them after completion of the Acquisition, and that they shall not transfer, sell or otherwise dispose of, or encumber such Shares for a period of six months from the date of completion of the Acquisition."

We note that aggregate number of Shares (being 14,896,000 Shares) that are the subject of the undertakings from the two Vendors represents approximately 9.8% of the issued Share capital as at the Latest Practicable Date. Each of the Vendor has irrevocably and unconditionally undertaken to the Offeror not to accept the Offer in respect of the remaining 7,448,000 Shares held by each of them after completion of the Acquisition, and that they shall not transfer, sell or otherwise dispose of, or encumber such Shares for a period of six months from the date of completion of the Acquisition. Thus given the undertakings provided by each of the two Vendors, the aggregate number of Shares which will not be tendered for acceptance (being 14,896,000 Shares) represents approximately 9.8% of the issued Share capital as at the Latest Practicable Date.

Shareholders should note that if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as possible, announce that fact and the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Listing Manual Section B: Rules of Catalist of the SGX-ST (“**Catalist Rules**”) states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted. We note that taking into account the undertakings from the Vendors not to accept the Offer in respect of the remaining 7,448,000 Shares held by each of them and the intentions of certain Directors in relation of the Offer as disclosed in Section 4.6 of the Appendix II of the Circular, the aggregate number of Shares that will not be tendered for acceptance will be at least 16,712,200 or approximately 10.99% of the issued Share capital as at the Latest Practicable Date. As such the possibility of the percentage of the Shares held in public hands to fall below 10% and the possibility of Shareholders relying on a compulsory acquisition accorded for their “protection” pursuant to Section 215(3) of the Companies Act (“**Act**”) is reduced.

7. THE RATIONALE FOR THE OFFER, INTENTION OF THE OFFEROR AND THE LISTING STATUS

The rationale for the Offer, the Offeror’s intentions relating to the Company and the listing status and compulsory acquisition are stated in Paragraph 10 to 12 of the Offer Document respectively and had been reproduced in italics below. All terms and expressions used in the extract below shall have the same meaning as those defined in the Offer Document, unless otherwise stated.

“10. RATIONALE FOR THE OFFER

The Offer is made by the Offeror to comply with Rule 14.1 of the Code.

11. INTENTION OF THE OFFEROR

The Offeror presently has no intention to (a) introduce any major changes to the business of the Company; (b) redeploy the fixed assets of the Company; or (c) discontinue the employment of the employees of the Company, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Company which may present themselves.

12. LISTING STATUS AND COMPULSORY ACQUISITION

Pursuant to Rule 1104 of the Catalist Rules, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror Concert Group to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 200 Shareholders who are members of the public. Rule 1303(1) of the Catalist Rules provides that if the Offeror succeeds in receiving acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Catalist Rules, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted.

The Offeror's present intention is to maintain the listing status of the Company. However, in the event the free float requirement is not satisfied at the close of the Offer, the Offeror will assess the options available at that time.

Pursuant to Section 215(1) of the Act, in the event that the Offeror acquires not less than 90% of the total number of issued Shares as at the close of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquiring all the Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

In addition, pursuant to Section 215(3) of the Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares as at the close of the Offer, the Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

As stated above, the Offeror's present intention is to maintain the listing status of the Company. However, if the Offeror receives acceptances pursuant to the Offer in respect of not less than 90% of the total number of Offer Shares in issue as at the close of the Offer (other than those already held by the Offeror, its related companies and their respective nominees as at the Offer Announcement Date), the Offeror will consider whether or not to exercise its rights of compulsory acquisition under Section 215(1) of the Act to acquire those Offer Shares not acquired by the Offeror pursuant to the Offer."

8. FINANCIAL ASSESSMENT OF THE OFFER

In assessing the financial terms of the Offer from a financial point of view, we have taken into account the following pertinent factors as well as others in the Letter, which we consider will have a significant bearing on our assessment:

- (i) Historical financial performance and position of the Group;
- (ii) The Group's net asset value ("NAV") and net tangible assets ("NTA");
- (iii) Relative valuation analysis;
- (iv) Market quotation and trading activities for the Shares;
- (v) Comparison with recently completed non-privatisation mandatory takeover transactions of companies listed on the SGX-ST; and
- (vi) Other relevant considerations which have significant bearing on our assessment.

These factors are discussed in detailed in the ensuing sections.

In our assessment of the Offer, we have applied certain valuation ratios in assessing the reasonableness of the Offer Price. A brief description of such valuation ratios are as follows:–

- (i) **EV/EBITDA** “EV” or “Enterprise Value” is defined as the sum of a company’s market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. “EBITDA” stands for earnings before interest, tax, depreciation and amortisation but after share of associates’ and joint ventures’ income but excluding exceptional items.

The “EV/EBITDA” multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.

- (ii) **Price-to-Earnings (“PER”)** The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company’s shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.

- (iii) **Price-to-NTA (“P/NTA”)** The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its asset backing as measured in terms of its NTA value.

The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.

- (iv) **Price-to-NAV (“P/NAV”)** The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.

The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

8.1. Historical financial performance and position of the Group

Overview of the Group's history and business

The Company was incorporated on 16 March 2015 under the Act as a private limited company under the name of CMC Infocomm Pte. Ltd. for the purpose of acquiring CMC Communications Singapore Pte. Ltd. (“**CMCCS**”), CMC Communications (Philippines), Inc. (“**CMCCP**”) and CMC Communications (Thailand) Co., Ltd. (“**CMCCT**”) pursuant to a corporate reorganisation implemented in preparation for its listing on the Catalist Board of the SGX-ST (“**Restructuring Exercise**”). On 14 July 2015, the Company was converted to a public limited company and changed its name to CMC Infocomm Limited. The Company was listed on the Catalist Board on 13 August 2015 (“**IPO Date**”).

The Group is engaged in the business of providing integrated communication solutions and services provider to communications network operators and communication network equipment vendors with operations in Singapore, Malaysia, Thailand and the Philippines. The Group's business is divided into four main segments namely in-building coverage (“**IBC**”), outdoor construction (“**OC**”), telecommunications implementation (“**TI**”) and maintenance services (“**MS**”).

The following are extracts from the audited consolidated financial statements of the Group for FY2014, FY2015, FY2016 and the unaudited consolidated financial statements for HY2016 and HY2017:

Summary of income statements

| Figures in S\$'000⁽¹⁾ | Unaudited HY2017 | Unaudited HY2016 | Audited FY2016 | Audited FY2015 | Audited FY2014 |
|---|-----------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| Revenue | 7,741 | 7,970 | 18,217 | 16,321 | 15,859 |
| Cost of sales | (5,695) | (6,235) | (13,567) | (12,052) | (12,175) |
| Gross profit | 2,046 | 1,735 | 4,650 | 4,269 | 3,684 |
| Other operating expenses | (337) | (1,324) | (1,687) | (1,206) | (1,548) |
| Administrative expenses | (2,138) | (1,977) | (4,570) | (3,021) | (2,757) |
| (Loss)/Profit before tax | (460) | (1,591) | (1,465) | 110 | (628) |
| Loss after tax | (416) | (1,591) | (1,497) | (186) | (835) |
| Loss after tax attributable to owners of the Company | (416) | (1,591) | (1,497) | (186) | (668) |

Summary of statements of financial position

| Figures in S\$'000⁽¹⁾ | Unaudited HY2017 | Audited FY2016 | Audited FY2015 | Audited FY2014 |
|---|-----------------------------|---------------------------|---------------------------|---------------------------|
| Non-current assets | 4,048 | 4,367 | 4,483 | 5,322 |
| Current assets | 14,943 | 17,328 | 11,787 | 11,348 |
| Non-current liabilities | 408 | 575 | 118 | 111 |
| Current liabilities | 6,960 | 9,121 | 5,815 | 6,219 |
| Total borrowings | 2,606 | 2,117 | – | – |
| Shareholders' equity | 11,623 | 11,999 | 10,337 | 10,340 |
| Net working capital | 7,983 | 8,207 | 5,972 | 5,129 |

Summary of statements of cash flows

| Figures in S\$'000⁽¹⁾ | Unaudited HY2017 | Unaudited HY2016 | Audited FY2016 | Audited FY2015 | Audited FY2014 |
|---|-----------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| Net cash (used in) / generated from operating activities | (2,008) | (476) | (588) | 1,854 | (273) |
| Net cash used in investing activities | (181) | (87) | (670) | (5) | (1,469) |
| Net cash generated from / (used in) financing activities | 376 | 2,941 | 3,738 | (744) | (41) |
| Cash and cash equivalents at end of period | 3,312 | 5,061 | 5,125 | 2,711 | 1,561 |

Note:

(1) Figures and computation presented in this section are subjected to rounding.

We note the following:

(i) Revenue from the three geographical markets

The Group recorded revenue from the three geographical markets – Singapore, Thailand and the Philippines of approximately S\$15.9 million, S\$16.3 million and S\$18.2 million for FY2014, FY2015 and FY2016 respectively. No revenue is recorded from the Malaysian market as the Group acquired its Malaysian subsidiary only in October 2015 for the purposes of exploring business opportunities for the provision of integrated and innovative communications solutions and services to customers. For FY2016, the revenue contribution from Singapore, Thailand and the Philippines accounted for approximately 71.0%, 19.4% and 9.6% respectively. The growth in revenues for FY2016 was mainly due to higher revenue contribution from the Group's subsidiaries in Singapore (an increase of approximately 25.5%) and the Philippines (an increase of approximately 26.9%) due to the IBC projects, which was partially offset by the drop in revenue contribution from the Thai subsidiary. The drop in revenue for the Group's Thai operations was mainly due to the delay in project commencement as the Group's customers were upgrading their existing systems before installation of new technologies.

For HY2017, the Group recorded revenues of approximately S\$7.7 million as compared to HY2016 of approximately S\$8.0 million, representing a marginal decline of approximately 2.9%. The Group's decline in revenue for HY2017 was mainly attributable to lower revenue contribution from OC projects in Singapore, which was partially offset by higher revenue contribution from IBC projects both in Singapore and the Philippines. Revenue in the Philippines increased by approximately S\$0.4 million or 59.3% from approximately S\$0.7 million in HY2016 to approximately S\$1.1 million in HY2017 as the Group increased resources to focus on marketing and operational activities in the Philippines.

Gross profit for the Group amounted to approximately S\$3.7 million, S\$4.3 million, S\$4.7 million and S\$2.0 million for FY2014, FY2015, FY2016 and HY2017 respectively. Gross profit margins increased from approximately 23.2% in FY2014 to approximately 26.2% in FY2015 due mainly to increases in gross profit margin from the OC and TI segments as a result of (i) cost efficiencies arising from the development of the Group's in-house installation team to reduce dependency on sub-contractors, and (ii) a one-off cost review exercise undertaken in FY2015 which resulted in reversal of excess supplies costs in prior years and declined to approximately 25.5% in FY2016 due to lower contributions from certain projects as a result of increased competitiveness and tougher market conditions. Gross profit margin increased from approximately 21.8% in HY2016 to approximately 26.4% in HY2017 mainly due to completion of certain projects.

(ii) Other operating expenses and administrative expenses

Other operating expenses (comprising of foreign exchange gains and losses, Group's initial public offer ("IPO") related expenses, amortisation of intangible assets and also loss on disposal of property, plant and equipment) amounted to approximately S\$1.5 million, S\$1.2 million, S\$1.7 million, S\$1.3 million and S\$0.3 million respectively for FY2014, FY2015, FY2016, HY2016 and HY2017 respectively. The one-off professional fees incurred for the initial public offering exercise amounted to an aggregate of approximately S\$1.6 million (which had been incurred in FY2015 and FY2016 of approximately S\$0.6 million and S\$1.0 million respectively). Excluding the IPO related expenses, the Group would have recorded lower other operating expenses of approximately S\$0.6 million and S\$0.7 million in FY2015 and FY2016 respectively.

Administrative expenses (comprising amongst others, depreciation, provision/write-back of doubtful debts, printing cost, staff cost, insurance, rental, utilities and professional fees) amounted to approximately S\$2.8 million, S\$3.0 million, S\$4.6 million, S\$2.0 million and S\$2.1 million for FY2014, FY2015, FY2016, HY2016 and HY2017 respectively. It is noted that there was a significant increase in administrative expenses of approximately 51.3% from S\$3.0 million in FY2015 to approximately S\$4.6 million in FY2016 mainly arising from an increase in payroll expenses due to additional headcount to support the execution of the Group's expansion plan into new and complementary business segments in Singapore, Malaysia and the Philippines of approximately S\$1.1 million and increase in provision for doubtful debt of approximately S\$0.1 million.

(iii) Loss making for FY2014 to HY2017

The Group has been loss making during the period under review with loss after tax attributable to owners of the Company of approximately S\$0.7 million, S\$0.2 million, S\$1.5 million and S\$0.4 million in FY2014, FY2015, FY2016 and HY2017 respectively. For illustrative purposes only, in the event the one-off expenses relating to the IPO of approximately S\$0.6 million and S\$1.0 million are excluded in FY2015 and FY2016 respectively, the Group would have recorded a profit before tax of approximately S\$0.7 million in FY2015 and lower loss before tax of approximately S\$0.5 million in FY2016.

(iv) Assets and liabilities

The Group's total assets amounted to approximately S\$19.0 million as at 30 November 2016 comprising current assets of approximately S\$15.0 million and non-current assets of approximately S\$4.0 million.

Current assets as at 30 November 2016 comprise of trade and other receivables (trade receivables of approximately S\$5.4 million (of which approximately S\$0.9 million is unbilled revenue), creditable withholding tax and input value added tax of approximately S\$0.6 million, deposits of approximately S\$0.3 million, prepaid expenses of approximately S\$0.1 million and sundry receivables of approximately S\$0.1 million) of approximately S\$6.5 million, gross amount due from customers for contracts work-in-progress of approximately S\$5.0 million (mainly due to Changi Terminal 2 project as a result of higher project costs incurred but yet to be billed to customers) and cash and bank balances of approximately S\$3.5 million. As at 30 November 2016, the unutilised proceeds from the IPO is approximately S\$3.0 million, which represents 86.4% of the cash and bank balances to be used for expansion of business operations. Subsequent to the Latest Practicable Date, the Company had on 31 May 2017 announced the reallocation of unutilised proceeds from IPO and utilised approximately S\$1.0 million to fund the Group's working capital requirements for on-going projects. Please refer to the Group's announcement dated 31 May 2017 for more details.

Non-current assets as at 30 November 2016 comprises mainly, *inter alia*, intangible assets of approximately S\$2.9 million (customer relationships arising from the purchase prices allocation exercise upon acquisition of the Group's subsidiaries CMCCS and CMCCCT in June 2011), property, plant and equipment (computers and office equipment, tools and testing equipment, renovation and motor vehicles) of approximately S\$0.9 million, deferred tax assets of approximately S\$0.2 million, investment in joint venture of approximately S\$36 thousand (relating to a 40% interest in a joint venture company incorporated in the Philippines in July 2016 by CMCCP), deposits of approximately S\$35 thousand (placed with building owners in Thailand by CMCCCT before it is allowed to commence work) and restricted bank deposits of approximately S\$20 thousand (which are non-interest bearing and have been pledged to secure the issuance of bank guarantees, which are not immediately available for use in the business).

The Group's total liabilities amounted to approximately S\$7.4 million as at 30 November 2016 comprising current liabilities of approximately S\$7.0 million and non-current liabilities of approximately S\$0.4 million.

Current liabilities as at 30 November 2016 comprises trade and other payables of approximately S\$3.5 million (consisting of trade payables of approximately S\$2.1 million, accruals of approximately S\$1.0 million, other payables of approximately S\$0.3 million and output value added tax of approximately S\$0.2 million), loan and borrowings of approximately S\$1.4 million, shareholders' loan of approximately S\$1.0 million (which is unsecured, interest bearing and repayable upon demand), gross amount due to customer for contracts work-in-progress of approximately S\$0.6 million, provision for tax of approximately S\$0.3 million and amount due to shareholders and related companies of S\$0.1 million (which is non-trade related, unsecured, non-interest bearing and repayable upon demand). The Company has represented that pursuant to the Offer, the unsecured and interest bearing shareholders' loan will be repaid before 16 August 2017, and also other intercompany receivables/payables that will need to be settled.

Non-current liabilities as at 30 November 2016 comprises employee benefit liabilities of approximately S\$0.2 million (for qualifying employees in CMCCCT and CMCCP), loans and borrowings of approximately S\$0.2 million and deferred tax liabilities of approximately S\$30 thousand.

(v) Net working capital and Shareholders' equity

The Group's net working capital improved from approximately S\$5.1 million as at 31 May 2014 to approximately S\$6.0 million as at 31 May 2015 and approximately S\$8.2 million as at 31 May 2016. It subsequently decreased slightly to approximately S\$8.0 million as at 30 November 2016.

The Shareholders' equity for the Group was approximately S\$10.3 million as at 31 May 2014 and 31 May 2015. It subsequently increased to approximately S\$12.0 million as at 31 May 2016 mainly due to the issue of new Shares pursuant to the IPO, which was offset by the adjustments made pursuant to the Restructuring Exercise (*inter alia*, the merger reserves) and losses incurred in FY2016. Shareholders' equity subsequently decreased slightly to approximately S\$11.6 million as at 30 November 2016 due to the losses incurred.

The Group's borrowings (consisting of Shareholders' loan and loan and borrowings) amounted to approximately S\$2.6 million as at 30 November 2016 and the Group's total borrowings to shareholders' equity ratio stood at 0.2 times. It is further noted that the Group's aggregate cash and bank balances of approximately S\$3.5 million as at 30 November 2016 is higher than its total borrowings of approximately S\$2.6 million as at 30 November 2016. However, it should be noted that the unutilised proceeds from the Group's IPO of approximately S\$3.0 million has been "designated" for use in expansion of business operations. Subsequent to the Latest Practicable Date, the Company had on 31 May 2017 announced the reallocation of unutilised proceeds from IPO and utilised approximately S\$1.0 million to fund the Group's working capital requirements for on-going projects. Please refer to the Group's announcement dated 31 May 2017 for more details.

(vi) Cash flow from operations

The Group's recorded net cash used in operating activities of approximately S\$0.3 million in FY2014, approximately S\$0.6 million in FY2016 and approximately S\$0.5 million in HY2016 and recorded net cash generated from operating activities of approximately S\$1.9 million in FY2015. For HY2017, the Group recorded net cash used in operating activities of approximately S\$2.0 million mainly due to the increase in trade and other payables.

(vii) Outlook

In the Group's results announcement for HY2017, the Company stated the following commentary on the significant trends and competitive conditions of the industry in which the Group operates and factors or events that may affect the Group in the next reporting period and the next 12 months:-

"The Group will continue to focus its efforts in marketing to its existing customer based in Singapore, Thailand and the Philippines, as well as in delivering its existing projects expeditiously.

While opportunities may arise with the recent award of license to the fourth telecommunications operator and the potential sales of spectrum rights in Singapore, the Group remains cautious amid the prevailing economic uncertainties. The Group will also be selective in pursuing projects and investment opportunities as part of its expansion plan into new and complementary business in Singapore, Malaysia and the Philippines."

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the audited financial statements for the Group for FY2016 and the unaudited financial statements for the Group for HY2017, there has been no material changes to the Group's business, assets and liabilities, financial position, condition and performance.

(viii) Confirmed Order Book

As at the Latest Practicable Date the Group's order book (for contracts awarded which have yet to be recognised in part or in whole or are pending execution or completion) based on confirmed contracts, as represented by Directors and Management, is approximately S\$23.2 million, and the Group barring unforeseen circumstances expects to substantially deliver the projects within the next 18 months. However, its order book as at any particular date may not be indicative of its sales for any subsequent or succeeding periods as the ability for revenue and income recognition is subject to possible changes in project delivery schedules or cancellations and potential delays in delivery.

The Directors wish to highlight that successful realisation or recognition of any future economic benefits from the above mentioned order book will depend on, *inter alia*, timely and efficient execution and delivery of the projects in accordance to project terms and conditions, changes to specification and schedules, variation in orders, actual and estimated cost to complete and subject to constraints such as manpower and labour conditions and the then prevailing economic and market conditions in markets which the Group operates in.

Accordingly, in view of the above factors, the Directors wish to highlight that the impact of the order book on the Group's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be reliably measured or determined with certainty as at the Latest Practicable Date and that the historical financial performance for the Group for the period ending 30 November 2016 may thus not fully reflect the prospects of the Group after completion of the order books or in the longer run.

8.2. The Group's net asset value and net tangible assets analysis

The NAV based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The NAV based approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets including but not limited to goodwill, trademarks and brand names) in an orderly manner or over a reasonable period of time and at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However the NAV approach does not take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. In addition, it does not illustrate the values at which assets may actually be realized or disposed of.

The NTA based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities, minority interest and intangible assets of the company. The NTA based approach is meaningful as it shows the extent to which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (other than intangible assets) in an orderly manner over a reasonable period of time at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group, with the balance to be distributed to its shareholders. However the NTA based approach does not take into account or consideration the presence of any intangible assets including but not limited to (where applicable) land use rights, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed of.

NAV and NTA of the Group

In assessing the Offer Price of S\$0.095 for each Offer Share, in relation to the NAV and NTA per Share of the Group as at 30 November 2016, we have reviewed the unaudited statement of financial position of the Group as at 30 November 2016 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the unaudited balance sheet of the Group as at 30 November 2016 as well as the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited statement of financial position as at 30 November 2016 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 30 November 2016, save as disclosed in the unaudited financial statements of the Group as at 30 November 2016 and the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted, where applicable), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the unaudited financial statements of the Group as at 30 November 2016 are true and fair. Lastly, the Directors confirmed that, to the best of their knowledge or belief, such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete or misleading in any respect.

| Consolidated unaudited balance sheet as at 30 November 2016⁽¹⁾ | S\$'000 |
|--|----------------|
| <u>Non-current Assets</u> | |
| Property, plant and equipment | 927 |
| Intangible asset | 2,880 |
| Investment in joint venture | 36 |
| Deferred tax assets | 150 |
| Restricted bank deposits ⁽²⁾ | 20 |
| Deposits ⁽²⁾ | 35 |
| | 4,048 |
| <u>Current Assets</u> | |
| Gross amount due from customer for contracts work-in-progress | 4,961 |
| Trade and other receivables | 6,485 |
| Cash and bank balances | 3,497 |
| | 14,943 |
| <u>Current Liabilities</u> | |
| Gross amount due to customer for contracts work-in-progress | 577 |
| Trade and other payables | 3,533 |
| Amounts due to shareholders and related companies | 130 |
| Shareholder's loan | 1,033 |
| Loan and borrowings | 1,399 |
| Provision for tax | 288 |
| | 6,960 |
| <u>Non-Current Liabilities</u> | |
| Deferred tax liabilities | 30 |
| Loan and borrowings | 174 |
| Employee benefit liabilities | 204 |
| | 408 |
| NAV attributable to shareholders of the Company | 11,623 |
| Less: Intangible asset | (2,880) |
| NTA as at 30 November 2016 | 8,743 |
| NAV per Share (S\$)⁽³⁾ | 0.076 |
| NTA per Share (S\$)⁽³⁾ | 0.058 |
| Offer Price (S\$) | 0.095 |
| Premium of Offer Price over NAV per Share | 24.2% |
| Premium of Offer Price over NTA per Share | 65.2% |
| Net cash (S\$'000)⁽⁴⁾ | 891 |
| Net cash per Share (S\$) | 0.006 |
| Offer Price less net cash per Share (S\$) | 0.089 |
| NAV per Share less net cash per Share (S\$) | 0.071 |
| NTA per Share less net cash per Share (S\$) | 0.052 |
| Premium of Offer Price less net cash per Share over NAV less net cash per Share | 26.2% |
| Premium of Offer Price less net cash per Share over NTA less net cash per Share | 72.6% |

Notes:

- (1) *The figures above are based on the Group's unaudited financial statements for HY2017. Figures and computations above are subject to rounding.*
- (2) *Management has represented and confirmed that both the non-current restricted bank deposits and non-current deposits are placed with third parties for various projects and are not "freely available" for use.*
- (3) *Figures are computed based on the Company's issued Share capital of 152,000,000 Shares as at the Latest Practicable Date.*
- (4) *Net cash has been computed as the aggregate of cash and bank balances less loans and borrowings and shareholders' loan.*

For illustrative purposes only, the Offer Price represents a premium of approximately 24.2% and 65.2% over the Group's NAV and NTA per Share, as at 30 November 2016, respectively. We note that as at 30 November 2016, the aggregate amount of cash and bank balances, is approximately S\$3.5 million (or approximately 18.4% of total assets) and is higher than total borrowings of approximately S\$2.6 million. Correspondingly, if net cash per Share is deducted from the Offer Price and likewise from the Group's NAV per Share and NTA per Share, the Offer Price less net cash per Share represents a premium of approximately 26.2% and 72.6% over the Group's NAV per Share less net cash per Share and Group's NTA per Share less net cash per Share respectively.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated values indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated is realisable or distributable to Shareholders.

It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Group decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Group as a going concern nor can it capture or illustrate any value for the Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

8.3. Relative valuation analysis

In evaluating the Offer Price, we have considered the financial performance, financial positions and valuation statistics of selected comparable companies (the "**Selected Comparable Companies**") that may, in our view, be broadly comparable to the core businesses of the Group, which are principally engaged in the business of providing integrated communication solutions and services provider to communications network operators and communication network equipment vendors.

The Selected Comparable Companies have been identified after a search was carried out on the SGX-ST and evaluation of the companies operating in the same industry as the Group. We have had discussions with the Directors and Management about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. The Selected Comparable Companies may or may not have similar business operations or similar assets as the Group, accounting policies with respect to the values for which the assets or the revenue and cost are recorded or the relevant financial period compared may differ from the Group.

We advise Independent Directors to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies as the markets and businesses of the Selected Comparable Companies, its capital structures, growth rates, operating

and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Group may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

Independent Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity and the market capitalisation or the relative sentiments of the market for the shares.

| Selected Comparable Companies | Market Capitalisation (S\$ 'million) | Principal Activities |
|---|--------------------------------------|---|
| Telechoice International Limited (“Telechoice”) <i>Listed on SGX-ST</i> | 115.9 | The company is principally engaged in the info-communications technology services, personal communications services and network engineering services which includes enterprise IT infrastructure, business solutions and integration services, business of distribution and supply chain management services relating to mobile devices, designs, builds and manages telecommunications networks. |
| Ntegrator International Ltd. (“Ntegrator”) <i>Listed on SGX-ST</i> | 18.2 | The company is principally engaged in integration of network infrastructure, installation and implementation services of the network infrastructure or voice communication systems and maintenance and support services for the network infrastructure and voice communication systems. |
| Nera Telecommunications Ltd (“Nera”) <i>Listed on SGX-ST</i> | 137.5 | The company is principally engaged in the sales, marketing and distribution, design and engineering, project implementation, service and maintenance of (i) satellite communications, transmission products and systems and wireless solutions and (ii) info-communications network infrastructure, broadcast infrastructure and payment systems. |
| Declout Limited (“Declout”) <i>Listed on SGX-ST</i> | 108.7 | The company is principally engaged in (i) providing business relating to including but not limited to, the supply, management and maintenance of IT equipment and telecommunication equipment, provision of IT and network services, and the provision of network and security solutions to all companies and (ii) business of domain-focused platforms and communities with net-work effects that define business and lifestyle trends, such as the E-commerce, E-trade and E-logistics solutions. |

Source: Bloomberg, SGX-ST and respective companies' website

The following tabulates the salient ratios for comparative financial performance and position for the Selected Comparable Companies:-

| Selected Comparable Companies | LTM ROE ⁽¹⁾ (%) | LTM net profit margin ⁽²⁾ (%) | LTM asset turnover ⁽³⁾ (times) | Total liabilities ⁽⁴⁾ / shareholder equity ⁽⁵⁾ (times) | Total borrowings ⁽⁶⁾ / shareholder equity ⁽⁵⁾ (times) |
|-------------------------------|-------------------------------|---|--|--|---|
| Telechoice | 9.1% | 1.4% | 2.8 | 1.3 | 0.2 |
| Ntegrator | 12.7% | 3.8% | 1.0 | 2.2 | 1.8 |
| Nera | 103.4% | 39.8% | 1.2 | 1.1 | 0.1 |
| Declout | 8.5% | 3.1% | 1.1 | 1.1 | 0.4 |
| MAXIMUM | 103.4% | 39.8% | 2.8 | 2.2 | 1.8 |
| MINIMUM | 8.5% | 1.4% | 1.0 | 1.1 | 0.1 |
| MEDIAN | 10.9% | 3.5% | 1.2 | 1.2 | 0.3 |
| SIMPLE AVERAGE | 33.4% | 12.0% | 1.5 | 1.4 | 0.6 |
| Group | n.m.⁽⁷⁾ | n.m.⁽⁷⁾ | 0.9 | 0.6 | 0.2 |

Source: The latest annual reports and the announced unaudited financial statements of the respective companies.

Notes:

- (1) The last twelve months ("LTM") return on equity ("ROE") is based on the ratio of the most recent twelve months consolidated net profits after tax attributable to the equity holders to the consolidated equity holders excluding minority interest of the respective companies.
- (2) LTM net profit margin is the ratio of the most recent twelve months consolidated net profits after tax attributable to shareholders to the most recent twelve months total consolidated revenue of the respective companies.
- (3) LTM asset turnover is the ratio of the most recent twelve months total consolidated revenue to the total consolidated assets of the respective companies.
- (4) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities, if any.
- (5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies.
- (6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts, where applicable.
- (7) The Group incurred a loss after tax attributable to owners of the Company of approximately S\$0.3 million for the LTM ended 30 November 2016. Hence, the Group's LTM ROE and LTM net profit margin ratios are negative and not meaningful.

For illustrative purposes only, we note the following:-

- (i) The Group incurred a loss after tax attributable to owners of the Company of approximately S\$0.3 million for the LTM ended 30 November 2016. Accordingly, the Group's LTM ROE and LTM net profit margin are negative and not meaningful. For comparison purposes only, the Selected Comparable Companies were profitable for the period under review with LTM ROE ranging between approximately 8.5% to 103.4% and LTM net profit margin ranging between approximately 1.4% to 39.8%.
- (ii) The Group's LTM asset turnover is lower and less favourable than any of the Selected Comparable Companies.
- (iii) The Group's total liabilities to shareholders' equity ratio is lower and more favourable than any of the Selected Comparable Companies.
- (iv) The Group's total borrowings to shareholders' equity ratio is within the range but lower than both the median and simple average of the Selected Comparable Companies.

In summary, the historical financial performance of the Group as reflected by its LTM ROE, LTM net profit margin and asset turnover appears to be lower and less favourable as compared to any of the Selected Comparable Companies. In addition, the Group's total liabilities to shareholders' equity appear to be better and more favourable than any of the Selected Comparable Companies whilst the Group's total borrowings to shareholders' equity appears to be more favourable than both the median and simple average for the Selected Comparable Companies.

The following valuation statistics for the Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while those for the Group are based on the Offer Price. We note that the last transacted price for the Shares as at the Latest Practicable Date is marginally higher than the Offer Price. All the valuation statistics of the Selected Comparable Companies are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

The following table tabulates the comparative valuation statistics for the Selected Comparable Companies and the Group and should be evaluated in the context of their relative financial performance.

| Selected Comparable Companies | Market capitalisation (\$\$ m) | LTM EV/ EBITDA ⁽¹⁾ (times) | LTM PER ⁽²⁾ (times) | P/NAV ⁽³⁾ (times) | P/NTA ⁽⁴⁾ (times) | Premium/ (discount) over/ from NTA (%) |
|--------------------------------------|---------------------------------------|--|---------------------------------------|-------------------------------------|-------------------------------------|---|
| Telechoice | 115.9 | 7.1 | 16.9 | 1.5 | 1.8 | 84.3% |
| Ntegrator | 18.2 | 12.2 | 7.2 | 0.9 | 0.9 | (9.0)% |
| Nera | 137.5 | 12.8 | 1.9 | 2.0 | 2.0 | 102.6% |
| Declout | 108.7 | 6.1 | 11.3 | 1.0 | 1.9 | 94.2% |
| MAXIMUM | 137.5 | 12.8 | 16.9 | 2.0 | 2.0 | 102.6% |
| MINIMUM | 18.2 | 6.1 | 1.9 | 0.9 | 0.9 | (9.0)% |
| MEDIAN | 112.3 | 9.6 | 9.2 | 1.2 | 1.9 | 89.2% |
| SIMPLE AVERAGE | 95.1 | 9.5 | 9.3 | 1.4 | 1.7 | 68.0% |
| Group ⁽⁵⁾ | 14.4 | 18.7 | n.m. ⁽⁶⁾ | 1.2 | 1.7 | 65.2% |

Notes:

- (1) The LTM EV/EBITDA for the Selected Comparable Companies are based on the most recent twelve months EBITDA as reported by the respective companies. The EBITDA for Ntegrator is extracted from the audited financial statements for the financial year ended 31 December 2016. The EBITDA for Telechoice, Nera and Declout are based on the most recent twelve months period ended 31 March 2017.
- (2) The LTM PERs for the Selected Comparable Companies are based on the most recent twelve months earnings after tax as reported by the respective companies. The earnings after tax for Ntegrator is extracted from the audited financial statements for the financial year ended 31 December 2016. The earnings after tax for Telechoice, Nera and Declout are based on the most recent twelve months period ended 31 March 2017.
- (3) The P/NAV ratios for the Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced audited or unaudited financial statements. The NAV for Ntegrator is extracted from the audited financial statements for the financial year ended 31 December 2016. The NAV for Telechoice, Nera and Declout are based on the most recent twelve months period ended 31 March 2017.
- (4) The P/NTA ratios for the Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced audited or unaudited financial statements. The NTA for Ntegrator is extracted from the audited financial statements for the financial year ended 31 December 2016. The NTA for Telechoice, Nera and Declout are based on the most recent twelve months period ended 31 March 2017.
- (5) For the Group, the computations for LTM PER, LTM EV/EBITDA, P/NAV and P/NTA ratios are based on the market capitalisation as implied by the Offer Price for the Shares. The earnings after tax, EBITDA, NAV and NTA for the Group are based on the most recent twelve months period ended 30 November 2016.

For illustrative purposes only, we note the following:

- (i) The market capitalisation of the Group (as implied by the Offer Price) is below the range and lower than any of the Selected Comparable Companies. We note that the trading statistics for companies with higher capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as relative interest in shares of companies with larger market capitalisations.
- (ii) The valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA is higher than any of the Selected Comparable Companies. This may be attributable to the Group's low EBITDA.
- (iii) The valuation of the Group (as implied by the Offer Price) in terms of LTM PER is negative and not meaningful as the Group incurred a loss after tax attributable to owners of the Company of approximately S\$0.3 million for the LTM ended 30 November 2016. For comparison purposes only, all Selected Comparable Companies were profitable for the periods under review with LTM PER ranging between approximately 1.9 to 16.9 times respectively.
- (iv) The valuation of the Group (as implied by the Offer Price) in terms of P/NAV is within the range, in line with the median but lower than the simple average for the Selected Comparable Companies.
- (v) The valuation of the Group (as implied by the Offer Price) in terms of P/NTA is within the range, in line with the simple average but lower than the median for the Selected Comparable Companies.

In summary, the valuation of the Group (as implied by the Offer Price) in terms of LTM PER is not meaningful as the Group recorded losses for the LTM ended 30 November 2016 whilst the valuation of the Group in terms of LTM EV/EBITDA is more favourable than the Selected Comparable Companies (which should be viewed in conjunction with the fact that the Group is the only loss making company with a recorded loss before tax for the LTM ended 30 November 2016, resulting in a small positive EBITDA. In addition, the valuation of the Group (as implied by the Offer Price) in terms of P/NAV ratio appears to be in line with the median of the Selected Comparable Companies whilst the valuation of the Group (as implied by the Offer Price) in terms of P/NTA ratio appears to be in line with the simple average for the Selected Comparable Companies.

Independent Directors are advised to review the Offer and valuation ratios in conjunction with the Group's weaker historical financial performance and comparable financial position as compared to the Selected Comparable Companies. It is also noted that the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in transfer or acquisition of "control". Likewise as at the Offer Announcement Date, the Offer is unconditional with the Offeror and its concert parties acting or presumed to be acting in concert with the Offeror ("**Offeror Concert Group**"), holding an aggregate of 74.41% of the issued Share capital of the Company, and having "control" of the Company.

Taking into consideration the Group's less favourable historical financial performance and comparable financial position as compared to the Selected Comparable Companies, the Offer Price thus appears reasonable when on the basis of both the P/NAV and P/NTA multiples.

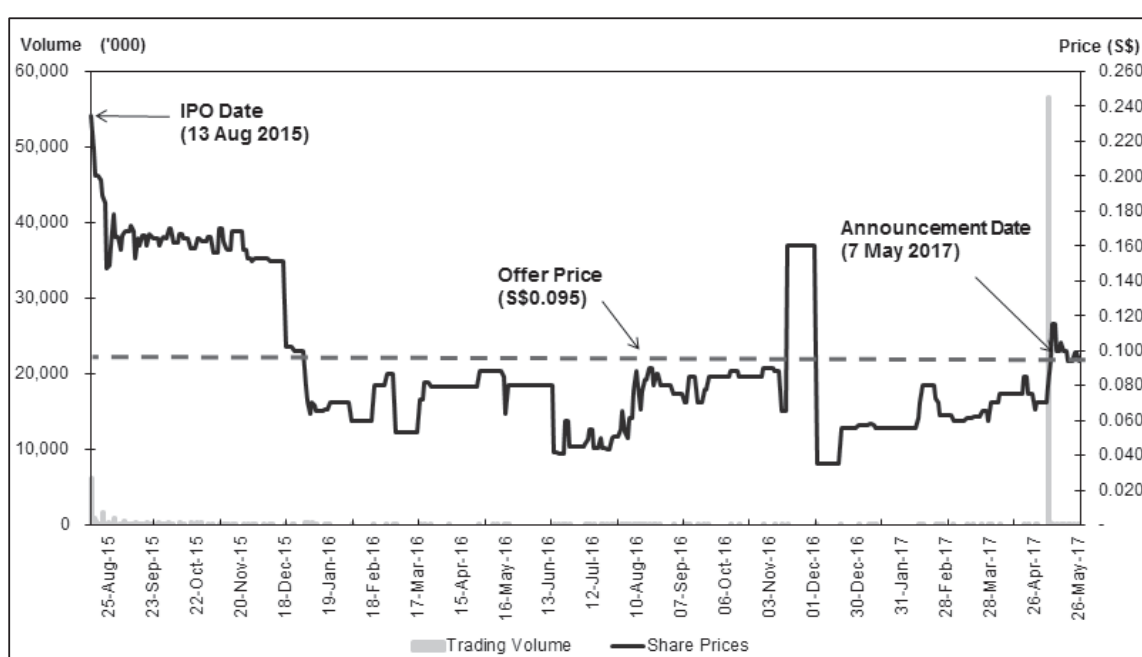
We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each Selected Comparable Companies including, *inter alia*, factors such as depreciation policies and impairment provisions. As such, the comparison of NAV and NTA of the Group with those of the Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any

relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions in terms of assets, financial performance may differ.

Independent Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

8.4. Market quotation and trading activities for the Shares

The historical price and volume charts for the Shares (based on the closing prices together with the number of Shares traded on a daily basis) for the period commencing from the IPO Date and ending on the Latest Practicable Date is set out below:–



Source: SGX-ST

For the period commencing from 9 May 2016 and ending on 5 May 2017, being the last Trading Day immediately preceding the Offer Announcement Date (both dates inclusive), we note that the Shares were only traded for 72 Market Days out of a total 252 Market Days during the period. The closing price of the Shares were higher than the Offer Price for only 13 Market Days out of the 252 Market Days (or approximately 5.2%) and below the Offer Price for 239 Market Days out of the 252 Market Days (or approximately 94.8%). For the said period, the highest transacted price for the Shares was S\$0.160 on 15 November 2016, which is above the Offer Price. We note that for the period commencing from 8 May 2017 (being the Market Day immediately after the Offer Announcement Date) till 26 May 2017 (being the Latest Practicable Date, the closing prices for the Shares were higher than the Offer Price for 9 Market Days out of a total 14 Market Days and in line with the Offer Price on 1 Market Day. The price for the Shares closed at S\$0.094 as at the Latest Practicable Date.

As a general market comparison and observation, the FTSE Straits Times Catalist Index (“**FTSI ST Catalist**”) increased by approximately 15.7% for the period commencing from 9 May 2016 and ending on 5 May 2017, being the last Trading Day immediately preceding the Offer Announcement Date, and subsequently decreased by approximately 3.1% from 8 May 2017 to the Latest Practicable Date. For the same period commencing from 9 May 2016 and ending on 5 May 2017, being the last Trading Day immediately preceding the Offer Announcement Date, the prices for the Shares decreased by approximately 9.1% and subsequently decreased by approximately 1.1% from 8 May 2017 till the Latest Practicable Date. We observed that the Shares appear to have underperformed the FTSE ST Catalist for the 12 months period prior to the Offer Announcement Date and subsequently outperformed the FTSE ST Catalist for the period commencing from 8 May 2017 till the Latest Practicable Date. The outperformance was likely underpinned by the Offer Announcement).

The above chart and the analysis below is presented for illustrative purposes only, and they are by no means representative of the future trading performance or prices of the Shares.

The volume-weighted closing price (“**VWCP**”), the highest and lowest transacted prices and trading volume for the Shares from the IPO Date to the Latest Practicable Date are set out below:–

| | VWCP per Share (\$ ⁽¹⁾) | Premium/ (Discount) of the Offer Price over/ from VWCP per Share (%) | Lowest transacted price (\$ ⁽²⁾) | Highest transacted price (\$ ⁽²⁾) | Average daily trading volume ⁽²⁾ ('000 Shares) | Average daily trading volume as % of free-float ⁽³⁾ (%) | Adjusted Average daily trading volume ⁽⁴⁾ ('000 Shares) | Adjusted Average daily trading volume as % of free-float ⁽³⁾ (%) |
|--|-------------------------------------|--|--|---|---|--|--|---|
| For the period prior to the Offer Announcement Date | | | | | | | | |
| IPO Date to 5 May 2017 (being the last Trading Day prior to the Offer Announcement Date) ⁽⁵⁾ | 0.111 | (14.5)% | 0.035 | 0.255 | 182 | 0.61% | 52 | 0.17% |
| Last 12 months | 0.081 | 16.7% | 0.035 | 0.160 | 239 | 0.81% | 14 | 0.05% |
| Last 6 months | 0.087 | 9.5% | 0.035 | 0.160 | 463 | 1.56% | 7 | 0.02% |
| Last 3 months | 0.070 | 35.5% | 0.060 | 0.085 | 936 | 3.16% | 9 | 0.03% |
| Last 1 month | 0.080 | 18.8% | 0.066 | 0.085 | 3,152 | 10.64% | 9 | 0.03% |
| Last transacted price on 5 May 2017 (being the last Trading Day prior to the Offer Announcement Date) ⁽⁵⁾ | 0.080 | 18.8% | 0.080 | 0.080 | 56,582 ⁽⁶⁾ | 190.95% | 50 ⁽⁷⁾ | 0.17% |
| For the period after the Offer Announcement Date up to the Latest Practicable Date | | | | | | | | |
| Till the Latest Practicable Date | 0.097 | (1.8)% | 0.094 | 0.115 | 50 | 0.17% | | |
| Last transacted price on 26 May 2017 (being the last Trading Day immediately preceding the Latest Practicable Date) ⁽⁸⁾ | 0.094 | 1.1% | 0.094 | 0.094 | 63 | 0.21% | | |

Source: SGX-ST

Notes:

- (1) The VWCP had been weighted based on the last transacted prices of the Shares and traded volumes for the relevant trading days for each of the periods.
- (2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.
- (3) Free float refers to approximately 29,631,800 Shares or approximately 19.49% of the issued Shares held by Shareholders, other than the Substantial Shareholders (including the Offeror Concert Group) and Directors as at the Latest Practicable Date.
- (4) The adjusted average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period less the exceptional trading volume on 5 May 2017 of approximately 56.6 million Shares (prior to the Offer Announcement Date) divided by the number of Market Days during that period and excluding the Trading Day on 5 May 2017.
- (5) This represents the last transacted price instead of VWCP for the Shares on 5 May 2017, being the last Trading Day prior to the Offer Announcement Date.
- (6) We note that there was an exceptional trading volume on 5 May 2017 ("Affected Date") of approximately 56.582 million Shares representing approximately 37.2% of the issued Share capital as at the Latest Practicable Date. As represented and confirmed by Management, the exceptional trading volume was recorded mainly due to the disposal of approximately 56.552 million Shares by one of the Vendor, TEE International Limited.
- (7) This represents the trading volume for the Shares on 27 April 2017, being the last Trading Day prior to the Affected Date ("Unaffected Date").
- (8) This represents the last transacted price instead of VWCP and trading volume for the Shares on 26 May 2017, being the Latest Practicable Date.

Based on a general observation of the chart above and after taking into account the summary of the transacted prices for the Shares, we note that the Offer Price represents:

- (i) a premium of approximately 18.8% over the last transacted price of S\$0.08 per Share on the Catalist on 5 May 2017 (being the last Trading Day prior to the Offer Announcement Date). There was an exceptional trading volume on 5 May 2017 or the Affected Date of approximately 56.582 million Shares representing approximately 37.2% of the issued Share capital as at the Latest Practicable Date. As represented and confirmed by Management, the exceptional trading volume was recorded mainly due to the disposal of approximately 56.552 million Shares by one of the Vendor, TEE International Limited. The Offer Price represents a premium of approximately 35.7% over the last transacted price of S\$0.07 per Share on the Catalist on 27 April 2017, being the Unaffected Date or the last trading day prior to 5 May 2017 (before the “trigger” for the Offer). Accordingly, the premiums over the last transacted prices was higher on the Unaffected Date;
- (ii) a discount of approximately 14.5% from the VWCP for the Shares for the period commencing from the IPO Date and ending on 5 May 2017 (being the last Trading Day prior to the Offer Announcement Date). This was due to the dismal performance of the Shares since the IPO Date and the low volume of trading shortly after the IPO;
- (iii) a premium of approximately 16.7%, 9.5%, 35.5% and 18.8% over the VWCP for the Shares for the period 12-month, 6-month, 3 month and 1 month prior to the Offer Announcement Date;
- (iv) a discount of approximately 1.8% from the VWCP for the Shares for the period commencing immediately after the Offer Announcement Date and ending on the Latest Practicable Date; and
- (v) a premium of approximately 1.1% over the last transacted price of S\$0.094 per Share on the Catalist on 26 May 2017, being the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 9 May 2016 and ending on the Latest Practicable Date, we note that:–

- (i) from 9 May 2016 to 5 May 2017, being the last Trading Day prior to the Offer Announcement Date (both dates inclusive), Shares were traded on 72 Trading Days out of the total 252 Market Days during the period, with the total number of Shares traded being approximately 60.1 million Shares and an average daily trading volume (based on a total of 252 Market Days) of approximately 0.2 million Shares, which represents approximately 0.16% of the issued Share capital as at the Latest Practicable Date or approximately 0.81% of the issued Share capital held by Shareholders other than the Substantial Shareholders (including the Offeror Concert Group) and the Directors as at the Latest Practicable Date.
- (ii) The trading volume for the Shares was exceptionally high on 5 May 2017, being the Affected Date of approximately 56.582 million Shares (representing approximately 37.2% of the issued Share capital as at the Latest Practicable Date). As represented and confirmed by Management, the exceptional trading volume was recorded mainly due to the disposal of approximately 56.552 million Shares by one of the Vendor, TEE International Limited. Excluding the number of traded Shares on the Affected Date, the total number of Shares traded for the 12-months period prior to the Offer Announcement Date was approximately 3.5 million Shares with an average daily trading volume of approximately 14 thousand Shares, representing approximately 0.01% of the issued Share capital as at the Latest Practicable Date or approximately 0.05% of the issued Share capital held by Shareholders other than the Substantial Shareholders (including the Offeror Concert Group) and the Directors as at the Latest Practicable Date.

- (iii) for the period commencing from 8 May 2017, being the Market Day immediately following the Offer Announcement Date till the Latest Practicable Date (both dates inclusive), Shares were traded on 9 Market Days out of the total 14 Market Days during the period, with the total number of Shares traded being approximately 0.7 million Shares and an average daily trading volume of approximately 50 thousand Shares, which represents approximately 0.03% of the issued Share capital as at the Latest Practicable Date or approximately 0.17% of the issued Share capital held by Shareholders other than the Substantial Shareholders (including the Offeror Concert Group) and the Directors as at the Latest Practicable Date.

We note that trading for the Shares is erratic and that the daily average number of Shares traded commencing from the IPO Date till prior to and including the Unaffected Date is significantly low as compared to the number of issued Shares as at the Latest Practicable Date. We note that approximately 56.582 million Shares were traded on 5 May 2017; and were mainly due to the Offeror's acquisition (from the Vendors) of 113.104 million Shares. As represented and confirmed by Management, the exceptional trading volume was recorded mainly due to the disposal of approximately 56.552 million Shares by one of the Vendor, TEE International Limited. Since the IPO Date till the Latest Practicable Date, other than 5 May 2017, the Trading Day with the next largest trading volume of approximately 6.3 million Shares occurred on the IPO Date. Likewise, the Shares appear to be relatively inactive in the context that the Shares were traded on 72 Trading Days out of the 252 Market Days during the 1 year period prior to the Announcement Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller.

We also note that the number of Shares that were traded on a daily basis for the period commencing on the Market Day after the Offer Announcement Date till the Latest Practicable Date is higher than the number of Shares that were traded on a daily basis during the 1 year period prior to the Offer Announcement Date (after excluding the exceptional trading volume on 5 May 2017), but remained low when compared to the number of issued Shares as at the Latest Practicable Date. The marginally lower prices of the Shares subsequent to the Offer Announcement Date and the higher average daily trading volume subsequent to the Offer Announcement Date as compared to the 1-year period prior to the Offer Announcement Date (and excluding the Affected Date) the Offer Announcement Date may have been underpinned by the Offer.

We observed that the Share price has decreased by approximately 1.1% from the closing price as at 8 May 2017 to close at S\$0.094 on the Latest Practicable Date. As mentioned earlier, the prices for the Shares had from 8 May 2017 till the Latest Practicable Date outperformed the FTSE ST Catalist. Subsequent to the Offer Announcement Date, the prices for the Shares appear to be marginally lower than the Offer Price. The higher average daily trading volume subsequent to the Offer Announcement Date as compared to the 1-year period prior to the Offer Announcement Date may, *inter alia*, have been supported by the Offer Announcement and the Offer. As such, there is no assurance that the observed increase in the average number of Shares traded on a daily basis or the trading activities for the Shares will be maintained or that the transacted prices for the Shares will be the same and at the levels prevailing during the period commencing after the Announcement Date and ending on the Latest Practicable Date in the event that the Offer closes.

Independent Directors should note that given the fairly inactive trading of Shares during the periods observed, the Offer represents a realistic exit opportunity for the Shareholders to realise their entire investment for cash and that the Offer Price is generally at a premium above market prices of Shares for periods prior to the Offer Announcement Date. In the absence of an Offer, such an exit for all shareholders other than the Offeror Concert Group may not be readily available due to the low trading liquidity for the Shares.

Independent Directors should also note that past trading performance for the Shares may not be relied upon as an indication of the fair value of the Company's securities.

8.5. Comparison with recently completed non-privatisation mandatory takeover transactions listed on the SGX-ST

For the purpose of providing an illustrative guide as to whether the financial terms of the Offer are fair and reasonable, we have compared the financial terms of the Offer with selected recently completed mandatory takeovers for companies listed on SGX-ST, which were announced since January 2015 to the Latest Practicable Date and wherein offerors had indicated their intentions to preserve the listing status of the target companies (“**Selected Non-Privatisation MGO Transactions**”).

In making the comparison herein, we wish to highlight that the companies selected and covered herein (the “**Selected Takeover Companies**”) are not directly comparable to the Company and may largely differ from the Company in terms of, *inter alia*, size and scale of operations, type and/or composition of business activities and specialization, asset base, geographical spread, track record, financial performance, capital structure, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Likewise they involve shares of companies which are quoted, listed and tradeable on the stock exchange.

We wish to highlight that other than the criteria mentioned above, the premium or discount that an offeror pays in any particular take-over varies in different specific circumstances depending on, *inter alia*, factors such as the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target’s business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company’s shares, the presence of competing bids for the target company and the existing and desired level of control in the target company.

The data used in the table and the companies listed below have been compiled from publicly available information and serves as a guide as to the valuation ratio in connection with takeovers of companies listed on the SGX-ST without regard to their specific industry characteristics or other considerations. Each of the offers in the list of Selected Non-Privatisation MGO Transactions must be reviewed on its own commercial and financial merits. The lists of Selected Takeover Companies involved in the Selected Non-Privatisation MGO Transactions are by no means exhaustive and as such any comparison made only serves as an illustration.

Selected Non-Privatisation MGO Transactions

| Selected Takeover Companies | Date of announcement | % shareholding of the offeror and concert parties at the start of transaction ⁽¹⁾ | Last transacted price prior to announcement (%) | VWAP for 1 month prior to announcement (%) | VWAP for 3 month prior to announcement (%) | P/NTA ⁽²⁾ (times) |
|---|----------------------|--|---|--|--|------------------------------|
| IPC Corporation Ltd | 1-Apr-15 | 30.6 | 2.4 | 5.6 | 6.3 | 0.7 ⁽³⁾ |
| Jasper Investments Limited | 18-Sep-15 | 80.8 | (93.3) | (93.1) | (96.6) | n.m. ⁽⁴⁾ |
| Novo Group Ltd. | 24-Sep-15 | 54.9 | 161.5 | 188.1 | 151.9 | 5.2 ⁽⁶⁾ |
| Jacks International Limited | 6-Oct-15 | 66.1 | 90.5 | 103.5 | 103.5 | 1.9 |
| Starland Holdings Limited ⁽⁶⁾ | 14-Oct-15 | 82.9 | 38.8 | 48.4 | 63.9 | 0.5 ⁽⁷⁾ |
| Abundance International Limited | 24-Mar-16 | 62.1 | 72.4 | 65.6 | 67.5 | 1.3 |
| Ellipsiz Ltd | 7-Jul-16 | 34.1 | 5.6 | 7.7 | 9.6 | 0.7 |
| Halcyon Agri Corporation Limited | 18-Jul-16 | 30.1 | 24.0 ⁽⁸⁾ | 52.6 ⁽⁸⁾ | 29.0 ⁽⁸⁾ | 3.3 ⁽⁹⁾ |
| International Highway Corporation Limited | 16-Feb-17 | 59.1 | 1.9 | 14.2 | 20.6 | 0.9 ⁽¹⁰⁾ |
| MAXIMUM | | 82.9 | 161.5 | 188.1 | 151.9 | 5.2 |
| MINIMUM | | 30.1 | (93.3) | (93.1) | (96.6) | 0.5 |
| MEDIAN | | 59.1 | 24.0 | 48.4 | 29.0 | 1.1 |
| SIMPLE AVERAGE | | 55.6 | 33.8 | 43.6 | 39.5 | 1.8 |
| Group | 7-May-17 | 74.4 | 18.8 | 34.6 | 30.5 | 1.7 |

Source: SGX-ST announcements, offer documents and circulars to shareholders in relation to the respective transactions.

Notes:

- (1) Where applicable, it includes the percentage shareholding of the undertaking shareholder(s) as at the date of the offer document.
- (2) P/NTA ratios are based on the offer price and NTA per share for the respective companies.
- (3) Based on the revalued NAV per share of S\$0.2498 as at 31 December 2014.
- (4) Not meaningful as the company was in a net liabilities position as at 30 June 2015.
- (5) Based on the revalued NAV per share of US\$0.093 as at 31 July 2015.
- (6) Based on the pre-conditional offer announcement date as at 14 October 2015.
- (7) Based on the revalued NAV per share of S\$0.506 as at 30 September 2015.
- (8) Based on 8 September 2015 which was the last full market day preceding the date whereby the SGX-ST posed queries to the company in relation to unusual trading activity in shares on 9 September 2015.
- (9) Based on NAV per share of S\$0.2301 as at 31 March 2016.
- (10) Based on revalued NAV per share of S\$0.1163 as at 30 September 2016.

For illustrative purposes only, we noted the following from the above table:

- (i) The Offeror Concert Group holds approximately 74.4% equity interest in the Company as at the Offer Announcement Date and this is within the range and higher than both the median and simple average percentage of shareholding interest for each of the offeror and parties acting in concert at the start for the relevant Selected Non-Privatisation MGO Transactions. As at the Offer Announcement Date, the Offeror Concert Group hold an aggregate of 113,104,000 Shares representing approximately 74.41% of all the Shares in the capital of the Company.
- (ii) The premium of approximately 18.8% and 34.6% as implied by the Offer Price over (a) the last transacted price for Shares prior to the Offer Announcement Date; and (b) the VWAP for the Shares for 1-month period prior to the Offer Announcement Date respectively are within the range, but lower than both the median and the simple average for the Selected Non-Privatisation MGO Transactions, whilst the premium of approximately 30.5% as implied by the Offer Price over the 3-month period prior to the Offer Announcement Date is within range, higher than the median but lower than the simple average for the Selected Non-Privatisation MGO Transactions. We note that if the Unaffected Date is used as relevant date for premium computations, the Offer Price represents a premium of 35.7% and 37.5% over (a) the last transacted price for Shares on the Unaffected Date; and (b) the VWAP for the Shares for 1-month ending on the Unaffected Date respectively. The premium as implied by the last transacted price for Shares on the Unaffected Date is within range and higher than both the median and the simple average for the Selected Non-Privatisation MGO Transactions whilst the premium as implied by the VWAP for the Shares for 1-month ending on the Unaffected Date is within range, but lower than both the median and the simple average for the Selected Non-Privatisation MGO Transactions.
- (iii) The valuation of the Group in terms of P/NTA as implied by the Offer Price and the Group's NTA per Share of approximately 1.7 times is within the range, higher than the median and relatively in line with the simple average for the Selected Non-Privatisation MGO Transactions.

In summary, the valuation of the Group as implied by the Offer Price appears to be less favourable than the median and the simple average for the Selected Non-Privatisation MGO Transactions in terms of premiums over historical prices. However, in terms of P/NTA multiple, the valuation of the Group as implied by the Offer Price appears in general to be more favourable as compared to the Selected Non-Privatisation MGO Transactions. When considered in the context of the shareholding of the Offeror and its concert parties as at the Offer Announcement Date which is within the range and higher than both the median and simple average of the percentage of shareholding interest for each of the offeror and parties acting in concert at the start for the Selected Non-Privatisation MGO Transactions, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices and P/NTA multiple, does not appear to be compelling as compared to the other offers in the Selected Non-Privatisation MGO Transactions. However if instead the Unaffected Date is used for premium computations, the valuation of the Group as implied by the Offer Price in terms of both premium over the last transacted price for Shares prior to the Offer Announcement Date is comparable to other offers in the Selected Non-Privatisation MGO Transactions.

9. OTHER RELEVANT CONSIDERATIONS

9.1. Existing shareholding structure of the Company

The shareholding structure of the Company as at the Latest Practicable Date is outlined below:

| | Direct Interests | Deemed Interests | Total interests | % of the issued Share Capital as at the Latest Practicable Date ⁽¹⁾ |
|--|------------------|------------------|--------------------|--|
| Offeror Concert Group | | | | |
| Yinda Pte. Ltd. (“Yinda”) | 113,104,000 | – | 113,104,000 | 74.41% |
| Shanghai Yinda ⁽²⁾ | – | 113,104,000 | 113,104,000 | 74.41% |
| Shanghai Yinda Group ⁽²⁾ | – | 113,104,000 | 113,104,000 | 74.41% |
| Song Xingyi (Spouse of Wang Zhijun) ⁽²⁾ | – | 113,104,000 | 113,104,000 | 74.41% |
| Qian Zhongcheng ⁽²⁾ | – | 113,104,000 | 113,104,000 | 74.41% |
| Wang Zhijun ⁽²⁾ | – | 113,104,000 | 113,104,000 | 74.41% |
| Wang Hua ⁽²⁾ | – | 113,104,000 | 113,104,000 | 74.41% |
| Directors other than the Offeror Concert Group | | | | |
| Dato’ Abdul Rahman Bin Yusof ⁽³⁾ | – | 8,098,000 | 8,098,000 | 5.33% |
| Liu Kwee Choy (alternate director to Non-Executive Chairman) | – | – | – | 0.00% |
| Phua Cher Chuan | 50,000 | – | 50,000 | 0.03% |
| Hazwan Alif Bin Abdul Rahman ⁽⁴⁾ | 876,200 | – | 876,200 | 0.58% |
| Sim Geok Soon | 40,000 | – | 40,000 | 0.03% |
| Yee Kit Hong | 100,000 | – | 100,000 | 0.07% |
| Hans Jakob Hinirchsen | 100,000 | – | 100,000 | 0.07% |
| Alex Siow | – | – | – | 0.00% |
| Clifton Yong | – | – | – | 0.00% |
| Substantial Shareholders (other than the Offeror Concert Group) | | | | |
| Nil | | | | |
| Public Shareholders | | | 29,631,800 | 19.49% |
| Total | | | 152,000,000 | 100.00% |

Notes:

- (1) Based on 152,000,000 issued shares as at the Latest Practicable Date.
- (2) Yinda is wholly-owned by Shanghai Yinda. Shanghai Yinda is in turn held by Shanghai Yinda Group (60%), Song Xingyi (20%) and Qian Zhongcheng (20%). Shanghai Yinda Group is in turn held by Song Xingyi (47.8%), Wang Hua (37.0%) and Wang Zhijun (15.2%). Song Xingyi is the spouse of Wang Zhijun.
- (3) Dato’ Abdul Rahman Bin Yusof is deemed to have an interest in the 7,448,000 shares held by CMC Engineering Sdn. Bhd. and 500,000 shares held by Ray Venture Inc, by virtue of Section 4 of the Securities and Futures Act (Chapter 289) and 150,000 shares held by his wife, Datin Adilah Binti Abdullah, by virtue of Section 133(4) of the Securities and Futures Act (Chapter 289).
- (4) The shares held by Hazwan Alif Bin Abdul Rahman are held through CIMB Securities (Singapore) Pte Ltd.

As at the Latest Practicable Date, the Offeror Concert Group hold approximately 74.4% Shares. Accordingly the Offeror Concert Group are close to the 75% threshold wherein the percentage interest in Shares will allow the parties to have significant influence *inter alia* on strategic directions of the Company and choice of directors in the future etc. It would also allow the Offeror Concert Group’s significant voting rights on special and ordinary resolutions for corporate actions *inter alia* like rights issues and acquisitions etc. Furthermore, acceptance of the Offer by Shareholders will further reduce the free float, number of Shares available for trading and Shareholders. This may further exacerbate the illiquidity, volatility and the bid and ask spreads for the Shares and increase transactional or trading cost (other than commissions where applicable).

Given the undertakings provided by each of the two Vendors, the aggregate number of Shares which will not be tendered for acceptance (being 14,896,000 Shares) represents approximately 9.8% of the issued Share capital as at the Latest Practicable Date.

We note further from Section 4.6, Appendix II of the Circular that the following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of the Offer:-

- (a) Dato' Abdul Rahman Bin Yusof has indicated that his deemed interests will be dealt with in the following manner:
 - (i) in respect of his deemed interest in the 7,448,000 Shares held by CMC Engineering Sdn. Bhd. ("**CMCE**"), such Shares are subject to the Vendors' undertaking described under Section 2.5 of this Circular and paragraph 3 of the Offer Document, and accordingly CMCE will be rejecting the Offer;
 - (ii) in respect of his deemed interest in the 500,000 Shares held by Ray Venture Inc, he has been informed that Ray Venture Inc intends to reject the Offer;
 - (iii) in respect of his deemed interest in the 150,000 Shares held by his wife, Datin Adilah Binti Abdullah, he has been informed that his wife intends to reject the Offer;
- (b) Hazwan Alif Bin Abdul Rahman has indicated that, notwithstanding his concurrence with our IFA's opinion and his recommendation to the Shareholders to accept the Offer, he intends to reject the Offer in respect of all of the Shares held by him due to his own personal investment profile and objectives. Further, as disclosed under paragraph 4.4 of Appendix II of the Circular, he is closely associated with CMCE as a result of him being the son of Dato' Abdul Rahman Bin Yusof and the Chief Executive Officer of CMCE. Accordingly, the rejection of the Offer would be in line with CMCE's undertaking described under Section 2.5 of the Circular and paragraph 3 of the Offer Document.
- (c) Phua Cher Chuan has indicated that, notwithstanding his concurrence with the IFA's opinion and his recommendation to the Shareholders to accept the Offer, he intends to reject the Offer in respect of all of the Shares held by him due to his own personal investment profile and objectives, and having regard to the fact that he has held his Shares since the initial public offering of the Shares. Further, as disclosed under paragraph 4.4 of Appendix II of this Circular, he is closely associated with TEE International Limited ("**TEE**") as a result of him being the nephew of Phua Chian Kin, the Group Chief Executive Officer and Managing Director and controlling shareholder of TEE. He also holds shares amounting to less than 5% of the issued share capital of TEE. Accordingly, his intention to reject the Offer would be in line with TEE's undertaking described under Section 2.5 of the Circular and paragraph 3 of the Offer Document.
- (d) Sim Geok Soon has indicated that, notwithstanding his concurrence with our IFA's opinion and his recommendation to the Shareholders to accept the Offer, he intends to reject the Offer in respect of all of the Shares held by him due to his own personal investment profile and objectives, and having regard to the fact that he has held his Shares since the initial public offering of the Shares. Further, as disclosed under paragraph 4.4 of Appendix II of the Circular, he is closely associated with TEE as a result of him holding the position of Managing Director (Special Projects) in Trans Equatorial Engineering Pte Ltd which is a subsidiary of TEE. He also holds shares amounting to less than 5% of the issued share capital of TEE. Accordingly, his intention to reject the Offer would be in line with TEE's undertaking described under Section 2.5 of the Circular and paragraph 3 of the Offer Document.
- (e) Hans Jakob Hinrichsen has indicated that, notwithstanding his concurrence with our IFA's opinion and his recommendation to the Shareholders to accept the Offer, he intends to reject the Offer in respect of all of the Shares held by him due to his own personal investment profile and objectives.

- (f) Yee Kit Hong has indicated that, notwithstanding his concurrence with our IFA's opinion and his recommendation to the Shareholders to accept the Offer, he intends to reject the Offer in respect of all of the Shares held by him due to his own personal investment profile and objectives, and having regard to the fact that he has held his Shares since the initial public offering of the Shares.

For the avoidance of doubt, none of Hazwan Alif Bin Abdul Rahman, Phua Cher Chuan and Sim Geok Soon has provided any undertakings to the Offeror in respect of their own direct shareholdings.

Shareholders should note that if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted. We note that taking into account the undertakings from the Vendors not to accept the Offer in respect of the remaining 7,448,000 Shares held by each of them and the intentions of certain Directors in relation of the Offer as disclosed in Section 4.6 of the Appendix II of the Circular, the aggregate number of Shares that will not be tendered for acceptance will be at least 16,712,200 or approximately 10.99% of the issued Share capital as at the Latest Practicable Date. As such the possibility of the percentage of the Shares held in public hands to fall below 10% and the possibility of Shareholders relying on a compulsory acquisition accorded for their "protection" pursuant to Section 215(3) of the Act is reduced.

9.2. Comparison with IPO

The Company was listed on the Catalist on 13 August 2015 via 21,600,000 placement Shares and 2,400,000 offer Shares for an aggregate of 24,000,000 Shares (collectively, the "IPO Shares") at S\$0.25 per IPO Share ("IPO Price"). For illustrative purpose only, we note the following:-

- (i) In nominal terms, the IPO Price is approximately 163.2% higher than the Offer Price of S\$0.095 per Offer Share.
- (ii) The valuation of the Company in terms of P/NAV (as implied by the IPO Price) of approximately 2.9 times (based on the audited combined financial position of the Group as at 28 February 2015 before adjusting for the estimated net proceeds from the 24,000,000 IPO Shares) to 2.5 times (based on the audited combined financial position of the Group as at 28 February 2015 after adjusting for the estimated net proceeds from the 24,000,000 IPO Shares) is higher as compared to the P/NAV (as implied by the Offer Price and based on the Group's NAV as at 30 November 2016) of approximately 1.2 times.
- (iii) The valuation of the Company in terms of EV/EBITDA (as implied by the IPO Price) of approximately 27.9 times (based on the audited combined financial position of the Group as at 28 February 2015 before adjusting for the estimated net proceeds from the 24,000,000 IPO Shares) to 29.7 times (based on the audited combined financial position of the Group as at 28 February 2015 after adjusting for the estimated net proceeds from the 24,000,000 IPO Shares) is higher as compared to the EV/EBITDA (as implied by the Offer Price and based on the Group's NAV as at 30 November 2016) of approximately 18.7 times.

In summary, the P/NAV and EV/EBITDA multiple for the Company based on the IPO Price appears to be more favourable than both the P/NAV and EV/EBITDA multiples based on the Offer Price. The relatively less favourable pricing for the Company based on the Offer Price as compared to the IPO Price should be assessed in conjunction with the fact that (i) the market prices for the Shares have generally been on the declining trend, (ii) were lower than the IPO Price since the IPO Date to the Latest Practicable Date and (iii) that the valuation of the Company in terms of EV/EBITDA based on the Offer Price is higher than any of the Selected Comparable Companies (notwithstanding the fact that the Group is the only loss making company with a recorded loss before tax for the LTM ended 30 November 2016, resulting in a small positive EBITDA).

The above comparison also has to be assessed in the context of the fact that the economic or general market conditions for the Shares or the prices for which the Shares were traded at the time then prevailing. Hence, the comparison between the Offer Price pursuant to the Offer with the IPO Price above is necessarily limited and meant for illustration purpose.

9.3. The Offer is unconditional

As at the Latest Practicable Date, the Offer will be unconditional in all respects.

9.4. No revision of the Offer Price

We note from Paragraph 2.2 of the Offer Document that the Offeror will not revise the Offer Price of S\$0.095 per Share. Shareholders should note that given the undertakings from the Vendors, close to 10% of the issued Shares will not be tendered for acceptance. Accordingly as the possibility of the rights for compulsory acquisition is reduced and given the “no revision in Offer Price” statement from the Vendors, the Offer represents an opportunity for Shareholders to liquidate their investments.

We also note from Paragraph 2.3 of the Offer Document in the event that any dividend, right and/or distribution (“**Distribution**”) is declared, paid or made by the Company on or after the Offer Announcement Date, and (i) if the settlement date in respect of the Offer Shares accepted pursuant to the Offer falls on or before the books closure date for determination of entitlements to any Distribution (“**Books Closure Date**”), the Offeror will pay the relevant accepting Shareholders the Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of those Offer Shares from the Company; and (ii) if the settlement date in respect of the Offer Shares accepted pursuant to the Offer falls after the Books Closure Date, the amount of the Distribution in respect of such Offer Shares will be deducted from the Offer Price payable for such Offer Shares, as the Offeror will not receive the Distribution in respect of those Offer Shares from the Company.

9.5. Rationale for the Offer and the Offeror’s intention for the Company

We note from Paragraph 10 and 11 of the Offer Document that the Offeror is making the offer to comply with Rule 14.1 of the Code. The Offeror presently has no intention to (a) introduce any major changes to the business of the Company; (b) redeploy the fixed assets of the Company; or (c) discontinue the employment of the employees of the Company, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Company which may present themselves.

9.6. Alternative takeover offer

The Directors confirmed that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the Offeror and its concert parties holds approximately 74.4% of the total number of issued Shares. Under such circumstances, competing offer for the Shares is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror and its parties acting in concert hold as at the Latest Practicable Date. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.

9.7. Control of the Company

As at the Latest Practicable Date, the Offeror and its concert parties has statutory control of the Company, which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and is in a position to pass all ordinary on matters in which the Offeror and its concert parties do not have an interest, at general meetings of Shareholders.

9.8. Material Litigation

We note that as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole.

As at the Latest Practicable Date, the Directors are not aware of any litigation, claim or proceedings pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole.

9.9. Listing Status and Compulsory Acquisition

We note from Paragraph 12 of the Offer Document that pursuant to Rule 1104 of the Catalist Rules, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror Concert Group to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 200 Shareholders who are members of the public. Rule 1303(1) of the Catalist Rules provides that if the Offeror succeeds in receiving acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

We note that taking into account the undertakings from the Vendors not to accept the Offer in respect of the remaining 7,448,000 Shares held by each of them and the intentions of certain Directors in relation of the Offer as disclosed in Section 4.6 of the Appendix II of the Circular, the aggregate number of Shares that will not be tendered for acceptance will be at least 16,712,200 or approximately 10.99% of the issued Share capital as at the Latest Practicable Date. As such the possibility of the percentage of the Shares held in public hands to fall below 10% and the possibility of Shareholders relying on a compulsory acquisition accorded for their "protection" pursuant to Section 215(3) of the Act is reduced.

Under Rule 724(1) of the Catalist Rules, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted.

The Offeror's present intention is to maintain the listing status of the Company. However, in the event the free float requirement is not satisfied at the close of the Offer, the Offeror will assess the options available at that time.

Pursuant to Section 215(1) of the Act, in the event that the Offeror acquires not less than 90% of the total number of issued Shares as at the close of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquiring all the Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

In addition, pursuant to Section 215(3) of the Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares as at the close of the Offer, the Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

As stated above, the Offeror's present intention is to maintain the listing status of the Company. However, if the Offeror receives acceptances pursuant to the Offer in respect of not less than 90% of the total number of Offer Shares in issue as at the close of the Offer (other than those already held by the Offeror, its related companies and their respective nominees as at the Offer Announcement Date), the Offeror will consider whether or not to exercise its rights of compulsory acquisition under Section 215(1) of the Act to acquire those Offer Shares not acquired by the Offeror pursuant to the Offer.

Shareholders should note that given the undertakings from the Vendors not to accept the Offer in respect of the remaining 7,448,000 Shares held by each of them and the intentions of certain Directors in relation of the Offer as disclosed in Section 4.6 of the Appendix II of the Circular, the aggregate number of Shares that will not be tendered for acceptance will be at least 16,712,200 or approximately 10.99% of the issued Share capital as at the Latest Practicable Date. As such the possibility of the percentage of the Shares held in public hands to fall below 10% and the possibility of Shareholders relying on a compulsory acquisition accorded for their "protection" pursuant to Section 215(3) of the Act is reduced.. Accordingly, taking into account that the possibility of the Shareholders rights for compulsory acquisition is reduced and there will be no revision in Offer Price as stated in Paragraph 2.2 of the Offer Document, the Offer represents an opportunity for Shareholders to liquidate their investments in the Shares.

10. OPINION

In arriving at our opinion in respect of the Offer, we have taken into account, *inter alia*, the following factors which we consider to have a significant bearing on our assessment as summarised below and as elaborated elsewhere in this Letter. This is purely a summary of the factors that have been highlighted in this Letter and Shareholders should be advised to read the following in conjunction with, and in the context of, the full text of this Letter:-

- (a) The historical financial performance and position of the Group. Whilst the Group's revenue has been on the increasing trend for FY2014 to FY2016, the Group has been loss making during the period under review with loss after tax attributable to owners of the Company of approximately S\$0.7 million, S\$0.2 million and S\$1.5 million in FY2014, FY2015 and FY2016 respectively. In addition, whilst revenue has declined for the period in HY2016 to HY2017, we note that the loss after tax attributable to owners of the Company has narrowed during the corresponding period under review. The Group's net working capital has been in the positive region during the period under review and improved from approximately S\$5.1 million as at 31 May 2014 to approximately S\$6.0 million as at 31 May 2015 and approximately S\$8.2 million as at 31 May 2016. It subsequently decreased slightly to approximately S\$8.0 million as at 30 November 2016. Shareholders' equity for the Group has strengthened from approximately S\$10.3 million as at 31 May 2014 and 31 May 2015 to approximately S\$12.0 million as at 31 May 2016 mainly due to the issue of new Shares pursuant to the IPO, which was offset by the adjustments made pursuant to the Restructuring Exercise (*inter alia*, the merger reserves) and losses incurred in FY2016 and subsequently declined as at 30 November 2016 due to the losses incurred in HY2017. The Group's borrowings (consisting of Shareholders' loan and loan and borrowings) amounted to approximately S\$2.6 million as at 30 November 2016 and the Group's total borrowings to shareholders' equity ratio stood at 0.2 times. It is further noted that the Group's aggregate cash and bank balances of approximately S\$3.5 million as at 30 November 2016 is higher than its total borrowings of approximately S\$2.6 million as at 30 November 2016. However, it should be noted that the unutilised proceeds from the Group's IPO of approximately S\$3.0 million has been "designated" for use in expansion of business operations. Subsequent to the Latest Practicable Date, the Company had on 31 May 2017 announced the reallocation of unutilised proceeds from IPO and utilised approximately S\$1.0 million to fund the Group's working capital requirements for on-going projects. Please refer to the Group's announcement dated 31 May 2017 for more details. We also note that the Group's recorded net cash used in operating activities during the periods under review, save for FY2015 whereby the Group recorded net cash generated from operating activities of approximately S\$1.9 million.

As at the Latest Practicable Date the Group's order book (for contracts awarded which have yet to be recognised in part or in whole or are pending execution or completion) based on confirmed contracts, as represented by Directors and Management, is approximately S\$23.2 million, and the Group barring unforeseen circumstances expects to substantially deliver the projects within the next 18 months. However, its order book as at any particular date may not be indicative of its sales for any subsequent or succeeding periods as the Group's ability for revenue and income recognition is subject to possible changes in project delivery schedules or cancellations and potential delays in delivery.

The Directors wish to highlight that successful realisation or recognition of any future economic benefits from the above mentioned order book will depend on, *inter alia*, timely and efficient execution and delivery of the projects in accordance to project terms and conditions, changes to specification and schedules, variation in orders, actual and estimated cost to complete and subject to constraints such as manpower and labour conditions and the then prevailing economic and market conditions in markets which the Group operates in.

Accordingly, in view of the above factors, the Directors wish to highlight that the impact of the order book on the Group's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be reliably measured or determined with certainty as at the Latest Practicable Date and that the historical financial performance for the Group for the period ending 30 November 2016 may thus not fully reflect the prospects, financial performance and conditions of the Group after completion of the order books or in the longer run.

- (b) The historical financial performance and position of the Group appears to be generally less favourable than those of the Selected Comparable Companies which operate in the same industry that the Group operates in. The historical financial performance of the Group as reflected by its LTM ROE, LTM net profit margin and LTM asset turnover appears to be less favourable as compared to any of the Selected Comparable Companies. The Group's financial position (in terms of total liabilities to shareholders' equity) appears to be better and more favourable than any of the Selected Comparable Companies, whilst the Group's ratio of total borrowings to shareholders' equity, appears to be more favourable than both the median and simple average for the Selected Comparable Companies.
- (c) The Offer Price (as set out in Section 8 of this Letter) after taking into account, *inter alia*, the following factors:-
 - (i) The Offer Price represents a premium of approximately 24.2% and 65.2% over the Group's NAV and NTA per Share, as at 30 November 2016, respectively. Correspondingly, if net cash per Share is deducted from the Offer Price and likewise from the Group's NAV per Share and NTA per Share, the Offer Price less net cash per Share represents a premium of approximately 26.2% and 72.6% over the Group's NAV per Share less net cash per Share and Group's NTA per Share less net cash per Share respectively.
 - (ii) The valuation of the Group (as implied by the Offer Price) in terms of P/NAV ratio appears to be in line with the median for the Selected Comparable Companies whilst the valuation of the Group (as implied by the Offer Price) in terms of P/NTA ratio appears to be in line with the simple average for the Selected Comparable Companies. However, the valuation of the Group in terms of EV/EBITDA is more favourable than the Selected Comparable Companies (which should be viewed in conjunction with the fact that the Group is the only loss making company with a recorded loss before tax for the LTM ended 30 November 2016, resulting in a small positive EBITDA). It is also noted that the trading statistics for the shares of the Selected Comparable Companies, are based on transactions which do not result in transfer or acquisition of "control". Likewise as at the Offer Announcement Date, the Offer is unconditional with the Offeror Concert Group, holding an aggregate of 74.41% of the issued Share capital of the Company, and having "control" of the Company.

- (iii) The Offer Price represents a premium of approximately 18.8% over the last transacted price of S\$0.08 per Share on the Catalist on 5 May 2017 (being the last Trading Day prior to the Offer Announcement Date). There was an exceptional trading volume on 5 May 2017 or the Affected Date of approximately 56.582 million Shares representing approximately 37.2% of the issued Share capital as at the Latest Practicable Date. As represented and confirmed by Management, the exceptional trading volume was recorded due to the disposal of approximately 56.552 million Shares by one of the Vendor, TEE International Limited. The Offer Price represents a premium of approximately 35.7% over the last transacted price of S\$0.07 per Share on the Catalist on 27 April 2017, being the Unaffected Date or the last trading day prior to 5 May 2017 (before the “trigger” for the Offer). Accordingly, the premiums over the last transacted prices were higher on the Unaffected Date.
- (iv) The Offer Price represents a discount of approximately 14.5% from the VWCP for the Shares for the period commencing from the IPO Date and ending on 5 May 2017 (being the last Trading Day prior to the Offer Announcement Date). This was due to the dismal performance of the Shares since the IPO Date and the low volume of trading shortly after the IPO.
- (v) The Offer Price represents a premium of approximately 16.7%, 9.5%, 35.5% and 18.8% over the VWCP for the Shares for the period 12-month, 6-month, 3 month and 1 month prior to the Offer Announcement Date.
- (vi) The Offer Price represents a discount of approximately 1.8% from the VWCP for the Shares for the period commencing immediately after the Offer Announcement Date and ending on the Latest Practicable Date.
- (vii) The Offer Price represents a premium of approximately 1.1% over the last transacted price of S\$0.094 per Share on the Catalist on 26 May 2017, being the Latest Practicable Date.
- (viii) Comparison with the Selected Non-Privatisation MGO Transactions. The valuation of the Group as implied by the Offer Price appears to be less favourable than the median and the simple average for the Selected Non-Privatisation MGO Transactions in terms of premiums over historical prices. However, in terms of P/NTA multiple, the valuation of the Group as implied by the Offer Price appears in general to be comparable to the Selected Non-Privatisation MGO Transactions. When considered in the context of the shareholding of the Offeror Concert Group as at the Offer Announcement Date which is within the range and higher than both the median and simple average of the percentage of shareholding interest for each of the offeror and parties acting in concert at the start for the Selected Non-Privatisation MGO Transactions, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices and P/NTA multiple, does not appear to be compelling as compared to the other offers in the Selected Non-Privatisation MGO Transactions. However if instead the Unaffected Date is used for premium computations, the valuation of the Group as implied by the Offer Price in terms of both premium over the last transacted price for Shares prior to the Offer Announcement Date is comparable to other offers in the Selected Non-Privatisation MGO Transactions.
- (ix) Comparison with IPO. The P/NAV and EV/EBITDA multiple for the Company based on the IPO Price appears to be more favourable than both the P/NAV and EV/EBITDA multiples based on the Offer Price. The relatively less favourable pricing for the Company based on the Offer Price as compared to the IPO Price should be assessed in conjunction with the fact that (i) the market prices for the Shares have generally been on the declining trend, (ii) were lower than the IPO Price since the IPO Date to the Latest Practicable Date and (iii) that the valuation of the Company in terms of EV/EBITDA based on the Offer Price is higher than any of the Selected Comparable Companies (notwithstanding the fact that the Group is the only loss making company with a recorded loss before tax for the LTM ended 30 November 2016, resulting in a small positive EBITDA).

- (d) As at the Latest Practicable Date, the Offeror Concert Group holds approximately 74.4% of the total number of issued Shares. Under such circumstances, competing offer for the Shares (if any) is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror and its parties acting in concert hold as at the Latest Practicable Date. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.
- (e) The Offeror has stated in the Offer Document that it will not revise the Offer Price of S\$0.95 per Share, Shareholders should note that given the undertakings from the Vendors, close to 10% of the issued Shares will not be tendered for acceptance. Accordingly as the possibility of the rights for compulsory acquisition is reduced and given the “no revision in Offer Price” statement from the Vendors, the Offer represents an opportunity for Shareholders to liquidate their investments.
- (f) The Directors confirmed that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.
- (g) We note from Section 12 of the Offer Document that the Offeror’s present intention is to maintain the listing status of the Company. However, in the event the free float requirement is not satisfied at the close of the Offer, the Offeror will assess the options available at that time.

We also note that aggregate number of Shares (being 14,896,000 Shares) that are subject to the undertakings from the two vendors represents approximately 9.8% of the issued Share capital as at the Latest Practicable Date.

Shareholders should note that if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted. We note that taking into account the undertakings from the Vendors not to accept the Offer in respect of the remaining 7,448,000 Shares held by each of them and the intentions of certain Directors in relation of the Offer as disclosed in Section 4.6 of the Appendix II of the Circular, the aggregate number of Shares that will not be tendered for acceptance will be at least 16,712,200 or approximately 10.99% of the issued Share capital as at the Latest Practicable Date. As such the possibility of the percentage of the Shares held in public hands to fall below 10% and the possibility of Shareholders relying on a compulsory acquisition accorded for their “protection” pursuant to Section 215(3) of the Act is reduced.

- (h) Other considerations as set out in Section 9 or such other sections of this Letter.

In summary, having regard to our analysis and the consideration in this Letter and after having considered carefully the information available to us and based on market, economic and other relevant considerations prevailing as at the Latest Practicable Date and subject to our terms of reference, **we are of the opinion that the financial terms of the Offer is, on balance, FAIR AND REASONABLE.**

For the purposes of evaluation of the Offer from a financial point of view, we have adopted the approach that the term “fair and reasonable” comprises two distinct concepts:

- (i) Whether the Offer is “fair” relates to the value of the offer price which is based strictly on the evaluation of the Offer Price (i.e. by looking at the financial or fundamental analyses of the Offer Price as set out in this Letter and based on information known to us or which is publicly available).

- (ii) Whether the Offer is “reasonable”, after taking into consideration the actual and potential financial impact of other circumstances surrounding the Offer and the Company which we consider relevant (being both quantitative and qualitative factors available and made known to us) as well as comparison of the Offer with relevant precedent transactions.

We consider the financial terms of the Offer to be **FAIR**, from a financial point of view after factoring, *inter alia*, the following: -

- (i) The weak historical financial performance and position of the Group, including but not limited to the fact that the Group has been loss making for the period under review despite increasing revenue. Furthermore net cash was used in operating activities during the periods under review (instead of being generated from), save for FY2015. The Group’s financial performance and asset turnover pales in comparison with the Selected Comparable Companies.
- (ii) Offer Price represents a premium over the Group’s NAV and NTA per Share as at 30 November 2016.
- (iii) Whilst the Group is the smallest and the only loss making company as compared to the Selected Comparable Companies, the valuation of the Group (as implied by the Offer Price) in terms of P/NAV and P/NTA ratio appears to be in line with the median and simple average for the Selected Comparable Companies respectively. In addition, it is also noted that the trading statistics for the shares of the Selected Comparable Companies, are based on transactions which do not result in transfer or acquisition of “control”. As at the Offer Announcement Date, the Offer is unconditional with the Offeror and its concert parties, holding an aggregate of 74.41% of the issued Share capital of the Company, and having “control” of the Company. Thus while the “relative” valuation of the Company as reflected by the Offer Price is lower than the valuation accorded during the IPO, it is comparable to the Selected Comparable Companies and the “relatively-lower” valuation as reflected by the Offer Price should be viewed in the context of the increase in audited loss after tax attributable to Shareholders since FY2014.
- (iv) The valuation of the Group as implied by the Offer Price and in terms of P/NTA multiple appears in general to be more favourable as compared to the Selected Non-Privatisation MGO Transactions. In addition, the valuation of the Group as implied by the Offer Price in terms of premium over the last transacted price for Shares (based on the Unaffected Date) prior to the Offer Announcement Date is comparable to other offers in the Selected Non-Privatisation MGO Transactions.

We consider the financial terms of the Offer to be, on balance, **REASONABLE**, from a financial point of view after factoring, *inter alia*, the following: -

- (i) As at the Latest Practicable Date, the Offeror Concert Group holds approximately 74.4% of the total number of issued Shares. Accordingly, the Offeror Concert Group has statutory control of the Company, which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and is in a position to pass ordinary resolutions for matters in which the Offeror Concert Group do not have an interest, at general meetings of Shareholders. Under such circumstances, competing offer for the Shares is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror Concert Group hold as at the Latest Practicable Date. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.
- (ii) The Offer Price represents a premium of approximately 35.7% over the last transacted price of S\$0.07 per Share on the Catalist on 27 April 2017, being the Unaffected Date or the last trading day prior to 5 May 2017 (before the “trigger” for the Offer).

- (iii) Excluding the number of traded Shares on the Affected Date, the total number of Shares traded for the 12-months period prior to the Offer Announcement Date was approximately 3.5 million Shares with an average daily trading volume of approximately 14 thousand Shares, representing approximately 0.01% of the issued Share capital as at the Latest Practicable Date or approximately 0.05% of the issued Share capital held by Shareholders other than the Substantial Shareholders (including the Offeror Concert Group) and the Directors as at the Latest Practicable Date.
- (iv) The daily average number of Shares traded commencing from the IPO Date till prior to and including the Unaffected Date is significantly low as compared to the number of issued Shares as at the Latest Practicable Date. We note that approximately 56.582 million Shares were traded on 5 May 2017; and were mainly due to the Offeror's acquisition (from the Vendors) of 113.104 million Shares. As represented and confirmed by Management, the exceptional trading volume was recorded due to the disposal of approximately 56.552 million Shares by one of the Vendor, TEE International Limited. Since the IPO Date till the Latest Practicable Date, other than 5 May 2017, the Trading Day with the next largest trading volume of approximately 6.3 million Shares occurred on the IPO Date. Likewise, the Shares appear to be relatively inactive in the context that the Shares were traded on 72 Trading Days out of the 252 Market Days during the 1 year period prior to the Announcement Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller.
- (v) The Directors' confirmation that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.

Thus the Offer represents a realistic opportunity for Shareholders to liquidate their investments in the Company, which has been loss making since IPO given the illiquid nature of the Shares. Furthermore despite the fact that it is the only loss making and negative ROE company as compared to its peers, the valuation of the Company based on P/NTA and P/NAV is comparable to the Selected Comparable Companies.

ACA's Recommendation on the Offer

Based on our assessment of the financial terms of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders **ACCEPT** the Offer. The Offer is fair from the financial point of view (in particular the Offer Price and the implied valuation multiples for the Group being reflective of the Group's financial performance and position, despite being generally less favourable than the Selected Comparable Companies), the Offer represents a realistic opportunity for Shareholders to realise their entire investment in cash taking into account, *inter alia*, low trading liquidity for the Shares prior to the Unaffected Date. The Company as it stands on its own is fairly valued, without benefit and knowledge of the future plans of the Company.

Subsequent to the Offer Announcement Date, the prices for the Shares appear to be marginally lower than the Offer Price. The higher average daily trading volume subsequent to the Offer Announcement Date as compared to the 1-year period prior to the Offer Announcement Date may, *inter alia*, have been supported by the Offer Announcement and the Offer. As such, there is no assurance that the observed increase in the average number of Shares traded on a daily basis or the trading activities for the Shares will be maintained or that the transacted prices for the Shares will be the same and at the levels prevailing during the period commencing after the Announcement Date and ending on the Latest Practicable Date in the event that the Offer closes.

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price.

However, in the event that Shareholders are able to dispose of the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of Shareholders:

1. If the Shareholders are considering selling their Offer Shares in the open market, they should be aware that the current market prices and trading volumes for the Shares, may have been supported by the Offer and may not be maintained at current levels when the Offer closes.
2. The Directors further confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter and the unaudited financial statements for the Group for HY2017, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.
3. Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's order books, assets and liabilities (including without limitation, property, plant and equipment) or contracts entered into or to be entered into by the Group (where applicable) and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into (where applicable) by the Group. With respect to such valuation, we are not experts in the evaluation (including without limitation, market value or economic potential) or appraisal of assets and liabilities (including without limitation, property, plant and equipment) including, *inter alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon (where applicable) and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.
4. The Offeror has stated in the Offer Document that it will not revise the Offer Price. Shareholders should note that given the undertakings from the Vendors, close to 10% of the issued Shares will not be tendered for acceptance. Accordingly as the possibility of the rights for compulsory acquisition is reduced and given the "no revision in Offer Price" statement from the Vendors, the Offer represents an opportunity for Shareholders to liquidate their investments.
5. The Offeror has stated, *inter alia*, its present intention to preserve the listing status of the Company. However, if the Offeror receives acceptances pursuant to the Offer in respect of not less than 90% of the total number of Offer Shares in issue as at the close of the Offer (other than those already held by the Offeror, its related companies and their respective nominees as at the Offer Announcement Date), the Offeror will consider whether or not to exercise its rights of compulsory acquisition under Section 215(1) of the Act to acquire those Offer Shares not acquired by the Offeror pursuant to the Offer.

Shareholders should note that given the undertakings from the Vendors not to accept the Offer in respect of the remaining 7,448,000 Shares held by each of them and the intentions of certain Directors in relation of the Offer as disclosed in Section 4.6 of the Appendix II of the Circular, the aggregate number of Shares that will not be tendered for acceptance will be at least 16,712,200 or approximately 10.99% of the issued Share capital as at the Latest Practicable Date. As such the possibility of the percentage of the Shares held in public hands to fall below 10% and the possibility of Shareholders relying on a compulsory acquisition accorded for their "protection" pursuant to Section 215(3) of the Act is reduced. Accordingly, taking into account that the possibility of the Shareholders rights for compulsory acquisition is reduced and there will be no revision in Offer Price as stated in Paragraph 2.2 of the Offer Document, the Offer represents an opportunity for Shareholders to liquidate their investments in the Shares.

Limitations

It is also to be noted that as trading of the Shares is subject to possible market fluctuations and accordingly, our advice on the Offer does not and cannot take into account the future trading activities or patterns or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review and also such advice, if given, would not fall within our terms of reference in connection with the Offer.

For our opinion and recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints or plans of any individual Shareholder, or group of Shareholders. As different Shareholders or group of Shareholders would have different investment profiles and objectives, we would advise Independent Directors to recommend that any individual Shareholder or group of Shareholders who may require advice in the context of his specific investment portfolio, including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. (Singapore Time) on 20 June 2017 (Closing Date) (as defined in the Circular), abiding by the procedures for the acceptance of the Offer as set out in **Appendix 2** to the Offer Document, the FAA and/or the FAT.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

This Letter is addressed to the Independent Directors in connection with and for the sole purpose of their evaluation of the financial terms of the Offer. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor the Shareholders, may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any re-enactment thereof shall not apply.

The recommendations made by the Independent Directors to the Independent Shareholders in relation to the Offer and the issue of the Circular (as well as any information therein) shall remain the sole responsibility of the Independent Directors and the Directors respectively.

Yours faithfully,

For and on behalf of

ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

APPENDIX II – GENERAL INFORMATION

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

| Name | Address | Designation |
|---------------------------------|---|--|
| Dato' Abdul Rahman Bin Yusof | c/o 5008 Ang Mo Kio Avenue 5 #04-07 Techplace II Singapore 569874 | Non-Executive Chairman |
| Liu Kwee Choy | c/o 5008 Ang Mo Kio Avenue 5 #04-07 Techplace II Singapore 569874 | Alternate Director to Non- Executive Chairman |
| Phua Cher Chuan | c/o 5008 Ang Mo Kio Avenue 5 #04-07 Techplace II Singapore 569874 | Executive Director |
| Hazwan Alif Bin Abdul Rahman | c/o 5008 Ang Mo Kio Avenue 5 #04-07 Techplace II Singapore 569874 | Non-Executive Director |
| Sim Geok Soon | c/o 5008 Ang Mo Kio Avenue 5 #04-07 Techplace II Singapore 569874 | Non-Executive Director |
| Yee Kit Hong | c/o 5008 Ang Mo Kio Avenue 5 #04-07 Techplace II Singapore 569874 | Lead Independent Director |
| Yong Kee Tong | c/o 5008 Ang Mo Kio Avenue 5 #04-07 Techplace II Singapore 569874 | Independent Director |
| Siow Yuen Khong Alex | c/o 5008 Ang Mo Kio Avenue 5 #04-07 Techplace II Singapore 569874 | Independent Director |
| Hans Jakob Hinrichsen | c/o 5008 Ang Mo Kio Avenue 5 #04-07 Techplace II Singapore 569874 | Independent Director |

2. BACKGROUND INFORMATION

The Company was incorporated on 16 March 2015 under the Companies Act as a private limited company under the name of CMC Infocomm Pte. Ltd. On 14 July 2015, the Company was converted to a public limited company and changed its name to CMC Infocomm Limited. The Company was listed on the Catalist Board of the SGX-ST on 13 August 2015. The registered office and principal place of business of the Company is located at Block 5008 Ang Mo Kio Avenue 5, #04-07 Techplace II, Singapore 569874.

The principal activity of the Company is that of investment holding. The Group provides integrated communication solutions and services to communications network operators and communication network equipment vendors in Singapore, Malaysia, Thailand and the Philippines. The Group's business is divided into four main segments, namely in-building coverage, outdoor construction, telecommunications implementation and maintenance services.

Additional information on the Company can be found at its corporate website at <http://www.cmcinfocomm.com/>.

3. SHARE CAPITAL

- 3.1 **Issued and paid-up Shares.** As at the Latest Practicable Date, the issued and paid up share capital of the Company is S\$14,542,000, comprising 152,000,000 Shares. The issued Shares are listed and quoted on the Catalist Board of the SGX-ST.
- 3.2 **No transfer restriction.** There is no restriction in the Constitution on the right to transfer any Shares, which has the effect of requiring Shareholders, before transferring them, to first offer them for purchase to other Shareholders or to any other person.
- 3.3 **Shares issued since 31 May 2016.** As at the Latest Practicable Date, there has been no issue of new Shares by the Company since 31 May 2016, being the end of the last financial year of the Company.
- 3.4 **Outstanding convertible instruments.** As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting Shares.
- 3.5 **Rights in Respect of Capital, Dividends and Voting.** The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution which is available for inspection at the Company's registered office stated above. The relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Constitution and reproduced in Appendix III to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.

4. DISCLOSURE OF INTERESTS

- 4.1 **Interests and Dealings of Company in Offeror Securities.** As at the Latest Practicable Date, neither the Company nor its subsidiaries:
- (a) has any direct or deemed interests in any Offeror Securities; and
 - (b) has dealt for value in any Offeror Securities during the Reference Period.
- 4.2 **Interests and Dealings of Directors in Offeror Securities.** As at the Latest Practicable Date, none of the Directors:
- (a) has any direct or deemed interests in any Offeror Securities; and
 - (b) has dealt in any Offeror Securities during the Reference Period.

4.3 **Interests of Directors in Offeree Securities.** As at the Latest Practicable Date, none of the Directors save as disclosed below, has any direct or deemed interests in Company Securities.

Interests of Directors in Shares:

| <u>Directors</u> | <u>Direct Interest in Shares</u> | | <u>Deemed Interest in Shares</u> | |
|--|----------------------------------|------------------|----------------------------------|------------------|
| | No. of Shares | % ⁽¹⁾ | No. of Shares | % ⁽¹⁾ |
| Dato' Abdul Rahman Bin Yusof ⁽²⁾ | – | – | 8,098,000 | 5.33 |
| Liu Kwee Choy (alternate director to Non-Executive Chairman) | – | – | – | – |
| Phua Cher Chuan | 50,000 | 0.03 | – | – |
| Hazwan Alif Bin Abdul Rahman ⁽³⁾ | 876,200 | 0.58 | – | – |
| Sim Geok Soon | 40,000 | 0.03 | – | – |
| Yee Kit Hong | 100,000 | 0.07 | – | – |
| Hans Jakob Hinrichsen | 100,000 | 0.07 | – | – |
| Yong Kee Tong | – | – | – | – |
| Siow Yuen Khong Alex | – | – | – | – |

Notes:

- (1) Calculated based on a total of 152,000,000 Shares in issue as at the Latest Practicable Date.
- (2) Dato' Abdul Rahman Bin Yusof is deemed to have an interest in the 7,448,000 Shares held by CMCE and 500,000 shares held by Ray Venture Inc, by virtue of Section 4 of the SFA and 150,000 shares held by his wife, Datin Adilah Binti Abdullah, by virtue of Section 133(4) of the SFA.
- (3) The Shares held by Hazwan Alif Bin Abdul Rahman are held through CIMB Securities (Singapore) Pte Ltd.

4.4 **Dealings of Directors in Company Securities.** During the Reference Period, save as disclosed below, none of the Directors has dealt in any Company Securities.

Pursuant to the Acquisition, the Offeror had on 5 May 2017 acquired an aggregate of 113,104,000 Shares from the Vendors representing approximately 74.41% of all the Shares at S\$0.095 per Share.

As disclosed under Section 2.5 of this Circular and paragraph 3 of the Offer Document:

“Under the Share Purchase Agreement, each Vendor has irrevocably and unconditionally undertaken to the Offeror not to accept the Offer in respect of the remaining 7,448,000 Shares held by each of them after completion of the Acquisition, and that they shall not transfer, sell or otherwise dispose of, or encumber such Shares for a period of six months from the date of completion of the Acquisition.”

The following Directors are related to the Vendors in the following manner:

- (a) Dato' Abdul Rahman Bin Yusof is deemed to have an interest in all the Shares held by CMCE. CMCE is a wholly-owned subsidiary of ARY Venture Sdn. Bhd., which is in turn a wholly-owned subsidiary of CMC Group Sdn. Bhd. The shareholders of CMC Group Sdn. Bhd. are Dato' Abdul Rahman Bin Yusof (99%) and his wife, Datin Adilah Binti Abdullah (1%);

- (b) Hazwan Alif Bin Abdul Rahman is the son of Dato' Abdul Rahman Bin Yusof and is currently the Chief Executive Officer of CMCE;
- (c) Phua Cher Chuan is the nephew of Phua Chian Kin, the Group Chief Executive Officer and Managing Director and controlling shareholder of TEE. He also holds shares amounting to less than 5% of the issued share capital of TEE; and
- (d) Sim Geok Soon holds the position of Managing Director (Special Projects) in Trans Equatorial Engineering Pte Ltd which is a subsidiary of TEE. He also holds shares amounting to less than 5% of the issued share capital of TEE.

4.5 **Interests and Dealings of the IFA in Company Securities.** As at the Latest Practicable Date, none of the IFA or funds whose investments are managed by the IFA on a discretionary basis:

- (a) has any direct or deemed interests in any Company Securities; and
- (b) has dealt in any Company Securities during the Reference Period.

4.6 **Intentions of the Directors in relation to the Offer.** The following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of the Offer as follows:

- (a) Dato' Abdul Rahman Bin Yusof has indicated that his deemed interests will be dealt with in the following manner:
 - (i) in respect of his deemed interest in the 7,448,000 Shares held by CMCE, such Shares are subject to the Vendors' undertaking described under Section 2.5 of this Circular and paragraph 3 of the Offer Document, and accordingly CMCE will be rejecting the Offer;
 - (ii) in respect of his deemed interest in the 500,000 Shares held by Ray Venture Inc, he has been informed that Ray Venture Inc intends to reject the Offer;
 - (iii) in respect of his deemed interest in the 150,000 Shares held by his wife, Datin Adilah Binti Abdullah, he has been informed that his wife intends to reject the Offer;
- (b) Hazwan Alif Bin Abdul Rahman has indicated that, notwithstanding his concurrence with the IFA's opinion and his recommendation to the Shareholders to accept the Offer, he intends to reject the Offer in respect of all of the Shares held by him due to his own personal investment profile and objectives. Further, as disclosed under paragraph 4.4 of Appendix II of this Circular, he is closely associated with CMCE as a result of him being the son of Dato' Abdul Rahman Bin Yusof and the Chief Executive Officer of CMCE. Accordingly, the rejection of the Offer would be in line with CMCE's undertaking described under Section 2.5 of this Circular and paragraph 3 of the Offer Document.
- (c) Phua Cher Chuan has indicated that, notwithstanding his concurrence with the IFA's opinion and his recommendation to the Shareholders to accept the Offer, he intends to reject the Offer in respect of all of the Shares held by him due to his own personal investment profile and objectives, and having regard to the fact that he has held his Shares since the initial public offering of the Shares. Further, as disclosed under paragraph 4.4 of Appendix II of this Circular, he is closely associated with TEE as a result of him being the nephew of Phua Chian Kin, the Group Chief Executive Officer and Managing Director and controlling shareholder of TEE. He also holds shares amounting to less than 5% of the issued share capital of TEE. Accordingly, his intention to reject the Offer would be in line with TEE's undertaking described under Section 2.5 of this Circular and paragraph 3 of the Offer Document.

- (d) Sim Geok Soon has indicated that, notwithstanding his concurrence with the IFA's opinion and his recommendation to the Shareholders to accept the Offer, he intends to reject the Offer in respect of all of the Shares held by him due to his own personal investment profile and objectives, and having regard to the fact that he has held his Shares since the initial public offering of the Shares. Further, as disclosed under paragraph 4.4 of Appendix II of this Circular, he is closely associated with TEE as a result of him holding the position of Managing Director (Special Projects) in Trans Equatorial Engineering Pte Ltd which is a subsidiary of TEE. He also holds shares amounting to less than 5% of the issued share capital of TEE. Accordingly, his intention to reject the Offer would be in line with TEE's undertaking described under Section 2.5 of this Circular and paragraph 3 of the Offer Document.
- (e) Hans Jakob Hinrichsen has indicated that, notwithstanding his concurrence with the IFA's opinion and his recommendation to the Shareholders to accept the Offer, he intends to reject the Offer in respect of all of the Shares held by him due to his own personal investment profile and objectives.
- (f) Yee Kit Hong has indicated that, notwithstanding his concurrence with the IFA's opinion and his recommendation to the Shareholders to accept the Offer, he intends to reject the Offer in respect of all of the Shares held by him due to his own personal investment profile and objectives, and having regard to the fact that he has held his Shares since the initial public offering of the Shares.

For the avoidance of doubt, none of Hazwan Alif Bin Abdul Rahman, Phua Cher Chuan and Sim Geok Soon has provided any undertakings to the Offeror in respect of their own direct shareholdings.

5. OTHER DISCLOSURES

- 5.1 **Directors' Service Contracts.** There are no service contracts between any Director or any proposed Director with the Company or any of its subsidiaries with more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation. In addition, there are no such service contracts entered into or amended between any Director or proposed Director, with the Company during the Reference Period.
- 5.2 **Payments or Benefits to Directors.** It is not proposed, in connection with the Offer, that any payment or other benefit be made or given to any Director or to any director of any other corporation which is, by virtue of Section 6 of the Companies Act, deemed to be related to the Company as compensation for loss of office or otherwise in connection with the Offer.
- 5.3 **Agreements in Connection with or Conditional upon Outcome of Offer.** Save as disclosed in this Circular, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer.
- 5.4 **Material Contracts entered into by Offeror.** Save as disclosed in this Circular, there are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect.

6. FINANCIAL INFORMATION ON THE GROUP

6.1 Consolidated Income Statements of the Group.

A summary of the audited consolidated income statements of the Group for FY2014, FY2015 and FY2016 and the unaudited consolidated income statements of the Group for 1H2017 is set out below. The following summary should be read together with the audited consolidated financial statements and the unaudited consolidated financial statements for the relevant financial periods, and the related notes thereto. The financial information below has been extracted from the Prospectus, the annual report of the Company for FY2016, and the 1H2017 Results, copies of

which are available for inspection as set out in paragraph 13 of Appendix II to this Circular. The audited consolidated financial statements for the Group for FY2016 together with the Independent Auditor's report and the 1H2017 Results are also set out in Appendices IV and V to this Circular respectively.

| | Audited FY2014 S\$'000 | Audited FY2015 S\$'000 | Audited FY2016 S\$'000 | Unaudited 1H2017 S\$'000 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---|
| Revenue | 15,859 | 16,321 | 18,217 | 7,741 |
| Costs of sales | (12,175) | (12,052) | (13,567) | (5,695) |
| Other income | 43 | 91 | 247 | 29 |
| Interest Income | 3 | 4 | 13 | 9 |
| Other operating expenses | (1,548) | (1,206) | (1,687) | (337) |
| Administrative expenses ⁽¹⁾ | (2,757) | (3,021) | (4,570) | (2,138) |
| Finance costs | (53) | (27) | (118) | (62) |
| Share of joint venture's result | – | – | – | (7) |
| (Loss)/Profit before tax | (628) | 110 | (1,465) | (460) |
| Income tax (expense)/credit | (207) | (296) | (32) | 44 |
| Loss for the year | (835) | (186) | (1,497) | (416) |
| (Loss)/Profit for the year attributable to: | (835) | (186) | (1,497) | (416) |
| - Owners of the Company | (668) | (186) | (1,497) | (416) |
| - Non-controlling interests | (167) | – | – | – |
| Basic Loss per share (cents) | (0.52) | (0.15) | (1.02) | (0.27) |
| Dividend per Share (cents) | Interim: Nil | | | |
| Final: Nil | Interim: Nil | | | |
| Final: Nil | Interim: Nil | | | |
| Final: Nil | Interim: Nil | | | |

Note:

(1) Amortisation expenses in FY2014 amounting to approximately \$1.5 million have been reclassified from "Administrative expenses" to "Other operating expenses" to be consistent throughout all financial periods.

6.2 Consolidated statement of financial position of the Group.

A summary of the audited consolidated statements of financial position of the Group as at 31 May 2016 and unaudited consolidated statements of financial position of the Group as at 31 November 2017 is set out below. The following summary should be read together with the audited consolidated financial statements and the unaudited consolidated financial statements for the relevant financial periods, and the related notes thereto. The financial information below has been extracted from the annual report of the Company for FY2016 and the 1H2017 Results, copies of which are available for inspection as set out in paragraph 13 of Appendix II to this Circular. The audited consolidated financial statements for the Group for FY2016 together with the Independent Auditor's report and the 1H2017 Results are also set out in Appendices IV and V to this Circular respectively.

| | Audited As at 31 May 2016 S\$'000 | Unaudited As at 30 November 2016 S\$'000 |
|--|--|---|
| Non-current assets | 4,367 | 4,048 |
| Current assets | 17,328 | 14,943 |
| Current Liabilities | 9,121 | 6,960 |
| Net assets | 11,999 | 11,623 |
| Share capital | 14,542 | 14,542 |
| Reserves, Proposed dividend & Retained earnings | (2,543) | (2,919) |
| Total equity | 11,999 | 11,623 |

7. MATERIAL CHANGES IN FINANCIAL POSITION

As at Latest Practicable Date, save as disclosed in this Circular and any other information on the Group which is publicly available (including without limitation, the announcements released by the Group on the SGX-ST including but not limited to the Company's annual report for FY2016 and the announcement on the 1H2017 Results), there have been no material changes to the financial position of the Group since 31 May 2016, being the date of the last published audited financial statements of the Group.

As announced by the Company on 31 May 2017 (the "**Reallocation Announcement**"), the Company has reallocated and utilised S\$1.0 million from the remaining unutilised proceeds from the initial public offering of the Company to fund the Group's working capital requirements for on-going projects (the "**Reallocation**"). The Board is of the view that the Reallocation will be beneficial to the continued development of the Group's core business and in the best interests of the Company and its shareholders as a whole. Shanghai Yinda being the new ultimate controlling shareholder is also committed to supporting the Group's future business expansion. For further details, please refer to the Reallocation Announcement.

8. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

8.1 **Significant Accounting Policies.** The audited consolidated financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("**SFRS**"). A summary of the significant accounting policies of the Group is set out in Note 2 of the audited consolidated financial statements of the Group for FY2016, which is reproduced in Appendix IV to this Circular.

Save as disclosed in this Circular and publicly available information on the Group, there are no significant accounting policies or any matter from the notes to the financial statements of the Group which are of any major relevance for the interpretation of the accounts of the Group referred to in this Circular.

8.2 **No Change in Accounting Policies.** The Company disclosed in the 1H2017 Results that the Group has adopted the new and revised SFRS and interpretations of SFRS applicable to the Group which are effective for the financial year beginning 1 June 2016. These are not expected to have a material impact on the results of the Group and of the Company for the period ended 30 November 2016.

Save as disclosed in this Circular and publicly available information on the Group, there are no changes in the accounting policies of the Group which will cause the financial information disclosed in this Circular to not be comparable to a material extent.

9. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries have entered into any material contracts with interested persons¹ (other than those entered into in the ordinary course of business) during the period commencing three years before the Offer Announcement Date and ending on the Latest Practicable Date.

1 An interested person, as defined in the Note on Rule 24.6 read with the Note on Rule 23.12 of the Code, is:

- a director, chief executive officer, or substantial shareholder of the Company;
- the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the Company;
- the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
- any company in which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family together (directly or indirectly) have an interest of 30% or more;
- any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
- any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

Acquisition of the Group subsidiaries pursuant to the restructuring exercise prior to the listing of the Company on the Catalist Board

Pursuant to the restructuring agreement entered into between CMTE Technology Sdn. Bhd. (formerly known as CMC Communications Sdn. Bhd.) ("**CMTE Technology**")² and the Company on 13 July 2015, CMTE Technology transferred to the Company:

- (i) all 500,000 ordinary shares in the issued capital of CMC Communications (Singapore) Pte. Ltd. ("**CMCC Singapore**") (which holds all the common shares in the issued capital of CMC Communications (Philippines), Inc ("**CMCC Philippines**") and 572,700 ordinary shares in CMC Communications (Thailand) Co., Ltd ("**CMCC Thailand**"), for a purchase consideration of S\$7,104,000, being equivalent to the audited combined net asset value of CMCC Singapore, CMCC Philippines and CMCC Thailand as at 28 February 2015; and
- (ii) the intangible asset relating to the customer relationships arising from the purchase price allocation exercise pursuant to the acquisition of CMCC Singapore, CMCC Philippines and CMCC Thailand, for a purchase consideration of S\$4,018,000, being equivalent to its carrying value as at 28 February 2015.

The shares were transferred with all rights, benefits and interests in and to the shares as at 1 June 2015. CMCC Singapore holds approximately 20% of the voting rights in CMCC Thailand. Following the acquisition of CMCC Singapore, CMCC Philippines and CMCC Thailand as set out above, the aggregate amount due from the Company to CMTE Technology was S\$11,122,000.

Settlement of consideration and amounts owing

Following the restructuring exercise, the aggregate amount due from the Company to CMTE Technology was S\$11,122,000 was settled in the following manner:

- (i) As at 28 February 2015, CMCC Thailand (currently a subsidiary of the Company) owed S\$472,000 to CMTE Technology under a loan granted by CMTE Technology. The amount owing to CMTE Technology was novated by CMCC Thailand to the Company, and as a result, the amount of S\$472,000 was due from the Company to CMTE Technology. Accordingly, the total amount due from the Company to CMTE Technology pursuant to the abovementioned loan and the acquisition of CMCC Singapore, CMCC Philippines and CMCC Thailand was S\$11,594,000 (the "**Acquisitions Settlement Amount**").
- (ii) As at 28 February 2015, CMTE Technology owed S\$5,030,000 to TEE (the "**TEE Loan**") and S\$2,402,000 to CMCE (the "**CMCE Loan**") pursuant to shareholder loans. The total amount of S\$7,432,000 was novated by CMTE Technology to the Company, in consideration of which an amount of S\$7,432,000 (the "**Loan Settlement Amount**") was due from CMTE Technology to the Company.
- (iii) As agreed between the Company and CMTE Technology, the Acquisitions Settlement Amount was set-off against the Loan Settlement Amount, such that the net amount owing by the Company to CMTE Technology would be S\$4,162,000 (the "**Net Amount**"). As full settlement of the Net Amount and as directed by CMTE Technology, the Company issued 2,080,816 new Shares fully paid at S\$1 each to each of TEE and CMCE.

² CMTE Technology (formerly known as CMC Communications Sdn. Bhd.) was incorporated in Malaysia in April 2011 by its 2 controlling shareholders, TEE International Limited (50%) and CMC Engineering Sdn. Bhd (50%). Prior to the restructuring exercise undertaken before the company was listed on the Catalist Board of the SGX-ST, CMTE Technology was the holding company of the Company's subsidiaries, CMC Communications (Singapore) Pte. Ltd., CMC Communications (Thailand) Co., Ltd and CMC Communications (Philippines), Inc.

- (iv) To settle the CMCE Loan, the Company issued 2,401,792 new Shares fully paid at S\$1 each to CMCE. To partially settle the TEE Loan, the Company issued 2,401,792 new shares fully paid at S\$1 each to TEE, following which a balance amount of S\$2,628,000 remained owing by the Company to TEE, of which S\$600,000 was repaid using part of the net proceeds raised from the initial public offering of the Company. The TEE loan is unsecured, bears interest at the rate of 5.35% per annum and is scheduled to be repaid within two years. As at 31 May 2016, the Company has paid down the TEE Loan to S\$1,500,000.

Pursuant to the above, the following material contracts had been entered into by the Group and CMTE Technology, as well as other interested persons:

- (a) the restructuring agreement dated 13 July 2015 entered into between the Company and CMTE Technology pursuant to which the Company acquired the shares in the Company's subsidiaries;
- (b) the novation agreement dated 13 July 2015 entered into among the Company, CMCC Thailand and CMTE Technology pursuant to which CMCC Thailand novated to the Company an amount of S\$472,000 owed to CMTE Technology;
- (c) the novation agreement dated 13 July 2015 entered into among the Company, CMTE Technology and TEE pursuant to which CMTE Technology novated to the Company an amount of S\$5,030,000 owed to TEE; and
- (d) the novation agreement dated 13 July 2015 entered into among the Company, CMTE Technology and CMCE pursuant to which CMTE Technology novated to the Company an amount of S\$2,402,000 owed to CMCE.

Please refer to the Prospectus and the annual report of the Company for FY2016 for further details on the above transactions.

10. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole.

As at the Latest Practicable Date, the Directors are not aware of any litigation, claim or proceedings pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole.

11. MATERIAL CHANGES IN INFORMATION

Save as disclosed in this Circular and in publicly available information on the Group and the Offer, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

12. GENERAL

- 12.1 **Costs and Expenses.** All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.
- 12.2 **Consent of the Independent Auditors.** Ernst & Young LLP has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of (a) its name, and (ii) the reproduction of the Independent Auditor's report in relation to the audited consolidated financial statements of the Group for FY2016 (as set out in Appendix IV to this Circular) and all references thereto in the form and context in which they appear in this Circular.

12.3 **Consent of the IFA.** The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of (a) its name, (b) the IFA Letter, and all references thereto in the form and context in which they appear in this Circular.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 5008 Ang Mo Kio Avenue 5, #04-07 Techplace II, Singapore 569874 during normal business hours for the period during which the Offer remains open for acceptance:

- (a) the Constitution of the Company;
- (b) the Prospectus, the annual report of the Company for FY2016, and the 1H2017 Results;
- (c) the IFA Letter; and
- (d) the letters of consent referred to in paragraph 12 of this Appendix II above.

APPENDIX III – EXTRACTS FROM THE CONSTITUTION OF THE COMPANY

The relevant provisions in the Constitution of the Company in respect of capital, dividends and voting in relation to the Shares have been extracted and reproduced as follows:

1. Rights in Respect of Capital

SHARES

5. *Subject to the Statutes, no shares may be issued without the prior approval of the Company in General Meeting but subject thereto and to these Articles relating to new shares and to any special right attached to any share for the time being issued, the Directors may allot (with or without conferring any right of renunciation), grant options over or otherwise dispose of the same to such persons on such terms and conditions (including such consideration) and at such time as the Directors determine Provided Always that the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.* *Shares under control of Company in General Meeting.*
- 6(1). *Subject to the limits referred to in Article 57, the Company in General Meeting may by Ordinary Resolution authorise the Directors to exercise any power of the Company to issue shares, such authority being confined to a particular exercise of that power or generally. Any such authority may be unconditional or subject to conditions and shall continue in force until the conclusion of the Annual General Meeting commencing next after the date on which the approval was given or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held whichever is the earlier but may be previously revoked or varied by the Company in General Meeting.* *Authority of Directors to issue shares.*
- 6(2). *Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be approved by the Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register as the holder thereof or before such share is entered against the name of a Depositor in the Depository Register, as the case may be, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of such share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit.*
7. *Any share in the Company may be issued with such preferred, qualified, deferred or other special rights, privileges and conditions or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine, and subject to the Statutes, the Company may issue preference shares which are or, at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue thereof may by Ordinary Resolution determine Provided Always that the total number of issued preference shares shall not exceed the total number of issued ordinary shares issued at any time or such other limitation as may be prescribed by the Exchange.* *Company may issue shares with preferred, qualified, deferred and other special rights.*

8. *The Company shall have the power to issue further preference capital ranking equally with or in priority to the preference capital then already issued.* *Issue of further preference shares.*
9. *Subject to the provisions of the Statutes, all or any of the special rights or privileges for the time being attached to any preference share for the time being issued may from time to time (whether or not the Company is being wound up) be modified, affected, altered or abrogated and preference capital other than redeemable preference shares may be repaid if authorised by a Special Resolution passed by holders of such preference shares at a special meeting called for the purpose. To any such special meeting, all provisions of these Articles as to General Meetings of the Company shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy not less than one third of the issued preference shares concerned and that every holder of the preference shares concerned shall be entitled on a poll to one vote for every such share held by him and that any holder of the preference shares concerned present either in person or by proxy may demand a poll Provided Always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from holders of three-fourths of the preference shares concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting.* *Alteration of rights of preference shareholders.*
10. *Preference shares may be issued subject to such limitation thereof as may be prescribed by the Exchange. Preference shareholders shall have the same rights as ordinary Members as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital of the Company or winding up or sanctioning the sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.* *Rights of preference shareholders.*
11. *If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the holder for the time being of the share or his legal personal representative.* *Instalments of shares.*
- 12(1). *The Company shall not be bound to register more than three persons as the joint holders of any share except in the case of executors, administrators or trustees of the estate of a deceased Member.* *Joint holders*
- 12(2). *Subject to Article 12(1), any two or more persons may be registered as joint holders of any share and the joint holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls and interest (if any) due in respect of such share.*
- 12(3). *The joint holder first named in the Register or the Depository Register, as the case may be, shall as regards voting, proxy, service of notices and delivery of certificates and dividend warrants, be deemed to be the sole owner of such share.*

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| 13. | <i>No person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any other rights in respect of any share other than an absolute right to the entirety thereof in the registered holder or in the person whose name is entered in the Depository Register in respect of that share, as the case may be, except only where these Articles otherwise provide or as required by the Statutes or pursuant to any order of Court.</i> | <i>No trusts recognised.</i> |
| 14. | <i>No person shall exercise any rights of a Member in respect of a share until his name shall have been entered in the Register as the registered holder thereof or in the Depository Register in respect of such share, as the case may be, and, unless the Directors otherwise determine, such person shall have paid all calls and other moneys for the time being due and payable on any share held by him.</i> | <i>Exercise of rights of Members.</i> |
| 15(1). | <i>The Company may, subject to and in accordance with the Act and any other relevant legislation, rules or regulations enacted or prescribed by any relevant authority from time to time, purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. Any share which is so purchased or acquired by the Company may be deemed to be cancelled immediately on purchase or acquisition by the Company or, subject to the provisions of the Act, be held and dealt with by the Company as treasury shares. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire.</i> | <i>Power to purchase or acquire its issued share.</i> |
| 15(2). | <i>The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.</i> | <i>Treasury shares.</i> |

LIEN ON SHARES

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| 21. | <i>The Company shall have a first and paramount lien on every share (not being a fully-paid share) and all dividends from time to time declared in respect thereof. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may however waive any lien which has arisen and may resolve that any share shall for any limited period be exempt wholly or partially from the provisions of this Article 21 upon such terms as they may deem fit in the best interest of the Company.</i> | <i>Company's lien on shares.</i> |
| 22. | <i>For the purpose of enforcing such lien the Directors may sell all or any of the shares subject thereto in such manner as they think fit, and no sale shall be made until such time as the moneys are presently payable, and until a notice in writing stating the amount due and demanding payment, and giving notice of intention to sell in default, shall have been served in such a manner as the Directors shall think fit on the holder for the time being of the shares or the person (if any) entitled by transmission to the shares, and default in payment shall have been made by him or them for seven days after such notice.</i> | <i>Right to enforce lien by sale.</i> |

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| 23. | <i>The net proceeds of any such sale shall be applied in or towards the satisfaction of the unpaid calls and accrued interest and expenses of such sale, and the residue (if any) shall be paid to the person whose shares have been sold, his executors, administrators, trustees or assignees or as he shall direct.</i> | <i>Application of proceeds of sale.</i> |
| 24. | <i>To give effect to any such sale the Directors may authorise some person to transfer or to effect the transfer, as the case may be of the shares sold to the purchaser.</i> | <i>How sale to be effected.</i> |

CALLS ON SHARES

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| 25. | <i>The Directors may from time to time make calls upon the Members in respect of any money unpaid on their shares or on any class of shares and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to his having been given at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed as the Directors may determine. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.</i> | <i>Powers of Directors to make calls.</i> |
| 26. | <i>The joint holders of a share shall be jointly and severally liable to pay all calls and interest (if any) in respect thereof.</i> | <i>Joint and several liability.</i> |
| 27. | <i>If before or on the day appointed for payment thereof a call payable in respect of a share is not paid, the person from whom the amount of the call is due shall pay interest on such amount at the rate of eight per cent per annum from the day appointed for payment thereof to the time of actual payment, but the Directors shall have power to waive payment of such interest or any part thereof.</i> | <i>Interest on unpaid calls.</i> |
| 28. | <i>Any sum which by the terms of allotment of a share is made payable upon issue or at any fixed date and any instalment of a call shall for all purposes of these Articles be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all the other relevant provisions of these Articles or the Statutes shall apply as if such sum were a call duly made and notified as hereby provided.</i> | <i>Sums payable under terms of allotment to be deemed calls.</i> |
| 29. | <i>The Directors may from time to time make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls.</i> | <i>Difference in calls between various holders.</i> |
| 30. | <i>The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any share held by him, and upon all or any part of the moneys so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) eight per cent per annum as may be agreed upon between the Directors and the Member paying the sum in advance.</i> | <i>Payment of call in advance.</i> |

STOCK

51. *The Company in General Meeting may by Ordinary Resolution convert any paid-up shares into stock and may from time to time reconvert such stock into paid-up shares.* Conversion of shares to stock.
52. *When any shares have been converted into stock the several holders of such stock may transfer their respective interests therein or any part of such interests in such manner as the Company in General Meeting shall direct, but in default of any direction then in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances will admit. But the Directors may if they think fit from time to time fix the minimum unit of stock transferable.* Stockholders entitled to transfer interest.
53. *The several holders of stock shall be entitled to participate in the dividends and profits of the Company according to the number of stock units held by them and such interests shall, in proportion to the number of stock units thereof, confer on the holders thereof respectively the same rights, privileges and advantages for the purposes of voting at meetings of the Company and for other purposes as if they held the shares from which the stock arose, but so that none of such rights, privileges or advantages, except the participation in the dividends, profits and assets of the Company, shall be conferred by any such number of stock units as would not, if existing in shares, have conferred such rights, privileges or advantages.* Stockholders entitled to profits.
54. *All such provisions of these Articles as are applicable to paid up shares shall apply to stock and in all such provisions the words "shares" shall include "stock", and "Depositor", "Member" and "shareholder" shall include "stockholder".* Definitions.

INCREASE OF CAPITAL

55. *The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being issued have been fully paid up or not, increase its capital by the creation and issue of new shares, such aggregate increase to be of such amount as the Company by the resolution authorising such increase shall direct.* Power to increase capital.
- 56(1). *Unless otherwise determined by the Company in General Meeting or except as permitted by the listing rules of the Exchange, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled.* Issue of new shares to Members.
- 56(2). *The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in the manner hereinbefore provided.* Notice of issue.

57. Notwithstanding Article 55 above, the Company may pursuant to Section 161 of the Act by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to issue shares whether by way of rights, bonus or otherwise, and make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, and (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while the Ordinary Resolution was in force, provided that:-

Authority to Directors to issue shares and convertible securities.

- (a) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Exchange;
- (b) in exercising the authority conferred by the Ordinary Resolution, the Directors shall comply with the provisions of the listing rules of the Exchange for the time being in force (unless such compliance is waived by the Exchange) and these Articles; and
- (c) unless previously revoked or varied by the Company in General Meeting, such authority conferred by the Ordinary Resolution shall not continue beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

58. Subject to any directions that may be given in accordance with the powers contained in the Memorandum of Association or these Articles, any capital raised by creation of new shares shall be considered as part of the original capital and all new shares shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital.

New capital considered part of original capital.

ALTERNATION OF CAPITAL

59(1). The Company may by Ordinary Resolution:-

Alteration of capital.

- (a) consolidate and divide its capital; or
- (b) subdivide its existing shares or any of them (subject nevertheless to the provisions of the Act) provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived. The resolution by which the subdivision is effected may determine that, as between the holders of the resulting shares, one or more of such shares may have any such preferred, deferred or other special rights or be subject to any restriction as the Company has power to attach to unissued or new shares; or

(c) *subject to the Statutes, convert any class of shares into any other class of shares.*

59(2). *The Company may by Special Resolution reduce its share capital or any other undistributable reserve in any manner and subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled share is purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.*

MODIFICATION OF CLASS RIGHTS

60. *Subject to the Statutes and save as provided by these Articles, all or any of the special rights or privileges attached to any class of shares in the capital of the Company for the time being issued may, at any time, as well before as during liquidation, be modified, affected, altered or abrogated, either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting, but so that the quorum thereof shall be not less than two persons personally present and holding or representing by proxy one-third of issued shares of the class, and that any holder of shares of the class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held or represented by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or Resolution to the Registrar of Companies.*

Modification of class rights.

2. Rights in Respect of Dividends

DIVIDENDS

132. *The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles as to the reserve fund shall be divisible among the Members in proportion to the amount of capital paid up or credited as paid up on the shares held by them respectively.*

Appropriation of profits.

133. *The Company in General Meeting may by Ordinary Resolution declare a dividend on or in respect of any share to the Members according to their rights and interest in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend.*

Declaration of Dividend.

134. *No dividend shall be payable except out of the profits of the Company. No dividend shall carry interest.*

Dividend payable out of profits.

135. *The declaration of the Directors as to the net profits of the Company shall be conclusive.*

Declaration conclusive.

136. *The Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies provided no such dividends shall be declared more than once in six months.* *Interim dividend.*
137. *The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.* *Debts may be deducted.*
138. *A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be.* *Effect of transfer.*
139. *Any General Meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of wholly or partly paid-up shares, debentures, or debenture stock of the Company, or wholly or partly paid-up shares, debentures or debenture stock of any other company, or in any one or more of such ways, and the Directors shall give effect to such resolution; and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of such specific assets, or any part thereof and may determine that cash payment shall be made to any Member upon the footing of the value so fixed, in order to adjust the rights of all parties, and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividends as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with Section 63 of the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend, and such appointment shall be effective.* *Dividend in specie.*
140. *The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmissions of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same.* *Power to retain dividends.*
141. *In case several persons are registered in the Register or entered in the Depository Register, as the case may be, as the holders of any share, any resolution of the Directors or the Company in General Meeting declaring a dividend on shares of any class may specify that the dividend shall be payable to such persons at the close of business on a particular date and thereupon the dividend shall be payable in accordance with their respective holdings so registered. Any person registered in the Register or in the Depository Register, as the case may be, as the holder or joint holder of any share or is entitled jointly to a share in consequence of the death or bankruptcy of the holder may give effectual receipts for dividends, bonuses, other moneys payable or properties distributable and payment on account of dividends on or in respect of such shares.* *Payment to and receipt by joint holders.*
142. *Notice of declaration of any dividend, whether interim or otherwise, may be given by advertisement.* *Notice of dividend.*

143. *Unless otherwise directed, any dividend may be paid by cheque, dividend warrant or Post Office Order, sent through the post to the registered address appearing in the Register or the Depository Register, as the case may be, of the Member or person entitled, or where two or more persons are registered in the Register or entered in the Depository Register, as the case may be, as joint holders or are entitled to the dividend as a result of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, as the case may be, in respect thereof and every cheque, dividend warrant or Post Office Order so sent shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or person(s) may direct in writing. The Company shall not be responsible for the loss of any cheque, dividend warrant or Post Office Order, which shall be sent by post duly addressed to and at the sole risk of the Member or person for whom it is intended. Payment of the cheque, dividend warrant or Post Office Order by the bank upon which they are respectively drawn shall be a full and valid discharge to the Company. Notwithstanding the provisions of these Articles, payment by the Company to the Depository of any dividend payable to a Depositor shall also be a full and valid discharge of the Company from liability to the Depositor in respect of that payment to the extent of the payment made to the Depository.*

Payment by post.

144. *The Depository will hold all dividend unclaimed for six years after having been declared and paid before release to the Directors, and the Directors may invest or otherwise make use of the unclaimed dividends for the benefit of the Company until claimed.*

Unclaimed dividends.

BONUS ISSUES, CAPITALISATION OF PROFITS AND RESERVES

145(1). *The Directors may, with the sanction of the Company by way of an Ordinary Resolution, including any Ordinary Resolution passed pursuant to Article 5:*

Capitalisation of profits and reserves.

(a) *issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register or (as the case may be) the Depository Register at the close of business on:*

(i) *the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or*

(ii) *(in the case of an Ordinary Resolution passed pursuant to Article 5) such other date as may be determined by the Directors,*

in proportion to their then holdings of shares; and

(b) *capitalise any sum for the time being standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of the profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register or (as the case may be) the Depository Register at the close of business on:*

- (i) *the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or*
- (ii) *(in the case of an Ordinary Resolution passed pursuant to Article 5) such other date as may be determined by the Directors,*

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

145(2). The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under Article 134(1), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter, on behalf of all the Members interested, into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

145(3). In addition and without prejudice to the powers provided for by Articles 145(1) and 145(2), the Directors shall have the power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full unissued shares, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting, in such manner and on such terms as the Directors shall think fit.

RESERVE FUND

146. The Directors may, before declaring any dividend or bonus in respect of any class of shares out of or in respect of the earnings or profits of the Company for any yearly or other period, cause to be reserved or retained and set aside out of such sums as they may determine to form a Reserve Fund to meet contingencies or depreciation in the value of the property of the Company, or for equalising dividends or for special dividends or for distribution of bonuses or for repairing, improving and maintaining any of the property of the Company, or for such other purposes the Directors shall, in their absolute discretion, think conducive to the interest of the Company.

Formation and object of Reserve Fund.

3. Rights in Respect of Voting

GENERAL MEETINGS

65. *In addition to any other meetings, a General Meeting shall be held at least once in every calendar year, at such time and place as may be determined by the Directors, but so that no more than fifteen months shall be allowed to elapse between any two such General Meetings.* General Meetings.
66. *The abovementioned General Meetings shall be called Annual General Meetings. All other General Meetings shall be called Extraordinary General Meetings.* Annual General Meetings.
67. *The First Annual General Meeting of the Company shall be held at such time within a period of not more than eighteen months from the date of incorporation of the Company and at such time and place as the Directors may determine.* First Annual General Meeting.
68. *The Directors may call an Extraordinary General Meeting of the Company whenever they think fit in accordance with the Statutes.* Directors may call Extraordinary General Meetings.
69. *The Directors shall, on the requisition of the holders of not less than one-tenth of voting shares of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an Extraordinary General Meeting of the Company, and in the case of such requisition the following provisions shall have effect:-*
- (a) *The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Office, and may consist of several documents in like form each signed by one or more requisitionists.*
- (b) *If the Directors of the Company do not proceed to cause a meeting to be held within twenty-one days from the date of the requisition being so deposited, the requisitionists or any of them representing more than one-half of the voting rights of all of them may themselves convene the meeting, but any meeting so convened shall not be held after three months from the date of the deposit.*
- (c) *In the case of a meeting at which a resolution is to be proposed as a Special Resolution the Directors shall be deemed not to have duly convened the meeting if they do not give such notice as is required by the Statutes.*
- (d) *Any meeting convened under this Article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by Directors.*
70. *Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company shall be called by at least twenty-one days' notice in writing and any Annual General Meeting and any other Extraordinary General Meeting by at least fourteen days' notice in writing. The notice shall be exclusive both of the day on which the notice is served or deemed to be served and of the day for which the notice is given. The notice specifying the place, day and hour of the meeting, and in case of special business, the* Notice of meeting.

general nature of such special business, accompanied by a statement regarding the effect of any proposed resolution in respect of such special business, shall be given to all Members other than such as are not entitled under these Articles to receive such notices from the Company. At least fourteen days' notice in writing (exclusive both of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of any General Meeting shall be given and at least twenty-one days' notice in writing (exclusive both of the day on which the notice is served or deemed to be served and of the day for which the notice is given) in the case of a Meeting to pass Special Resolution shall be given to the Exchange. Every such notice shall be published in at least one English Language daily newspaper circulating in Singapore at least fourteen days before the meeting. Whenever any meeting is adjourned for fourteen days or more, at least seven days' notice of the place and hour of such adjourned meeting shall be given in like manner Provided Always that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

71. Any Member entitled to be present and vote at a meeting or his proxy may submit any resolution to any General Meeting, provided that at least for the prescribed time before the day appointed for the meeting he shall have served upon the Company a notice in writing by him containing the proposed resolution, and stating his intention to submit the same. The prescribed time abovementioned shall be such that, between the date that the notice is served and the day appointed for the meeting, there shall be not less than three nor more than fourteen intervening days. *Members may submit resolution to meeting on giving notice to Company.*
72. Upon receipt of any such notice as in the last preceding Article mentioned, the Secretary shall include in the notice of the meeting in any case where the notice of intention is received before the notice of the meeting is issued, and shall in any other case issue as quickly as possible to the Members notice that such resolution will be proposed. *Secretary to give notice to Members.*
73. The accidental omission to give any notice to or non-receipt of any notice by any Member shall not invalidate the meeting or any resolution passed or proceedings at any such meeting. *Accidental omission to give notice.*

PROCEEDINGS AT GENERAL MEETINGS

74. All business shall be deemed special that is transacted at an Extraordinary General Meeting and also all business that is transacted at an Annual General Meeting with the exception of the consideration of the accounts, balance sheets and reports (if any) of the Directors and Auditors, the fixing of the remuneration of Directors, the election of Directors in the place of those retiring, the declaration of dividends and the appointment of and the fixing of the remuneration of the Auditors. *Special business.*
75. Save as is herein otherwise provided, two Members present in person or by proxy shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum is present at the commencement of the business but shall, as required by the Act, exclude the Company where it is a Member by reason of its holding of treasury shares, provided that (a) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and (b) where a *Quorum.*

Member is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining quorum. A corporation being a Member shall be deemed to be personally present if represented in accordance with the provisions of Article 90.

76. *If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place. At the adjourned meeting, any two or more Members present in person or by proxy shall be a quorum.* *If quorum not present.*
77. *The Chairman (if any) of the Board of Directors shall preside as Chairman at every General Meeting, but if there be no such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Members present shall choose some Director or, if no Director be present or if all the Directors present decline to take the chair, one of themselves to be Chairman of the meeting.* *Chairman.*
78. *The Chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.* *Adjournment.*
79. *At every General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands by the Members present in person and entitled to vote, unless before or upon the declaration of the result of the show of hands a poll be demanded by:-* *How matters are to be decided.*
- (a) the Chairman of the meeting; or*
 - (b) not less than two Members present in person or by proxy and entitled to vote; or*
 - (c) a Member or Members present in person or by proxy, holding or representing, as the case may be:-*
 - (i) not less than one-tenth of the total voting rights of all Members entitled to vote at the meeting; or*
 - (ii) not less than 10 per cent. of the total number of paid-up shares of the Company (excluding treasury shares).*
- 80(1). *If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the results of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.* *Chairman's direction as to poll.*
- 80(2). *No poll shall be demanded on the election of a Chairman of a meeting or on a question of adjournment. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs.*

81. *Unless a poll be so demanded, a declaration by the Chairman of the meeting that a resolution has been carried, or has been carried by a particular majority, or lost, or not carried by a particular majority shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.* *Declaration of Chairman conclusive.*
- 82(1). *No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting, as the case may be, at which the vote objected to is or may be given, tendered or cast, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.* *Objection to admissibility.*
- 82(2). *If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, or at any adjournment thereof, and unless in the opinion of the Chairman at the meeting or at any adjournment thereof as the case may be, it shall be of sufficient importance to vitiate the result of the voting.*
83. *In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, as the case may be, shall have a second or casting vote.* *In the event of equality of votes.*

VOTES OF MEMBERS

- 84(1). *Subject to and without prejudice to any special privileges or restriction as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Article 15(2):-* *Voting rights*
- (a) *every Member who is present in person or by proxy shall have one vote on a show of hands, provided the Chairman shall be entitled to treat the first named proxy as the authorised representative to vote where a Member is represented by two proxies; and*
- (b) *every Member who is present in person or by proxy, in case of a poll, shall have one vote for every share which he holds or represents and upon which all calls or other sums due thereon to the Company have been paid.*
- 84(2). *For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting upon a poll being called, the number of shares held or represented shall, in relation to the shares of that Depositor, be the number of shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company.* *Right of joint holders.*
85. *In the case of joint holders, any one of such persons may vote, but if more than one of such persons is present in person or by proxy at a General Meeting, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register or the Depository Register, as the case may be.*

86. *Unless the Directors otherwise determine, no person other than a Member who shall have paid everything for the time being due from him and payable to the Company in respect of his shares, shall be entitled to be present or to vote on any question either personally or by proxy at any General Meeting.* *Members only entitled to vote upon full payment.*
87. *A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by the committee, curator bonis, or other person in the nature of committee or curator bonis appointed by that Court, and any such committee, curator bonis, or other person may, on a poll, vote by proxy.* *Votes of Members of unsound mind.*
88. *On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.* *Vote personal or by proxy.*
- 89(1). *A proxy need not be a Member.* *Proxies.*
- 89(2). *A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting Provided Always that where the Member is a Depositor, the Company shall be entitled and bound:-*
- (a) *to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company;*
 - (b) *to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company, whether that number be greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor; and*
 - (c) *in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.*
- 89(3). *In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.*
90. *Any corporation which is a Member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meetings of the Company or any class of Members of the Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual shareholder and such corporate Member shall for the purpose of these Articles (but subject to the Act) be deemed to be present in person at any such meeting if a person so authorised is present thereat.* *Corporation may appoint representative.*

- | | |
|---|--|
| <p>91. <i>An instrument appointing a proxy shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and:-</i></p> <p style="margin-left: 20px;">(1) <i>in the case of an individual shall be signed by the appointor or his attorney;</i></p> <p style="margin-left: 20px;">(2) <i>in the case of a corporation shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.</i></p> | <p><i>Execution of instrument of proxy on behalf of appointor.</i></p> |
| <p>92. <i>Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Office, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.</i></p> | <p><i>Lodgement of instrument appointing proxy.</i></p> |
| <p>93. <i>The signature on an instrument of proxy need not be witnessed.</i></p> | <p><i>No witness needed for instrument of proxy.</i></p> |
| <p>94. <i>A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given Provided Always that no notice in writing of the death or revocation or transfer shall have been received at the Office one hour at least before the time fixed for holding the meeting.</i></p> | <p><i>When vote by proxy valid though authority revoked.</i></p> |
| <p>95. <i>An instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and to speak at the meeting.</i></p> | <p><i>Instrument deemed to confer authority.</i></p> |

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2016**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CMC INFOCOMM LIMITED

For the financial year ended 31 May 2016

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of CMC Infocomm Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") set out on pages 43 to 87, which comprise the statement of financial position of the Group and the Company as at 31 May 2016, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income, and consolidated statement of cash flows of the Group for the financial year ended 31 May 2016, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2016 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended 31 May 2016.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
31 August 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 May 2016

| | Note | 2016 \$'000 | 2015 \$'000 |
|--|------|----------------|----------------|
| Revenue | 4 | 18,217 | 16,321 |
| Cost of sales | | (13,567) | (12,052) |
| Gross profit | | 4,650 | 4,269 |
| Other income | | 247 | 91 |
| Interest income | | 13 | 4 |
| Other operating expenses | | (1,687) | (1,206) |
| Administrative expenses | | (4,570) | (3,021) |
| Finance costs | 6 | (118) | (27) |
| (Loss)/profit before tax | 7 | (1,465) | 110 |
| Income tax expense | 8 | (32) | (296) |
| Loss net of tax | | (1,497) | (186) |
| Loss attributable to owners of the Company, net of tax | | (1,497) | (186) |
| Loss per share attributable to owners of the Company (cents per share) | | | |
| Basic and diluted | 9 | (1.02) | (0.15) |
| Other comprehensive income: | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Actuarial (losses)/gain on measurements of post-employment benefit plan, net of tax | | (29) | 3 |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Currency translation differences | | (153) | 180 |
| Other comprehensive income for the year, net of tax | | (182) | 183 |
| Total comprehensive income for the year | | (1,679) | (3) |
| Total comprehensive income for the year attributable to owners of the Company | | (1,679) | (3) |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 May 2016

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 10 | 957 | 513 | 4 | - |
| Intangible asset | 11 | 3,193 | 3,844 | - | - |
| Investment in subsidiaries | 12 | - | - | 11,121 | - |
| Deferred tax assets | 13 | 155 | 50 | - | - |
| Restricted bank deposits | 17 | 19 | 60 | - | - |
| Deposits | | 43 | 16 | - | - |
| | | <u>4,367</u> | <u>4,483</u> | <u>11,125</u> | <u>-</u> |
| Current assets | | | | | |
| Gross amount due from customers for contracts work-in-progress | 14 | 4,857 | 3,678 | - | - |
| Trade and other receivables | 15 | 7,261 | 5,398 | 25 | 95 |
| Amounts due from subsidiaries | 16 | - | - | 390 | - |
| Cash and bank balances | 17 | 5,210 | 2,711 | 3,200 | * |
| | | <u>17,328</u> | <u>11,787</u> | <u>3,615</u> | <u>95</u> |
| Total assets | | <u>21,695</u> | <u>16,270</u> | <u>14,740</u> | <u>95</u> |
| EQUITY AND LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Gross amount due to customers for contracts work-in-progress | 14 | 794 | 518 | - | - |
| Trade and other payables | 18 | 6,138 | 4,520 | 405 | 752 |
| Amounts due to shareholders and related companies | 16 | 136 | 396 | 136 | - |
| Shareholder's loan | 16 | 1,148 | - | 1,148 | - |
| Amounts due to subsidiaries | 16 | - | - | 475 | - |
| Loan and borrowings | 19 | 618 | - | - | - |
| Provision for tax | | 287 | 381 | - | - |
| | | <u>9,121</u> | <u>5,815</u> | <u>2,164</u> | <u>752</u> |
| Net current assets/(liabilities) | | <u>8,207</u> | <u>5,972</u> | <u>1,451</u> | <u>(657)</u> |

* denotes amounts less than \$1,000

STATEMENTS OF FINANCIAL POSITION

As at 31 May 2016

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | 13 | 30 | - | - | - |
| Shareholder's loan | 16 | 351 | - | 351 | - |
| Employee benefit liabilities | 20 | 194 | 118 | - | - |
| | | 575 | 118 | 351 | - |
| Total liabilities | | 9,696 | 5,933 | 2,515 | 752 |
| Net assets/(liabilities) | | 11,999 | 10,337 | 12,225 | (657) |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 21 | 14,542 | 804 | 14,542 | * |
| Retained earnings/ (accumulated losses) | | 5,986 | 7,512 | (2,317) | (657) |
| Reserves | 22 | (8,529) | 2,021 | - | - |
| Total equity | | 11,999 | 10,337 | 12,225 | (657) |
| Total equity and liabilities | | 21,695 | 16,270 | 14,740 | 95 |

* denotes amounts less than \$1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 May 2016

| Group | Attributable to owners of the Company | | | | | | | | | |
|---|---------------------------------------|--------------------------------|--------------------------|------------------------|---|--------------------------|-----------------------------|-------------------------|---------------------------|---------------|
| | Equity total \$'000 | Share capital (Note 21) \$'000 | Preference shares \$'000 | Merger reserves \$'000 | Foreign currency translation reserve \$'000 | Retained earnings \$'000 | Other reserves total \$'000 | Capital reserves \$'000 | Statutory reserves \$'000 | Others \$'000 |
| At 1 June 2014 | 10,340 | 726 | 78 | - | (104) | 7,695 | 1,945 | 1,890 | 49 | 6 |
| Loss for the year | (186) | - | - | - | - | (186) | - | - | - | - |
| <u>Other comprehensive income</u> | | | | | | | | | | |
| Actuarial gains on measurement of post-employment benefit plan, net of tax | 3 | - | - | - | - | 3 | - | - | - | - |
| Currency translation difference | 180 | - | - | - | 180 | - | - | - | - | - |
| Other comprehensive income for the year, net of tax | 183 | - | - | - | 180 | 3 | - | - | - | - |
| Total comprehensive income for the year | (3) | - | - | - | 180 | (183) | - | - | - | - |
| At 31 May 2015 and 1 June 2015 | 10,337 | 726 | 78 | - | 76 | 7,512 | 1,945 | 1,890 | 49 | 6 |
| Loss for the year | (1,497) | - | - | - | - | (1,497) | - | - | - | - |
| <u>Other comprehensive income</u> | | | | | | | | | | |
| Actuarial losses on measurement of post-employment benefit plan, net of tax | (29) | - | - | - | - | (29) | - | - | - | - |
| Currency translation difference | (153) | - | - | - | (153) | - | - | - | - | - |
| Other comprehensive income for the year, net of tax | (182) | - | - | - | (153) | (29) | - | - | - | - |
| Total comprehensive income for the year | (1,679) | - | - | - | (153) | (1,526) | - | - | - | - |
| <u>Contributions by owners</u> | | | | | | | | | | |
| Adjustment arising from Restructuring Exercise | (2,236) | 8,239 | (78) | (10,397) | - | - | - | - | - | - |
| Share issued pursuant to initial public offering | 6,000 | 6,000 | - | - | - | - | - | - | - | - |
| Share issues expenses | (423) | (423) | - | - | - | - | - | - | - | - |
| Total contributions by owners | 3,341 | 13,816 | (78) | (10,397) | - | - | - | - | - | - |
| At 31 May 2016 | 11,999 | 14,542 | - | (10,397) | (77) | 5,986 | 1,945 | 1,890 | 49 | 6 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 May 2016

| | Attributable to owners of the Company | | |
|--|---------------------------------------|--------------------------------------|------------------------------|
| | Equity total \$'000 | Share capital (Note 21) \$'000 | Accumulated losses \$'000 |
| Company | | | |
| At 16 March 2015 (Date of Incorporation) | * | * | - |
| Loss for the year, representing total comprehensive income for the year | (657) | - | (657) |
| At 31 May 2015 and 1 June 2015 | (657) | * | (657) |
| Loss for the year, representing total comprehensive income for the year | (1,660) | - | (1,660) |
| <u>Contributions by owners</u> | | | |
| Adjustment arising from Restructuring Exercise | 8,965 | 8,965 | - |
| Share issued pursuant to initial public offering | 6,000 | 6,000 | - |
| Share issue expenses | (423) | (423) | - |
| Total contributions by owners | 14,542 | 14,542 | - |
| At 31 May 2016 | 12,225 | 14,542 | (2,317) |

* denotes amounts less than \$1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 May 2016

| | Note | 2016 \$'000 | 2015 \$'000 |
|---|------|----------------|----------------|
| Operating activities: | | | |
| (Loss)/profit before tax | | (1,465) | 110 |
| <u>Adjustments for:</u> | | | |
| Interest expense on borrowings | 6 | 118 | 27 |
| Interest income | 7 | (13) | (4) |
| Loss on disposal of property, plant and equipment | 7 | 9 | - |
| Provision for doubtful debts | 7 | 176 | 39 |
| Write-back of provision for doubtful debts | 7 | (8) | - |
| Payment of initial public offering related expenses | 7 | 998 | 600 |
| Depreciation of property, plant and equipment | 10 | 252 | 232 |
| Amortisation of intangible assets | 11 | 639 | 641 |
| Exchange (gain)/loss | | (71) | 136 |
| Employee benefit liabilities | 20 | 42 | 20 |
| Total adjustments | | 2,142 | 1,691 |
| Operating cash flows before changes in working capital | | 677 | 1,801 |
| <u>Changes in working capital:</u> | | | |
| (Increase)/decrease in gross amount due from customers for contracts work-in-progress | | (1,179) | 89 |
| (Increase)/decrease in trade and other receivables | | (1,683) | 356 |
| Increase/(decrease) in gross amount due to customers for contracts work-in-progress | | 276 | (1,840) |
| Increase in trade and other payables | | 1,618 | 1,621 |
| Total changes in working capital | | (968) | 226 |
| Cash flows (used in)/from operations | | (291) | 2,027 |
| Interest received | | 13 | 4 |
| Interest paid | | (118) | (27) |
| Taxes paid | | (192) | (150) |
| Net cash flows (used in)/generated from operating activities | | (588) | 1,854 |
| Financing activities: | | | |
| Proceeds from bank borrowings | | 618 | - |
| Repayment of shareholder's loan | | (1,129) | - |
| Placement of pledged deposits | | (85) | - |
| Proceeds from issuance of shares pursuant to the initial public offering | | 6,000 | - |
| Payment of initial public offering related expenses | | (1,326) | (696) |
| Decrease in amounts due to related companies | | (440) | (48) |
| Increase in amounts due to shareholder | | 100 | - |
| Net cash flows generated from/(used in) financing activities | | 3,738 | (744) |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 May 2016

| | Note | 2016 \$'000 | 2015 \$'000 |
|---|------|----------------|----------------|
| Investing activities: | | | |
| Purchase of property, plant and equipment | 10 | (710) | (220) |
| Withdrawal of restricted bank deposits | | 40 | 215 |
| Incorporation of immediate holding company | | - | * |
| Net cash flows used in investing activities | | <u>(670)</u> | <u>(5)</u> |
| Net increase in cash and cash equivalents | | 2,480 | 1,105 |
| Effects of exchange rate changes on cash and cash equivalents | | (66) | 45 |
| Cash and cash equivalents at 1 June | | <u>2,711</u> | <u>1,561</u> |
| Cash and cash equivalents at 31 May | 17 | <u>5,125</u> | <u>2,711</u> |

* denotes amounts less than \$1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

1. CORPORATE INFORMATION

1.1 THE COMPANY

The Company was incorporated on 16 March 2015 under the Singapore Companies Act (the “**Act**”) as a private limited company under the name of CMC Infocomm Pte. Ltd. The Company is jointly held by TEE International Limited and CMC Engineering Sdn. Bhd. which are incorporated and domiciled in Singapore and Malaysia respectively. TEE International Limited is listed on the Singapore Exchange.

The Company was incorporated for the purpose of acquiring the existing operating entities, CMC Communications Singapore Pte. Ltd. (“**CMCCS**”), CMC Communications Philippines, Inc. (“**CMCCP**”) and CMC Communications (Thailand) Co., Ltd. (“**CMCCT**”) pursuant to the Restructuring Exercise as disclosed in Note 1.2. On 14 July 2015, the Company was converted to a public limited company and changed its name to CMC Infocomm Limited.

The Company was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 13 August 2015.

The registered office and principal place of business of the Company is located at Block 5008 Ang Mo Kio Avenue 5, #04-07 Techplace II, Singapore 569874.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 12.

1.2 THE RESTRUCTURING EXERCISE

The Group undertook the transactions described below as part of a corporate reorganisation implemented in preparation for its listing on the Catalist Board of Singapore Exchange Securities Trading Limited (the “**Restructuring Exercise**”).

(a) ***Incorporation of the Company***

CMC Infocomm Pte. Ltd. was incorporated in Singapore on 16 March 2015 as an investment holding company with an issued and paid-up share capital of S\$2, comprising of two ordinary shares held equally by TEE International Limited and CMC Engineering Sdn. Bhd..

(b) ***Acquisition of CMCCS, CMCCP and CMCCT***

Pursuant to the Restructuring Agreement, CMTE Technology Sdn. Bhd. (formerly known as CMC Communications Sdn. Bhd.) (“**CMTE Technology**”) transferred to the Company:

- (i) all 500,000 ordinary shares in the issued capital of CMCCS (which holds all the common shares in the issued capital of CMCCP) and 572,700 ordinary shares in CMCCT, for a purchase consideration of S\$7,104,000, being equivalent to the audited combined net asset value (“**NAV**”) of CMCCS, CMCCP and CMCCT as at 28 February 2015; and
- (ii) the intangible asset relating to the customer relationships arising from the purchase price allocation exercise pursuant to the acquisition of CMCCS, CMCCP and CMCCT, for a purchase consideration of S\$4,018,000, being equivalent to its carrying value as at 28 February 2015.

The shares were transferred with all rights, benefits and interests in and to the shares as at 1 June 2015. CMCCS holds approximately 20% of the voting rights in CMCCT.

Following the acquisition of CMCCS, CMCCP and CMCCT as set out above, the aggregate amount due from the Company to CMTE Technology was S\$11,122,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

1. CORPORATE INFORMATION (CONT'D)

1.2 THE RESTRUCTURING EXERCISE (CONT'D)

(c) *Settlement of consideration and amounts owing*

- (i) As at 28 February 2015, CMCCT owed S\$472,000 to CMTE Technology under a loan granted by CMTE Technology. The amount owing to CMTE Technology was novated by CMCCT to the Company, and as a result, the amount of S\$472,000 was due from the Company to CMTE Technology.

Accordingly, the total amount due from the Company to CMTE Technology pursuant to the above acquisitions and novation of amount owing was S\$11,594,000 (the "**Acquisitions Settlement Amount**").

- (ii) As at 28 February 2015, CMTE Technology owed S\$5,030,000 to TEE International (the "**TEE Loan**") and S\$2,402,000 to CMC Engineering (the "**CMCE Loan**") pursuant to shareholder loans. The total amount of S\$7,432,000 was novated by CMTE Technology to the Company, in consideration of which an amount of S\$7,432,000 (the "**Loan Settlement Amount**") was due from CMTE Technology to the Company.

- (iii) As agreed between the Company and CMTE Technology, the Acquisitions Settlement Amount was set-off against the Loan Settlement Amount, such that the net amount owing by the Company to CMTE Technology would be S\$4,162,000 (the "**Net Amount**"). As full settlement of the Net Amount and as directed by CMTE Technology, the Company issued 2,080,816 new Shares fully paid at S\$1 each to each of TEE International and CMC Engineering.

- (iv) To settle the CMCE Loan, the Company issued 2,401,792 new Shares fully paid at S\$1 each to CMC Engineering. To partially settle the TEE Loan, the Company issued 2,401,792 new Shares fully paid at S\$1 each to TEE International, following which a balance amount of S\$2,628,000 remained owing by the Company to TEE International of which S\$600,000 was repaid using part of the initial public listing proceeds.

Following the above capitalisation of amounts owing, each of TEE International and CMC Engineering holds 4,482,609 Shares (including one Share held by each of them at incorporation).

(d) *Sub-division of Shares*

On 13 July 2015, the Shareholders approved the sub-division of 8,965,218 Shares in the issued and paid-up share capital of the Company into 128,000,000 Shares. Following this sub-division, the issued and paid-up capital of the Company was S\$8,965,000 comprising 128,000,000 Shares.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Although the Restructuring Exercise was completed on 13 July 2015, the combined statements presented for the financial year ended 31 May 2015 are those of the Company and its subsidiaries prepared in accordance with RAP 12 Merger Accounting for Common Control Combinations for financial statements prepared under Part IX of the Fifth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.

The substance is that the Group is a continuation of CMCCS, CMCCP and CMCCT. The combined financial statements of the Group for the financial year ended 31 May 2015 have been presented as if the Group had been in existence for the period presented and the assets and liabilities of CMCCS, CMCCP and CMCCT are brought into the combined financial statements at their existing carrying amounts as reflected in the consolidated financial statements of CMTE Technology that would have been prepared in accordance with Singapore Financial Reporting Standards ("**FRS**"). The retained earnings recognised in the combined financial statements are the combined retained earnings of CMCCS, CMCCP and CMCCT.

The consolidated financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 BASIS OF PREPARATION (CONT'D)

The consolidated financial statements are presented in Singapore Dollars (SGD or S\$) and all values in the tables are rounded to the nearest thousand (\$'000) except where otherwise indicated.

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

2.2 CHANGES IN ACCOUNTING POLICIES

The Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 June 2015. The adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not adopted the following standards that have been issued but not yet effective:

| Description | Effective for annual periods beginning on or after |
|--|--|
| FRS 114 Regulatory Deferral Accounts | 1 January 2016 |
| Amendments to FRS 27: <i>Equity Method in Separate Financial Statements</i> | 1 January 2016 |
| Amendments to FRS 16 Property, Plant and Equipment and FRS 38: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> | 1 January 2016 |
| Amendments to FRS 16 Property, Plant and Equipment and FRS 41 Agriculture: <i>Bearer Plants</i> | 1 January 2016 |
| Amendments to FRS 111: <i>Accounting for Acquisitions of Interests in Joint Operations</i> | 1 January 2016 |
| Amendments to FRS 1: <i>Disclosure Initiative</i> | 1 January 2016 |
| Amendments to FRS 110, FRS 112 and FRS 28: <i>Investment Entities: Applying the Consolidation Exception</i> | 1 January 2016 |
| Amendments to FRS 110 and FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Date to be determined |
| Improvements to FRSs (November 2014) | |
| (a) FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i> | 1 January 2016 |
| (b) FRS 107 <i>Financial Instruments: Disclosures</i> | 1 January 2016 |
| (c) FRS 19 <i>Employee Benefits</i> | 1 January 2016 |
| (d) FRS 34 <i>Interim Financial Reporting</i> | 1 January 2016 |
| FRS 7 Amendments to FRS 7: <i>Disclosure initiatives</i> | 1 January 2017 |
| FRS 12 Amendments to FRS 12: <i>Recognition of Deferred Tax Assets to Unrealised Losses</i> | 1 January 2017 |
| FRS 109 <i>Financial Instruments</i> | 1 January 2018 |
| FRS 115 <i>Revenue from Contracts with Customers</i> | 1 January 2018 |
| FRS 115 Amendments to FRS 115: <i>Clarifications to FRS 115 Revenue from Contracts with Customers</i> | 1 January 2018 |
| FRS 116 <i>Leases</i> | 1 January 2019 |

Except for FRS 115, FRS 116 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 116 and FRS 109 are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Company include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Company to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 116 Leases

FRS 116 requires lessees to recognise for most leases, a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, earnings before interest, tax, depreciation and amortisation and gearing ratio.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 BASIS OF CONSOLIDATION (CONT'D)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The combined financial statement of the Group for the year ended 31 May 2015 has been presented as if the Group had been in existence since the year ended 31 May 2012 and the assets and liabilities are brought into the combined financial statements at the existing carrying amounts as reflected in the consolidated financial statements of CMTE Technology that would have been prepared in accordance with Singapore Financial Reporting Standards. The retained earnings recognised in the combined financial statements are the combined retained earnings of CMC Communications (Singapore) Pte. Ltd., CMC Communications (Thailand) Co., Ltd. and CMC Communications (Philippines), Inc..

Under this method, the Company has been treated as the holding company of CMC Communications (Singapore) Pte. Ltd., CMC Communications (Thailand) Co., Ltd. and CMC Communications (Philippines), Inc. for the financial year presented rather than from the date of completion of the Restructuring Exercise. Accordingly, the combined results of the Group for the year ended 31 May 2015 include the results of the subsidiaries for the entire year.

Pursuant to this,

- Assets, liabilities, reserves, revenue and expense of CMC Communications (Singapore) Pte. Ltd., CMC Communications (Thailand) Co., Ltd. and CMC Communications (Philippines), Inc. are consolidated at their existing carrying amounts as reflected in the consolidated financial statements of CMTE Technology that would have been prepared in accordance with Singapore Financial Reporting Standards;
- No amount is recognised for goodwill; and
- The share capital represented the issued and paid up share capital of CMC Communications (Singapore) Pte. Ltd. and CMC Communications (Thailand) Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 FOREIGN CURRENCY

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 SUBSIDIARIES

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.7 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|-----------------------------|-------------|
| Renovation | 5 years |
| Tools and testing equipment | 5 years |
| Computer equipment | 3 – 5 years |
| Office equipment | 5 years |
| Motor vehicles | 4 years |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in the profit or loss in the year the asset is de-recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 INTANGIBLE ASSETS

Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

The Group's intangible assets, i.e. customer relationships arise from the purchase price allocation exercise upon acquisition of subsidiaries by the current substantial shareholders. The useful life of these customer relationships is estimated to be ten (2015: ten) years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

2.9 CONTRACT WORK-IN-PROGRESS

Contract work-in-progress comprises of telecommunications contracts that are in the course of development. These relate to the difference between the costs of telecommunications equipment and direct expenses incurred-to-date and the supplier invoices received/accrued. An expected loss on the contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 FINANCIAL INSTRUMENTS

(a) **Financial assets**

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group become a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss, held-to-maturity investments, or available-for-sale financial assets.

Subsequent measurement

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) **Financial liabilities**

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

The Group has not designated any financial liability upon initial recognition as fair value through profit or loss.

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 FINANCIAL INSTRUMENTS (CONT'D)

(b) *Financial liabilities (cont'd)*

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, and deposits with licensed bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 EMPLOYEE BENEFITS

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Defined Post-Employment Benefit Plan*

Philippines

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. The Group accrues the post-employment benefits under a defined benefit plan using the projected unit credit method as computed by an independent actuary covering all regular full-time employees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippines Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses from experience adjustments and changes in actuarial assumptions are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Interest cost is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability and is included as part of finance costs or finance income in the statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 EMPLOYEE BENEFITS (CONT'D)

(b) *Defined Post-Employment Benefit Plan (cont'd)*

Thailand

The subsidiary in Thailand operates an unfunded benefit scheme, Legal Severance Pay Plan (“LSP”), for qualifying employees.

The LSP scheme is a defined benefit plan which pays employees a lump sum benefit computed based on their number of years of service and their basic salary upon retirement or early termination of their employment contracts.

The benefit schemes are assessed using the projected unit credit actuarial valuation method. The cost of providing for the employee benefits are charged to the profit or loss so as to spread the service cost over the service lives of employees in accordance with the actuarial valuation carried out during the year. The provision for the employee benefits is measured as the present value of the estimated future cash outflows by reference to the interest rates of government bonds in Thailand that have terms to maturity approximating the terms of the related liabilities. Actuarial gains and losses arising from LSP are recognised in other comprehensive income. The employee benefit expenses are included as part of employee benefit expenses.

The unvested past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested, immediately following the introduction of, or changes to, a scheme, past service costs are recognised immediately.

(c) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.16 LEASES

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.17 REVENUE AND OTHER INCOME

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(a) *Rendering of services*

Revenue from the rendering of service is recognised when the service is rendered. For telecommunications projects, revenue is recognised on a percentage of completion method, based on letter of acceptance received from customers upon completion of work performed in accordance with contract milestones.

(b) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 FINANCIAL GUARANTEE

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.19 TAXES

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 TAXES (CONT'D)

(b) *Deferred tax (cont'd)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.20 SEGMENT REPORTING

For management purposes, the Group is organised into operating segments based on their geographical locations which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

2.21 SHARE CAPITAL AND SHARE ISSUANCE EXPENSES

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

(a) *Percentage of completion for work in progress*

The Group recognise the revenue and expenses of telecommunication contracts that are in work-in-progress in the income statement by using the stage of completion method. The stage of completion is measured by reference to the completion of work performed in accordance with contract milestones and progress billings. Significant assumptions are required to estimate the total budgeted contract costs, as well as the recoverability of the costs incurred as at to-date. In making the judgment, the Group's evaluation is based on past experience and by relying on the work of project managers.

The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 14 to the financial statements. If the estimated total budgeted contract costs had been 2% higher than management estimate, the Group's losses for 31 May 2016 and 2015 would have increased by \$622,000 and \$540,000 respectively.

(b) *Valuation of post-employment defined benefit*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increment rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 20.

4. REVENUE

Revenue of the Group are derived from telecommunications network design, planning and implementation in the wireless and internet communications services.

5. EMPLOYEE BENEFITS EXPENSE

| | Group | |
|--|--------------|--------------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Wages, salaries and allowances | 2,361 | 1,254 |
| Contributions to defined contribution plan | 203 | 133 |
| Defined benefit plans | 27 | 5 |
| Other short-term benefits | 96 | 102 |
| | <u>2,687</u> | <u>1,494</u> |

Included in employee benefits expense of the Group are directors' remunerations amounting to \$167,000 (2015: \$2,000) (Note 23).

6. FINANCE COSTS

| | Group | |
|----------------------------------|------------|-----------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Interest expense – related party | 103 | 24 |
| Interest expense | 15 | 3 |
| | <u>118</u> | <u>27</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

7. (LOSS)/PROFIT BEFORE TAX

The following items have been included in arriving in (loss)/profit before tax:

| | Group | |
|---|--------|--------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Audit fees: | | |
| - Auditors of the Company | 93 | 61 |
| - Other auditors | 21 | 15 |
| Non-audit fees: | | |
| - Auditors of the Company | 54* | 228* |
| - Other auditors | - | 49* |
| Interest income | (13) | (4) |
| Employee benefits expense (Note 5) | 2,687 | 1,494 |
| Depreciation of property, plant and equipment | 252 | 232 |
| Loss on disposal of property, plant and equipment | 9 | - |
| Provision for doubtful debts | 176 | 39 |
| Write-back of provision for doubtful debts | (8) | - |
| Loss/(gain) on foreign exchange | 41 | (85) |
| Rental of office premise, warehouse, equipment | 349 | 315 |
| Amortisation of intangible asset (Note 11) | 639 | 641 |
| Initial public offering related expenses | 980 | 330 |

* This includes special audit fees in relation to initial public offering.

8. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 May are:

| | Group | |
|--|-------------|------------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Consolidated income statement: | | |
| Income tax | | |
| - Current income taxation | 93 | 286 |
| - Under provision in prior year | 5 | 8 |
| | <u>98</u> | <u>294</u> |
| Deferred tax | | |
| - (Reversal)/origination of temporary differences | (81) | * |
| - Under provision in prior year | 15 | 2 |
| | <u>(66)</u> | <u>2</u> |
| Income tax expense recognised in profit or loss | <u>32</u> | <u>296</u> |
| Statement of comprehensive income: | | |
| Deferred tax (credit)/expense related to other comprehensive income: | | |
| - Post employment benefit obligation | (11) | 1 |
| | <u>(11)</u> | <u>1</u> |

* denotes amounts less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

8. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting loss

The reconciliation of taxation determined on the results of the Group by applying the Singapore statutory income tax rate for the financial years ended 31 May are as follows:

| | Group | |
|---|---------|--------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| (Loss)/profit before tax | (1,465) | 110 |
| Taxation at statutory tax rate of 17% (2015: 17%) | (249) | 19 |
| Adjustments: | | |
| Effect of different tax rates in other countries | (42) | 35 |
| Income not subject to tax | (1) | - |
| Expenses not deductible for tax purposes | 339 | 318 |
| Under provision in prior year | 20 | 10 |
| Effect of partial tax exemption and tax relief | (141) | (86) |
| Deferred tax asset not recognised | 114 | - |
| Others | (8) | - |
| Income tax expense recognised in profit or loss | 32 | 296 |

Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions. During the financial year, the income tax rate applicable to foreign subsidiaries are as follows:

| | Group | |
|-------------|-------|------|
| | 2016 | 2015 |
| Thailand | 20% | 20% |
| Philippines | 30% | 30% |

9. LOSS PER SHARE

The basic and diluted loss per share amounts are calculated by dividing loss for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. The Company did not hold any dilutive potential ordinary shares during the financial year (2015: Nil).

The following tables reflect the statement of comprehensive income and share data used in the computation of basic and diluted loss per share for the years ended 31 May 2016 and 31 May 2015.

| | Group | |
|--|---------|---------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Loss for the year attributable to owners of the Company | (1,497) | (186) |
| Weighted average number of ordinary shares for basic and diluted earnings per share computation ('000) | 147,200 | 128,000 |
| Loss per share attributable to owners of the Company (cents per share) | | |
| - Basic and diluted | (1.02) | (0.15) |

For comparative purposes, the loss per share for the prior year has been computed based on the net loss attributable to owners of the Company and the Company's pre-initial public offering share capital of 128,000,000 shares, assuming that the Restructuring Exercise had been completed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

10. PROPERTY, PLANT AND EQUIPMENT

| | Renovation \$'000 | Tools and testing equipment \$'000 | Computers and office equipment \$'000 | Motor vehicles \$'000 | Total \$'000 |
|------------------------------------|----------------------|---|--|-----------------------------|-----------------|
| Group | | | | | |
| 2016 | | | | | |
| Cost: | | | | | |
| 1 June 2015 | 296 | 788 | 745 | 87 | 1,916 |
| Additions | 243 | 308 | 158 | 1 | 710 |
| Disposals | (112) | (185) | (94) | (18) | (409) |
| Currency realignment | (4) | (12) | (14) | - | (30) |
| At 31 May 2016 | 423 | 899 | 795 | 70 | 2,187 |
| Accumulated depreciation: | | | | | |
| 1 June 2015 | 214 | 514 | 624 | 51 | 1,403 |
| Depreciation charge for the period | 44 | 97 | 98 | 13 | 252 |
| Disposals | (103) | (185) | (94) | (18) | (400) |
| Currency realignment | (3) | (10) | (12) | - | (25) |
| At 31 May 2016 | 152 | 416 | 616 | 46 | 1,230 |
| Net carrying amount: | | | | | |
| At 31 May 2016 | 271 | 483 | 179 | 24 | 957 |
| Group | | | | | |
| 2015 | | | | | |
| Cost: | | | | | |
| At 1 June 2014 | 285 | 620 | 663 | 107 | 1,675 |
| Additions | 6 | 152 | 62 | - | 220 |
| Disposals | - | - | - | (20) | (20) |
| Currency realignment | 5 | 16 | 20 | - | 41 |
| At 31 May 2015 | 296 | 788 | 745 | 87 | 1,916 |
| Accumulated depreciation: | | | | | |
| At 1 June 2014 | 166 | 427 | 510 | 57 | 1,160 |
| Depreciation charge for the year | 45 | 74 | 99 | 14 | 232 |
| Disposals | - | - | - | (20) | (20) |
| Currency realignment | 3 | 13 | 15 | - | 31 |
| At 31 May 2015 | 214 | 514 | 624 | 51 | 1,403 |
| Net carrying amount: | | | | | |
| At 31 May 2015 | 82 | 274 | 121 | 36 | 513 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Computers and office equipment |
|------------------------------------|---|
| | \$'000 |
| Company | |
| 2016 | |
| Cost: | |
| 1 June 2015 | - |
| Transfer ⁽¹⁾ | 4 |
| At 31 May 2016 | <u>4</u> |
| Accumulated depreciation: | |
| 1 June 2015 | - |
| Depreciation charge for the period | * |
| At 31 May 2016 | <u>*</u> |
| Net carrying amount: | |
| At 31 May 2016 | <u>4</u> |

⁽¹⁾ Transferred from a subsidiary.

* denotes amounts less than \$1,000

11. INTANGIBLE ASSET

| | Customer relationships | |
|----------------------------------|-------------------------------|--------------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Group | | |
| Cost: | | |
| At 1 June | 8,969 | 8,940 |
| Currency alignment | (29) | 29 |
| At 31 May | <u>8,940</u> | <u>8,969</u> |
| Accumulated amortisation: | | |
| At 1 June | 5,125 | 4,470 |
| Amortisation charge for the year | 639 | 641 |
| Currency alignment | (17) | 14 |
| At 31 May | <u>5,747</u> | <u>5,125</u> |
| Net carrying amount: | <u>3,193</u> | <u>3,844</u> |

Customer relationships were allocated to two cash-generating units, CMCCS and CMCCT, which are also the reportable operating segments, for impairment testing.

The useful lives of these customer relationships are estimated to be ten years (2015: ten years) which is the period of expected benefits. As at 31 May 2016 and 2015, the customer relationships have remaining amortisation period of five years and six years respectively.

Amortisation expense

The amortisation of customer relationships is included in the other operating expenses line in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

12. INVESTMENT IN SUBSIDIARIES

| | Company | |
|-----------------|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| Shares, at cost | 11,121 | - |

Details of the subsidiaries as at 31 May are:

| Name of subsidiaries | Principal place of business | Principal activities | Proportion (%) of ownership | |
|---|--------------------------------|--|--------------------------------|------|
| | | | 2016 | 2015 |
| CMC Communications Singapore Pte. Ltd. ("CMCCS") [@] | Singapore | Investment holding, supply and installation of machinery equipment and tools for telecommunication | 100 | 100 |
| CMC Communications (Thailand) Co., Ltd. ("CMCCT") ^{^ #} | Thailand | Providing telecommunication network services | 100 | 100 |
| CMC Infocomm Sdn. Bhd. ("CMCIM") ^{# &} | Malaysia | Providing telecommunication network services | 100 | - |
| Held through CMC Communications Singapore Pte. Ltd. | | | | |
| CMC Communications (Philippines), Inc. ("CMCCP") ^{* i} | Philippines | Design development, installation, implementation and maintenance of telecommunication equipment and system for commercial and industrial applications as well as related activities | 100 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

@ Audited by Ernst & Young LLP, Singapore

Audited by affiliates of Ernst & Young Global

i Audited by Punongbayan & Araullo, Philippines

In accordance to Rule 715 of the Singapore Exchange Securities Trading Listed – Listing rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary would not compromise the standard and effectiveness of the audit of the Company.

* CMCCS owns 100% equity in CMCCP

^ 20% of the interest in CMCCT is held by CMCCS.

CMCCT has an issued capital comprising 765,000 preference shares and 735,000 ordinary shares. Under the articles of association of CMCCT, holders of preference shares are entitled to one vote for every ten preference shares while holders of ordinary shares are entitled to one vote for every one ordinary share. The Company and CMCCS collectively hold all the ordinary shares while a Thai national holds all the preference shares. As such, the Group holds 49.00% of the issued share capital and 90.57% of the voting rights in CMCCT. The Group accounts for CMCCT's entire financial results and net assets by virtue of its effective interest in CMCCT and control over its financial and operating policies as the Thai holder of the preference shares has signed a proxy instrument appointing the Group's Executive Director and CEO, Phua Cher Chuan, as his proxy to attend and vote for him and on his behalf at all the shareholders' meetings of CMCCT and at any adjournment thereof. No dividend will also be attributable to the holder of the preference shares in this aspect.

& Incorporated during the financial year.

For the financial year ended 31 May 2015, the financial results of the subsidiaries were combined with the Company on the basis that the Group is a continuation of the existing businesses of the subsidiaries under common control.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

13. DEFERRED TAX

| | Group | |
|---|--------|--------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| At 1 June | 50 | 51 |
| Recognised in profit or loss (Note 8) | 66 | (2) |
| Recognised in other comprehensive income (Note 8) | 11 | (1) |
| Foreign exchange translation difference | (2) | 2 |
| At 31 May | 125 | 50 |

The deferred tax consists of the tax effects of the following items:

| | Group | |
|---|--------|--------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Deferred tax liabilities: | | |
| Difference in depreciation for tax purposes | (30) | - |
| Deferred tax assets: | | |
| Provisions and accruals | 116 | 50 |
| Unutilised losses | 22 | - |
| Unutilised capital allowances | 17 | - |
| Total | 155 | 50 |
| Represented by: | | |
| Deferred tax assets | 155 | 50 |
| Deferred tax liabilities | (30) | - |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority.

Unutilised losses

At the end of the reporting period, the Group has unutilised losses of \$669,000 (2015: Nil) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

14. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

| | Group | |
|---|----------|----------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Aggregate amount of costs incurred and recognised profits to date | 37,385 | 32,055 |
| Less: Progress billings | (33,322) | (28,895) |
| | 4,063 | 3,160 |
| Presented as: | | |
| Gross amount due from customers for contract work-in-progress | 4,857 | 3,678 |
| Gross amount due to customers for contract work-in-progress | (794) | (518) |
| | 4,063 | 3,160 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

15. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| Trade receivables | 4,662 | 4,101 | - | - |
| Less: Allowance for impairment | (219) | (69) | - | - |
| Unbilled revenue | 1,821 | 373 | - | - |
| Trade receivables, net | 6,264 | 4,405 | - | - |
| <u>Other receivables</u> | | | | |
| Creditable withholding tax and Input Value Added Tax | 520 | 457 | - | - |
| Deposits | 257 | 174 | - | - |
| Sundry receivables | 93 | 215 | - | - |
| Prepaid expenses | 127 | 147 | 25 | 95 |
| Other receivables | 997 | 993 | 25 | 95 |
| Total trade and other receivables | 7,261 | 5,398 | 25 | 95 |
| <u>Less: Non-financial assets</u> | | | | |
| Prepaid expenses | (127) | (147) | (25) | (95) |
| Creditable withholding tax and Input Value Added Tax | (520) | (457) | - | - |
| | 6,614 | 4,794 | - | - |
| Add: Cash and bank balances (Note 17) | 5,210 | 2,711 | 3,200 | * |
| Add: Restricted bank deposits (Note 17) | 19 | 60 | - | - |
| Add: Amounts due from subsidiaries (Note 16) | - | - | 390 | - |
| Add: Deposits | 43 | 16 | - | - |
| Total loans and receivables | 11,886 | 7,581 | 3,590 | * |

* denotes amounts less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 days' term. They are recognised at the original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currency at 31 May 2016 and 2015 are as follows:

| | Group | | Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| United States Dollar | 116 | 173 | - | - |

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables are as follow:

| | Group | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| Neither past due nor impaired | 2,917 | 2,285 |
| 1 to 30 days past due but not impaired | 713 | 1,065 |
| 31 to 90 days past due but not impaired | 707 | 272 |
| More than 90 days but not impaired | 106 | 410 |
| | 1,526 | 1,747 |
| Impaired | 219 | 69 |
| | 4,662 | 4,101 |

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

As at 31 May 2016, the Group has trade receivables amounting to \$1,526,000 (2015: \$1,747,000) that are past due at the reporting date but not impaired. The receivables that are past due but not impaired are not secured by any collateral or credit enhancements.

Collaterals

Project financing from bank (Note 19) is secured by a fixed charge over certain trade receivables of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Individually impaired | |
|-------------------------------------|-----------------------|-----------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Trade receivables – nominal amounts | 219 | 69 |
| Less: Allowance for impairment | (219) | (69) |
| | <u>-</u> | <u>-</u> |
| Movement in allowance accounts: | | |
| At 1 June | 69 | 30 |
| Charge for the year | 176 | 39 |
| Written back | (8) | - |
| Bad debt written off | (18) | - |
| At 31 May | <u>219</u> | <u>69</u> |

Trade receivables that are individually determined to be impaired at the reporting date relate to invoices in dispute and unlikely to be recovered. These receivables are not secured by any collateral or credit enhancements.

16. AMOUNTS DUE FROM/(TO) SUBSIDIARIES, RELATED COMPANIES AND SHAREHOLDERS

The amounts due from/(to) subsidiaries and shareholders are non-trade related, unsecured, non-interest bearing, repayable upon demand and are expected to be settled in cash.

In the previous financial year, the amounts due to a related company includes a loan of \$396,000 which is unsecured, bears interest at 8% p.a. and repayable upon demand and is expected to be settled in cash.

Shareholder's loan from TEE International Limited was novated pursuant to the Restructuring Exercise. The amount is unsecured, bears interest at the rate of 5.35% per annum and is expected to be settled in cash within the next two years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

17. CASH AND BANK BALANCES

| | Group | | Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| Non-current assets | | | | |
| Restricted bank deposits | 19 | 60 | - | - |
| Current assets | | | | |
| Cash at banks | 2,765 | 2,663 | 891 | - |
| Short-term and fixed deposits | 2,404 | - | 2,309 | - |
| Cash on hand | 41 | 48 | - | * |
| | 5,210 | 2,711 | 3,200 | * |
| Less: Pledged bank deposits | (85) | - | - | - |
| Cash and cash equivalents | 5,125 | 2,711 | 3,200 | * |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits excluding pledged deposits are withdrawable on one-month notice, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The pledged deposits are placed as security for the Company's Banker's Guarantee. The weighted average effective interest rates as at 31 May 2016 for the Group and the Company were 0.59% (2015: Nil%) and 0.60% (2015: Nil%) respectively.

The restricted bank deposits which are non-interest bearing have been pledged to secure the issuance of bank guarantees, which are not immediately available for use in the business.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

| | | |
|-----------------------------|-------|-------|
| Cash and bank balances | 5,210 | 2,711 |
| Less: Pledged bank deposits | (85) | - |
| Cash and cash equivalents | 5,125 | 2,711 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

18. TRADE AND OTHER PAYABLES

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| Trade payables | | 3,764 | 2,310 | - | - |
| Other payables | | 488 | 1,384 | 93 | 722 |
| Output Value Added Tax | | 137 | 118 | 15 | - |
| Accruals | | 1,749 | 708 | 297 | 30 |
| Total trade and other payables | | 6,138 | 4,520 | 405 | 752 |
| <i>Less: Non-financial liabilities</i> | | | | | |
| Output Value Added Tax | | (137) | (118) | (15) | - |
| | | 6,001 | 4,402 | 390 | 752 |
| Add: Amounts due to shareholders and related companies | 16 | 136 | 396 | 136 | - |
| Add: Shareholder's loan | 16 | 1,499 | - | 1,499 | - |
| Add: Amounts due to subsidiaries | 16 | - | - | 475 | - |
| Add: Loan and borrowings | 19 | 618 | - | - | - |
| Total financial liabilities carried at amortised cost | | 8,254 | 4,798 | 2,500 | 752 |

Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 180 days' terms.

Trade payables denominated in foreign currency at 31 May 2016 and 2015 are as follows:

| | Group | | Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| United States Dollar | 215 | - | - | - |

Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 30 to 60 days.

19. LOAN AND BORROWINGS

| | Maturity | Group | |
|-----------------|------------|----------------|----------------|
| | | 2016 \$'000 | 2015 \$'000 |
| Current: | | | |
| Loan | 1-Oct 2016 | 618 | - |

Loan and borrowings relates to project financing from bank which is secured by a fixed charge over certain trade receivables of a subsidiary (Note 15) and corporate guarantees (Note 25) provided by the Company. The loan carried a floating interest rate of 2.75% p.a. plus the bank's cost of funds or applicable SWAP offer rate, whichever is higher, as determined by the bank on the day of transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. EMPLOYEE BENEFIT LIABILITIES

As at 31 May 2016 and 2015, the Group has recorded estimated employee benefit liabilities based on the actuarial calculations prepared by independent firms of actuaries using the "Projected Unit Credit" method.

The subsidiary in Thailand operates an unfunded benefit scheme, Legal Severance Pay Plan ("LSP"), for qualifying employees.

The subsidiary in Philippines has not yet established a formal post-employment benefit plan but it accrues the post-employment benefits under a defined benefit plan using the projected unit credit method as computed by an independent actuary.

The following tables summarise the components of net benefit expense recognised in the income statement and amounts recognised in the statement of financial position.

| | Group | |
|---|--------|--------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Net benefit expense | | |
| Current service cost | 37 | 16 |
| Interest cost on benefit liabilities | 5 | 4 |
| Net benefit expense | 42 | 20 |
| Net actuarial losses/(gains) recognised in the other comprehensive income | 40 | (4) |

Changes in present value of the employee benefit liabilities are as follows:

| | Group | |
|--|--------|--------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| At 1 June | 118 | 97 |
| Current service cost | 37 | 16 |
| Interest cost on benefit liabilities | 5 | 4 |
| Actuarial losses/(gains) on obligation | 40 | (4) |
| Exchange differences | (6) | 5 |
| At 31 May | 194 | 118 |

The principal assumptions used in determining the Group's employee benefits are as follows:

| | Group | |
|-----------------------------------|-------------|-------------|
| | 2016 | 2015 |
| Discount rates | 2.7% - 4.3% | 3.7% - 4.7% |
| Expected rate of salary increases | 5% | 3% - 5% |
| Mortality rates | 3% | 3% |
| Price inflation | 3% | 3% |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. EMPLOYEE BENEFIT LIABILITIES (CONT'D)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

| | Increase/ (decrease) % | Group | |
|----------------------|------------------------------|--|--|
| | | 2016 (Decrease) /increase in net employee benefit liabilities S\$'000 | 2015 (Decrease) /increase in net employee benefit liabilities S\$'000 |
| Discount rate | 0.5 (0.5) | (14) 15 | (9) 10 |
| Salary increase rate | 1.0 (1.0) | 29 (25) | 55 (39) |

21. SHARE CAPITAL

| | 2016 | | Group | | 2015 | |
|---|--------------------------|--------|--------------------------|--------|--------------------------|--------|
| | No. of shares '000 | \$'000 | No. of shares '000 | \$'000 | No. of shares '000 | \$'000 |
| Issued and fully paid ordinary shares: | | | | | | |
| At 1 June | 1,235 | 726 | 1,235 | 726 | | |
| Adjustment from restructuring exercise (Note 1.2) | 126,765 | 8,239 | - | - | | |
| Share issued pursuant to initial public offering | 24,000 | 6,000 | - | - | | |
| Share issue expenses | - | (423) | - | - | | |
| At 31 May | 152,000 | 14,542 | 1,235 | 726 | | |
| Preference shares: | | | | | | |
| At 1 June | 765 | 78 | 765 | 78 | | |
| Adjustment from restructuring exercise (Note 1.2) | (765) | (78) | - | - | | |
| At 31 May | - | - | 765 | 78 | | |
| Total share capital: | | | | | | |
| At 31 May | 152,000 | 14,542 | 2,000 | 804 | | |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

The Group has not been restructured as at 31 May 2015. Accordingly, the share capital of the Group as at 31 May 2015 refers to the combined paid-up capital of CMC Communications Singapore Pte. Ltd. and CMC Communications (Thailand) Co., Ltd.

Pursuant to the Restructuring Exercise, the Company acquired the entire equity interest in CMC Communications Singapore Pte. Ltd., CMC Communications (Philippines), Inc. and CMC Communications (Thailand) Co., Ltd. as disclosed in Note 1.2(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

21. SHARE CAPITAL (CONT'D)

| | Company | | | |
|---|--------------------------|--------|--------------------------|--------|
| | 2016 | 2015 | | |
| | No. of shares '000 | \$'000 | No. of shares '000 | \$'000 |
| Issued and fully paid ordinary shares: | | | | |
| At 1 June | * | * | * | * |
| Adjustment from restructuring exercise (Note 1.2) | 128,000 | 8,965 | - | - |
| Share issued pursuant to initial public offering | 24,000 | 6,000 | - | - |
| Share issue expenses | - | (423) | - | - |
| At 31 May | 152,000 | 14,542 | * | * |
| Total share capital: | | | | |
| At 31 May | 152,000 | 14,542 | * | * |

* denotes amounts less than \$1,000

22. RESERVES

| | Group | |
|--------------------------------------|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| Foreign currency translation reserve | (77) | 76 |
| Capital reserves | 1,890 | 1,890 |
| Merger reserves | (10,397) | - |
| Statutory reserves | 49 | 49 |
| Others | 6 | 6 |
| | (8,529) | 2,021 |

(a) **Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Group's presentation currency.

(b) **Capital reserves**

Capital reserves relate to fair value adjustments on acquisition of subsidiaries relating to previously held interest.

(c) **Statutory reserves**

Statutory reserves represent the fund set aside on the appropriation of net profit by the subsidiary in Thailand, in accordance with regulations governed in that country. Statutory reserves cannot be used for the dividend payment.

(d) **Merger reserves**

Merger reserves represent the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of subsidiaries acquired which is accounted for under the "pooling-of-interest" method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions

In addition to the significant related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

| | Group | |
|--|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| Interest expense on a related company loan | - | 24 |
| Management fees payable to a related company | - | 306 |
| Interest paid to shareholder | 103 | - |

Compensation of key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director of the Group.

The remuneration of key management personnel during the year is as follows:

| | Group | |
|----------------------------------|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| Short-term employee benefits | 1,438 | 501 |
| Defined contribution plan | 75 | 33 |
| | <u>1,513</u> | <u>534</u> |
| Comprise amounts paid to: | | |
| Directors of the Group | 167 | 2 |
| Other key management personnel | 1,346 | 532 |
| | <u>1,513</u> | <u>534</u> |

24. OPERATING LEASE COMMITMENT

The Group has entered into several lease agreements in respect of the lease of office buildings, motor vehicles and equipment. These non-cancellable leases have average tenure of one to five years. Future minimum lease payments payable under these non-cancellable operating leases are as follows:

| | Group | |
|---|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 |
| Within one year | 439 | 269 |
| Later than one year but not later than five years | 1,114 | 39 |
| | <u>1,553</u> | <u>308</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

25. CORPORATE GUARANTEES

| | Group | | Company | |
|---|--------|--------|---------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Corporate guarantees given to secure banking facilities granted to: | | | | |
| - a subsidiary | - | - | 3,730 | - |
| | - | - | 3,730 | - |

Corporate guarantees given by the Company will become due and payable on demand when an event of default occurs. No liability was recognised from the issuance of the corporate guarantees to a subsidiary as management has assessed the risk of default to be remote and therefore, the fair value of the corporate guarantee to be immaterial.

26. FAIR VALUE OF ASSETS AND LIABILITIES

(a) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

Trade and other receivables and payables (Notes 15 and 18), cash and bank balances (Note 17), restricted bank deposits (Note 17), amounts due from/(to) subsidiaries, related companies and shareholders (Note 16) and loan and borrowings (Note 19).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values as they are short-term in nature, market interest rate instruments, or fixed rate instruments whereby the fixed rates approximate market interest rates on or near the end of the reporting period.

(b) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

There are no assets and liabilities that are not measured at fair value at 31 May 2016 and 2015 but for which fair value is disclosed.

(c) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value***

There are no financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include liquidity risk and credit risk. The Group does not hold or issue derivative financial instruments for trading purposes.

The following provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) ***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk and credit risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain sufficient cash and continuity of funding through an adequate amount of committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) **Liquidity risk (cont'd)**

The table summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

| | 1 year or less S\$'000 | 1 to 5 years S\$'000 | Total S\$'000 |
|---|------------------------------|----------------------------|------------------|
| Group | | | |
| 2016 | | | |
| <i>Financial assets:</i> | | | |
| Restricted bank deposits | - | 19 | 19 |
| Trade and other receivables | 6,614 | - | 6,614 |
| Cash and bank balances | 5,210 | - | 5,210 |
| Deposits | - | 43 | 43 |
| Total undiscounted financial assets | 11,824 | 62 | 11,886 |
| <i>Financial liabilities:</i> | | | |
| Trade and other payables | 6,001 | - | 6,001 |
| Amounts due to shareholders and related companies | 136 | - | 136 |
| Shareholder's loan | 1,200 | 354 | 1,554 |
| Loan and borrowings | 627 | - | 627 |
| Total undiscounted financial liabilities | 7,964 | 354 | 8,318 |
| Total net undiscounted financial assets | 3,860 | (292) | 3,568 |
| 2015 | | | |
| <i>Financial assets:</i> | | | |
| Restricted bank deposits | - | 60 | 60 |
| Trade and other receivables | 4,794 | - | 4,794 |
| Cash and bank balances | 2,711 | - | 2,711 |
| Deposits | - | 16 | 16 |
| Total undiscounted financial assets | 7,505 | 76 | 7,581 |
| <i>Financial liabilities:</i> | | | |
| Trade and other payables | 4,402 | - | 4,402 |
| Amounts due to shareholders and related companies | 396 | - | 396 |
| Total undiscounted financial liabilities | 4,798 | - | 4,798 |
| Total net undiscounted financial assets | 2,707 | 76 | 2,783 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) *Liquidity risk (cont'd)*

| | 1 year or less S\$'000 | 1 to 5 years S\$'000 | Total S\$'000 |
|---|------------------------------|----------------------------|------------------|
| Company | | | |
| 2016 | | | |
| <i>Financial assets:</i> | | | |
| Amounts due from subsidiaries | 390 | - | 390 |
| Cash and bank balances | 3,200 | - | 3,200 |
| Total undiscounted financial assets | 3,590 | - | 3,590 |
| <i>Financial liabilities:</i> | | | |
| Trade and other payables | 390 | - | 390 |
| Amounts due to shareholders and related companies | 136 | - | 136 |
| Amounts due to subsidiary company | 475 | - | 475 |
| Shareholder's loan | 1,200 | 354 | 1,554 |
| Total undiscounted financial liabilities | 2,201 | 354 | 2,555 |
| Total net undiscounted financial assets | 1,389 | (354) | 1,035 |
| 2015 | | | |
| <i>Financial assets:</i> | | | |
| Cash and bank balances | * | - | * |
| Total undiscounted financial assets | * | - | * |
| <i>Financial liabilities:</i> | | | |
| Trade and other payables | 752 | - | 752 |
| Total undiscounted financial liabilities | 752 | - | 752 |
| Total net undiscounted financial liabilities | 752 | - | 752 |

* denotes amounts less than \$1,000

The table below shows the contractual expiry by maturity of the Company's corporate guarantees. The maximum amount of the corporate guarantee contracts is allocated to the earliest period in which the guarantee could be called.

| | 1 year or less S\$'000 | 1 to 5 years S\$'000 | Total S\$'000 |
|----------------------|------------------------------|----------------------------|------------------|
| Company | | | |
| 2016 | | | |
| Corporate guarantees | 3,730 | - | 3,730 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a party default on its obligations. The Group's exposure to credit risk arises primarily from gross amount due from customers for contract work-in-progress, trade and other receivables and cash and bank balances.

The Group's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts are not significant.

Cash and bank balances are placed with reputable financial institutions during the financial year.

At the end of the reporting period, approximately 70.8% (2015: 51.8%) of the Group's trade receivables were due from three major customers who are multi-industry conglomerates located in Singapore.

Exposure to credit risk

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by a nominal amount of \$3,730,000 (2015: Nil) relating to a corporate guarantee provided by the Company to a bank on a subsidiary's bank loan.

28. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 May 2016 and 31 May 2015.

The Group's net debt includes shareholder's loan, loan and borrowings, less cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

28. CAPITAL MANAGEMENT (CONT'D)

| | Group | |
|--|--------------|--------------|
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Shareholder's loan (Note 16) | (1,499) | - |
| Loan and borrowings (Note 19) | (618) | - |
| Add: Cash and cash equivalents (Note 17) | 5,125 | 2,711 |
| <i>Net cash</i> | <u>3,008</u> | <u>2,711</u> |

29. SEGMENT INFORMATION

For management purposes, the Group is organised into operating segments based on their geographical locations in Singapore, Thailand, the Philippines and Malaysia.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain aspects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

29. SEGMENT INFORMATION (CONT'D)

| | Singapore | | Thailand | | Philippines | | Malaysia | | Adjustments and eliminations | | Note | Consolidated | |
|---|-----------|--------|----------|--------|-------------|--------|----------|--------|------------------------------|---------|------|--------------|--------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | | \$'000 | \$'000 |
| External customers | 12,927 | 10,299 | 3,538 | 4,641 | 1,752 | 1,381 | - | - | - | - | | 18,217 | 16,321 |
| Gross profit | 3,130 | 2,237 | 979 | 1,342 | 541 | 690 | - | - | - | - | | 4,650 | 4,269 |
| Operating (loss)/profit | (435) | 116 | 81 | 491 | (338) | 167 | (3) | - | (665) | (641) | A | (1,360) | 133 |
| Interest income | | | | | | | | | | | | 13 | 4 |
| Finance costs | | | | | | | | | | | | (118) | (27) |
| (Loss)/profit before taxation | | | | | | | | | | | | (1,465) | 110 |
| Income tax expense | | | | | | | | | | | | (32) | (296) |
| Loss for the financial year | | | | | | | | | | | | (1,497) | (186) |
| Segment assets | 25,517 | 7,179 | 2,923 | 3,324 | 3,037 | 3,267 | 3 | - | (9,785) | 2,500 | B | 21,695 | 16,270 |
| Segment liabilities | 8,432 | 4,017 | 892 | 1,269 | 1,772 | 1,647 | 6 | - | (1,406) | (1,000) | C | 9,696 | 5,933 |
| Net assets | 17,085 | 3,162 | 2,031 | 2,055 | 1,265 | 1,620 | (3) | - | (8,379) | 3,500 | | 11,999 | 10,337 |
| Other information: | | | | | | | | | | | | | |
| Provision for doubtful debts | 42 | 39 | - | - | 134 | - | - | - | - | - | | 176 | 39 |
| Write-back of provision for doubtful debts | (8) | - | - | - | - | - | - | - | - | - | | (8) | - |
| Depreciation of property, plant and equipment | 148 | 134 | 63 | 55 | 41 | 43 | - | - | - | - | | 252 | 232 |
| Amortisation of intangible asset | - | - | - | - | - | - | - | - | 639 | 641 | | 639 | 641 |
| Purchase of property, plant and equipment | 500 | 185 | 133 | 17 | 77 | 18 | - | - | - | - | | 710 | 220 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

29. SEGMENT INFORMATION (CONT'D)

Note A

The following items are deducted from segment profit to arrive at "Operating (loss)/profit" presented in the consolidated income statements:

| | 2016 \$'000 | 2015 \$'000 |
|-----------------------|----------------|----------------|
| Amortisation expenses | (639) | (641) |
| Others | (26) | - |
| | <u>(665)</u> | <u>(641)</u> |

Note B

The following items are (deducted from)/added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

| | 2016 \$'000 | 2015 \$'000 |
|----------------------|----------------|----------------|
| Intangible asset | 3,193 | 3,844 |
| Inter-segment assets | (12,978) | (1,344) |
| | <u>(9,785)</u> | <u>2,500</u> |

Note C

The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

| | 2016 \$'000 | 2015 \$'000 |
|---------------------------|----------------|----------------|
| Inter-segment liabilities | <u>(1,406)</u> | <u>(1,000)</u> |

Information about major customers

Revenue from one major customer in Singapore contributed 55.3% (2015: 46.8%) of the total revenue of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

30. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to year end, CMCCP entered into a shareholders' agreement dated 27 July 2016 with Argosy Properties, Inc. ("**API**"), pursuant to which the parties shall form a joint venture company ("**JVCo**"). In addition to the shareholders' agreement, a separate management and consultancy services agreement was entered into between CMCCP, JVCo and Argosy Partners, Inc.

The JVCo shall be named "**CMC-AC Infocomms (Philippines) Inc.**" and shall have an initial issued share capital of PHP15,000,000 comprising 15,000,000 ordinary shares, with CMCCP holding 6,000,000 shares (40.0%) and API holding 9,000,000 shares (60.0%) respectively.

The proposed capital structure is subjected to the approval of the Philippines Securities and Exchange Commission.

In July 2016, one of the Group's subsidiary also obtained an unsecured term loan of \$500,000, repayable in 24 monthly instalments.

31. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 May 2016 were authorised for issue in accordance with a resolution of the directors on 31 August 2016.

APPENDIX V – 1H2017 RESULTS



CMC INFOCOMM LIMITED
(THE "COMPANY")

(Incorporated in the Republic of Singapore under Registration Number 201506891C)

**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED
30 NOVEMBER 2016**

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**Exchange**"). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Mr Ong Hwee Li (telephone no.: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

PART 1 – INFORMATION REQUIRED FOR HALF YEAR ANNOUNCEMENTS

- 1(a)(i) A consolidated statement of comprehensive income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income

| | Group | | |
|--|------------------------|--------------------|---------------|
| | Half Year Ended | | |
| | 30 Nov 2016 | 30 Nov 2015 | Change |
| | S\$'000 | S\$'000 | % |
| Revenue | 7,741 | 7,970 | -2.9 |
| Cost of sales | (5,695) | (6,235) | -8.7 |
| Gross profit | 2,046 | 1,735 | 17.9 |
| Other income | 29 | 25 | 16.0 |
| Interest income | 9 | 3 | 200.0 |
| Other operating expenses | (337) | (1,324) | -74.5 |
| Administrative expenses | (2,138) | (1,977) | 8.1 |
| Finance costs | (62) | (53) | 17.0 |
| Share of joint venture's result | (7) | - | N.M |
| Loss before tax | (460) | (1,591) | -71.1 |
| Income tax credit | 44 | - | N.M |
| Loss attributable to owners of the Company, net of tax | (416) | (1,591) | -73.9 |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Currency translation differences | 40 | (56) | N.M |
| Total comprehensive income for the period attributable to owners of the Company | (376) | (1,647) | -77.2 |

N.M – Not Meaningful

1(a)(ii) Notes to the consolidated statement of comprehensive income

A) The Group's loss before tax was arrived at after charging/(crediting) the following:

| | Group | | |
|---|------------------------|--------------------|---------------|
| | Half Year Ended | | |
| | 30 Nov 2016 | 30 Nov 2015 | Change |
| | S\$'000 | S\$'000 | % |
| Amortisation of intangible assets | 320 | 320 | – |
| Depreciation of property, plant and equipment | 177 | 116 | 52.6 |
| Employee benefit expenses | 1,326 | 1,392 | -4.7 |
| Foreign exchange loss | 18 | 18 | – |
| Interest expense | 62 | 53 | 17.0 |
| Interest income | (9) | (3) | 200.0 |
| Rental of office premise, warehouse and equipment | 180 | 138 | 30.4 |
| Write-back of provision for doubtful debts ⁽¹⁾ | (65) | (5) | 1,200.0 |
| IPO related expenses ⁽²⁾ | – | 1,022 | N.M |

⁽¹⁾ Relating to write-back of provision of doubtful debts in Singapore and the Philippines for which the corresponding amounts have already been collected.

⁽²⁾ Relating to one-off professional fees incurred for the initial public offering ("IPO") exercise in the previous financial period.

B) Adjustments for under or overprovision of tax in respect of prior years

| | Group | | |
|---|------------------------|--------------------|---------------|
| | Half Year Ended | | |
| | 30 Nov 2016 | 30 Nov 2015 | Change |
| | S\$'000 | S\$'000 | % |
| Over provision of tax in respect of prior years | 61 | – | N.M |

N.M – Not Meaningful

1(b)(i) A statement of financial position (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

Statement of Financial Position

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | As at | | As at | |
| | 30 Nov 2016 | 31 May 2016 | 30 Nov 2016 | 31 May 2016 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 927 | 957 | 3 | 4 |
| Intangible asset | 2,880 | 3,193 | – | – |
| Investment in joint venture | 36 | – | – | – |
| Investment in subsidiaries | – | – | 11,121 | 11,121 |
| Deferred tax assets | 150 | 155 | – | – |
| Restricted bank deposits | 20 | 19 | – | – |
| Deposits | 35 | 43 | – | – |
| Total non-current assets | 4,048 | 4,367 | 11,124 | 11,125 |
| Current assets | | | | |
| Gross amount due from customers for contracts work-in-progress | 4,961 | 4,857 | – | – |
| Trade and other receivables | 6,485 | 7,261 | 16 | 25 |
| Amounts due from subsidiaries | – | – | 536 | 390 |
| Cash and bank balances | 3,497 | 5,210 | 2,184 | 3,200 |
| Total current assets | 14,943 | 17,328 | 2,736 | 3,615 |
| Total assets | 18,991 | 21,695 | 13,860 | 14,740 |
| EQUITY AND LIABILITIES | | | | |
| Current liabilities | | | | |
| Gross amount due to customers for contracts work-in-progress | 577 | 794 | – | – |
| Trade and other payables | 3,533 | 6,138 | 228 | 405 |
| Amounts due to shareholders and related companies | 130 | 136 | 130 | 136 |
| Shareholder's loan | 1,033 | 1,148 | 1,033 | 1,148 |
| Amounts due to subsidiary companies | – | – | 51 | 475 |
| Loan and borrowings | 1,399 | 618 | – | – |
| Provision for tax | 288 | 287 | – | – |
| Total current liabilities | 6,960 | 9,121 | 1,442 | 2,164 |
| Net current assets | 7,983 | 8,207 | 1,294 | 1,451 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 30 | 30 | – | – |
| Shareholder's loan | – | 351 | – | 351 |
| Loan and borrowings | 174 | – | – | – |
| Employee benefit liabilities | 204 | 194 | – | – |
| Total non-current liabilities | 408 | 575 | – | 351 |
| Total liabilities | 7,368 | 9,696 | 1,442 | 2,515 |

Statement of Financial Position (Cont'd)

| | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | As at | | As at | |
| | 30 Nov 2016 | 31 May 2016 | 30 Nov 2016 | 31 May 2016 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Net assets | 11,623 | 11,999 | 12,418 | 12,225 |
| Equity attributable to owners of the Company | | | | |
| Share capital | 14,542 | 14,542 | 14,542 | 14,542 |
| Retained earnings/(accumulated losses) | 5,570 | 5,986 | (2,124) | (2,317) |
| Reserves | (8,489) | (8,529) | – | – |
| Total equity | 11,623 | 11,999 | 12,418 | 12,225 |
| Total equity and liabilities | 18,991 | 21,695 | 13,860 | 14,740 |

1(b)(ii) In relation to the aggregate amount of the Group's borrowings and debts securities, specify the following at the end of the financial period reported on with comparative figures at the end of the immediately preceding financial year:

| | Group | | | |
|--|--------------------|----------------------|--------------------|----------------------|
| | As at | | As at | |
| | 30 Nov 2016 | 31 May 2016 | 30 Nov 2016 | 31 May 2016 |
| | Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| Current | | | | |
| Amounts repayable in one year or less, or on demand | 1,151 | 1,281 | 618 | 1,148 |
| Non-current | | | | |
| Amount repayable after one year | – | 174 | – | 351 |

Detail of any collaterals

As at 30 November 2016, the Group's borrowings comprised:

- (i) project financing from bank secured by a fixed charge over certain trade receivables of a subsidiary and corporate guarantee provided by the Company,
- (ii) unsecured shareholder's loan from TEE International Limited, and
- (iii) unsecured loan from a financial institution

- 1(c) A statement of cash flow (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

| Consolidated Statement of Cash Flows | Group | |
|---|------------------------|--------------------|
| | Half Year Ended | |
| | 30 Nov 2016 | 30 Nov 2015 |
| | S\$'000 | S\$'000 |
| Operating activities: | | |
| Loss before tax | (460) | (1,591) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 177 | 116 |
| Amortisation of intangible assets | 320 | 320 |
| Write-back of provision for doubtful debts | (65) | (5) |
| Interest income | (9) | (3) |
| Interest expense on borrowings | 62 | 53 |
| Exchange loss/(gain) | 23 | (32) |
| Payment of IPO related expenses | – | 1,022 |
| Employee benefit liabilities | 41 | – |
| Total adjustments | 549 | 1,471 |
| Operating cash flows before changes in working capital | 89 | (120) |
| Changes in working capital: | | |
| Increase in gross amount due from customers for contracts work-in-progress | (104) | (1,176) |
| Decrease in trade and other receivables | 856 | 3 |
| (Decrease)/increase in gross amount due to customers for contracts work-in-progress | (217) | 956 |
| (Decrease)/increase in trade and other payables | (2,629) | 3 |
| Total changes in working capital | (2,094) | (214) |
| Cash flows used in operations | (2,005) | (334) |
| Interest received | 9 | 3 |
| Interest paid | (36) | (53) |
| Taxes refund/(paid) | 54 | (92) |
| Retirement benefit paid | (30) | – |
| Net cash flows used in operating activities | (2,008) | (476) |
| Financing activities: | | |
| Loan obtained from shareholder | – | 45 |
| Proceeds from bank borrowings | 1,884 | – |
| Repayment to bank borrowings | (930) | – |
| Repayment of shareholder's loan | (466) | (750) |
| Placement of pledged deposits | (100) | – |
| Proceeds from issuance of shares pursuant to the IPO | – | 6,000 |
| Payment of IPO related expenses | – | (2,045) |
| Decrease in amounts due to related companies | (7) | (408) |
| (Decrease)/increase in amount due to shareholder | (5) | 99 |
| Net cash flows generated from financing activities | 376 | 2,941 |

Consolidated Statement of Cash Flows (Cont'd)

| | Group | |
|---|------------------------|--------------------|
| | Half Year Ended | |
| | 30 Nov 2016 | 30 Nov 2015 |
| | S\$'000 | S\$'000 |
| Investing activities: | | |
| Purchase of property, plant and equipment | (145) | (127) |
| Withdrawal of deposits pledged with bank | – | 40 |
| Investment in joint venture | (36) | – |
| Net cash flows used in investing activities | (181) | (87) |
| Net (decrease)/increase in cash and cash equivalents | (1,813) | 2,378 |
| Effects of exchange rate changes on cash and cash equivalents | * | (28) |
| Cash and cash equivalents at 1 June | 5,125 | 2,711 |
| Cash and cash equivalents at 30 November (Note A) | 3,312 | 5,061 |

*denotes amounts less than \$1,000

Notes to Consolidated Statements of Cash Flows:

A) Cash and cash equivalents comprised of the following:

| | | |
|-----------------------------|--------------|--------------|
| Cash and bank balances | 3,497 | 5,061 |
| Less: Pledged bank deposits | (185) | – |
| Cash and cash equivalents | 3,312 | 5,061 |

1(d)(i) A statement (for the Issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Attributable to owners of the Company | | | | | | | |
|--|---------------------------------------|------------------------------|----------------------------|---|------------------------------|---------------------------|---------------------------|-------------------------|
| | Share capital S\$'000 | Preference shares S\$'000 | Merger reserves S\$'000 | Foreign currency translation reserve S\$'000 | Retained earnings S\$'000 | Other reserves S\$'000 | Total reserves S\$'000 | Total equity S\$'000 |
| Group | | | | | | | | |
| At 1 June 2016 | 14,542 | - | (10,397) | (77) | 5,986 | 1,945 | (2,543) | 11,999 |
| Loss for the period | - | - | - | - | (416) | - | (416) | (416) |
| Other comprehensive income | | | | | | | | |
| Currency translation difference | - | - | - | 40 | - | - | 40 | 40 |
| Total comprehensive income for the period | - | - | - | 40 | (416) | - | (376) | (376) |
| At 30 November 2016 | 14,542 | - | (10,397) | (37) | 5,570 | 1,945 | (2,919) | 11,623 |
| At 1 June 2015 | 726 | 78 | - | 76 | 7,512 | 1,945 | 9,533 | 10,337 |
| Loss for the period | - | - | - | - | (1,591) | - | (1,591) | (1,591) |
| Other comprehensive income | | | | | | | | |
| Currency translation difference | - | - | - | (56) | - | - | (56) | (56) |
| Total comprehensive income for the period | - | - | - | (56) | (1,591) | - | (1,647) | (1,647) |
| Adjustment arising from Restructuring Exercise | 8,239 | (78) | (10,397) | - | - | - | (10,397) | (2,236) |
| Share issued pursuant to initial public offering | 6,000 | - | - | - | - | - | - | 6,000 |
| Capitalisation of IPO related expenses | (423) | - | - | - | - | - | - | (423) |
| At 30 November 2015 | 14,542 | - | (10,397) | 20 | 5,921 | 1,945 | (2,511) | 12,031 |

| | <u>Attributable to owners of the Company</u> | | |
|---|--|------------------------------|-------------------------|
| | Share capital S\$'000 | Retained earnings S\$'000 | Total equity S\$'000 |
| Company | | | |
| At 1 June 2016 | 14,542 | (2,317) | 12,225 |
| Profit for the period, representing total comprehensive income | – | 193 | 193 |
| At 30 November 2016 | 14,542 | (2,124) | 12,418 |
| <hr/> | | | |
| At 1 June 2015 | * | (657) | (657) |
| Loss for the period, representing total comprehensive income | – | (1,121) | (1,121) |
| Adjustment arising from Restructuring Exercise | 8,965 | – | 8,965 |
| Share issued pursuant to initial public offering | 6,000 | – | 6,000 |
| Capitalisation of IPO related expenses | (423) | – | (423) |
| At 30 November 2015 | 14,542 | (1,778) | 12,764 |

*denotes amounts less than \$1,000

1(d)(ii) Details of any changes in the Company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

| | Number of Shares Issued | Paid-up Capital (S\$) |
|--|----------------------------|--------------------------|
| As at 31 May 2016 and 30 November 2016 | 152,000,000 | 14,542,370 |

There has been no changes to the Company's issued and paid up share capital since 31 May 2016.

There are no outstanding convertibles or shares held as treasury shares of the Company as at 30 November 2016 and 30 November 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

| | As at 30 Nov 2016 | As at 31 May 2016 |
|-------------------------------|------------------------------|------------------------------|
| Total number of issued shares | <u>152,000,000</u> | <u>152,000,000</u> |

The Company did not have any treasury shares as at 30 November 2016 and 31 May 2016.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and / or use of treasury shares as at the end of the current period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditor.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable. The figures have not been audited nor reviewed by the auditor.

4. Whether the same accounting policies and methods of computation as in the Issuer's most recently audited annual financial statements have been applied.

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period compared to its most recently audited annual financial statements for the financial year ended 31 May 2016.

5. If there are any changes in the accounting policies and methods of computation including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

The Group has adopted new and revised Singapore Financial Reporting Standards ("SFRS") and interpretations of SFRS applicable to the Group which are effective for the financial year beginning 1 June 2016. These are not expected to have a material impact on the results of the Group and of the Company for the period ended 30 November 2016.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

| | Group Half Year Ended | |
|---|--------------------------|----------------|
| | 30 Nov 2016 | 30 Nov 2015 |
| Loss attributable to owners of the Company used in the computation of basic earnings per shares (S\$'000) | (416) | (1,591) |
| (a) Basic earnings per share (cents) | <u>(0.27)</u> | <u>(1.11)</u> |
| (b) Diluted earnings per share (cents) | <u>(0.27)</u> | <u>(1.11)</u> |
| Weighted average number of ordinary shares in issue for computation of basic earnings per share ('000) | <u>152,000</u> | <u>143,374</u> |
| Weighted average number of ordinary shares for computation of diluted earnings per share ('000) | <u>152,000</u> | <u>143,374</u> |

As at 30 November 2016 and 30 November 2015, the Company did not have any dilutive instruments. Hence, the basic and diluted earnings per share for both periods under review are the same.

7. Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the Issuer at the end of the: -
(a) current financial period reported on; and
(b) immediately preceding financial year.

| | Group As at | | Company As at | |
|---|----------------|----------------|------------------|----------------|
| | 30 Nov 2016 | 31 May 2016 | 30 Nov 2016 | 31 May 2016 |
| Net assets (S\$'000) | <u>11,623</u> | <u>11,999</u> | <u>12,418</u> | <u>12,225</u> |
| Number of ordinary shares used in calculating net asset value per ordinary share ('000) | <u>152,000</u> | <u>152,000</u> | <u>152,000</u> | <u>152,000</u> |
| Net asset value per ordinary share attributable to owners of the Company (cents) | <u>7.6</u> | <u>7.9</u> | <u>8.2</u> | <u>8.0</u> |

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Review of the Group's Consolidated Statement of Comprehensive Income

Revenue

The Company recorded a slightly lower revenue of S\$7.7 million in the financial period ended 30 November 2016 ("1H2017") as compared to S\$8.0 million in the financial period ended 30 November 2015 ("1H2016") or a decrease of 2.9%, mainly due to lower revenue contribution from Outdoor Construction ("OC") projects in Singapore. This was partially offset by higher revenue contribution from In-Building Construction ("IBC") projects both in Singapore and the Philippines. Revenue in the Philippines increased by approximately S\$0.4 million or 59.3% from S\$0.7 million in 1H2016 to S\$1.1million in 1H2017 as we increased our resources to focus on marketing and operational activities in the Philippines.

Cost of sales and gross profit

Cost of sales decreased by 8.7% from S\$6.2 million in 1H2016 to S\$5.7 million in 1H2017.

Gross profit increased by 17.9% from S\$1.7 million in 1H2016 to S\$2.0 million in 1H2017 while gross profit margins increased from 21.8% in 1H2016 to 26.4% in 1H2017. This was mainly due to completion of certain projects.

Other and interest income

Other income comprised rebates and incentives such as Temporary Employment Credit and Wage Credit Scheme and remained relatively stable in 1H2017 as compared to 1H2016.

Interest income comprised interest received from bank deposits.

Other operating expenses

Other operating expenses comprised foreign exchange losses, one-off IPO related expenses incurred in 1H2016 and amortisation of intangible assets. The decrease in other operating expenses by 74.5% was mainly due to the absence of IPO related expenses which was incurred in the previous financial period.

Administrative expenses

Administrative expenses comprised, amongst others, depreciation, provision/write-back of doubtful debts, printing cost, staff cost, insurance, rental, utilities and professional fees.

The increase in administrative expenses of 8.1% from S\$2.0 million in 1H2016 to S\$2.1 million in 1H2017 was largely due to an increase in depreciation from our purchase of testing equipment in the previous financial year and an increase in rental expense due to the office relocation in Singapore.

Finance costs

Finance costs comprised interest expenses from bank borrowings and shareholder's loan.

Taxation

Income tax credit arises mainly due to over provision of tax for Year of Assessment 2016.

Review of the Group's Statement of Consolidated Financial Position**Non-current assets**

The decrease in non-current assets by 7.3% from S\$4.4 million as at 31 May 2016 to S\$4.0 million as at 30 November 2016 was mainly due to the decrease in the carrying value of the intangible assets as a result of amortisation charges of S\$0.3 million for the financial period.

Intangible assets consist of customer relationships arising from the purchase price allocation exercise upon acquisition of the Group's subsidiaries CMC Communications (Singapore) Pte. Ltd. and CMC Communications (Thailand) Co. Ltd in June 2011. There was no impairment of the intangible assets as at 30 November 2016.

The investment in joint venture relates to a 40% interest by the Group's wholly-owned subsidiary, CMC Communications (Philippines), Inc. in a newly incorporated joint venture company in the Philippines.

Current assets

Current assets decreased by 13.8% from S\$17.3 million as at 31 May 2016 to S\$14.9 million as at 30 November 2016.

Trade and other receivables decreased by 10.7% from S\$7.3 million as at 31 May 2016 to S\$6.5 million as at 30 November 2016 due to lower retention sums and timely collection of accounts receivable. Cash and cash equivalents decreased mainly due to repayment of trade payables and shareholder's loan.

Both the decrease in trade and other receivables as well as cash and cash equivalents contributed to lower current assets as at 30 November 2016.

Current liabilities

Current liabilities decreased by 23.7% from S\$9.1 million as at 31 May 2016 to S\$7.0 million as at 30 November 2016. This was mainly due to the repayment of trade and other payables, partial repayment of the shareholder's loan and decrease in gross amount due to customers for contracts work-in-progress. The decrease was partially offset by an increase in borrowings from banks under project financing of S\$0.5 million and an unsecured term loan of S\$0.5 million, of which S\$0.1 million has already been repaid and S\$0.2 million is classified under current liabilities.

Non-current liabilities

Non-current liabilities decreased by 29.0% from S\$0.6 million as at 31 May 2016 to S\$0.4 million as at 30 November 2016 mainly due to repayments made to the shareholder's loan, partially offset by the non-current portion of the S\$0.5 million unsecured term loan amounting to S\$0.2 million.

Equity attributable to owners of the Company

The decrease in retained earnings and reserves were mainly due to current period losses offset by translation reserve movements.

Review of the Group's Statement of Cash Flows

In 1H2017, net cash flows used in operating activities amounted to S\$2.0 million. This includes operating cash inflows before changes in working capital of S\$0.1 million, offset by an increase in gross amount due from customers for contracts work-in-progress of S\$0.1 million, decrease in gross amount due to customers for contracts work-in-progress of S\$0.2 million and a decrease in trade and other payables of S\$2.6 million which is mainly due to repayment to suppliers. This is partially offset by an decrease in trade and other receivables of S\$0.9 million.

In addition, the Group received and paid interests of S\$0.01 million and S\$0.04 million respectively. Income tax refund received in 1H2017 amounted to S\$0.05 million while retirement benefits paid amounted to S\$0.03 million.

Net cash flows generated from financing activities amounted to S\$0.4 million. Proceeds from bank borrowings amounted to S\$1.9 million mainly due to additional project financing of S\$1.4 million and a S\$0.5 million of unsecured term loan from a financial institution obtained during the financial period. This is offset by repayment of bank borrowings of S\$0.9 million, repayment of shareholder's loan of S\$0.5 million and the placement of pledged deposits of S\$0.1 million.

Net cash flows used in investing activities amounted to S\$0.2 million which is mainly due to purchases of testing equipment and the investment in joint venture in the Philippines of S\$0.1 million and S\$0.04 million respectively.

As a result of the above, there was a net decrease of S\$1.8 million in cash and cash equivalents.

As at 30 November 2016, the Group's cash and cash equivalents amounted to S\$3.3 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

The Group will continue to focus its efforts in marketing to its existing customers based in Singapore, Thailand and the Philippines, as well as in delivering its existing projects expeditiously.

While opportunities may arise with the recent award of a license to the fourth telecommunications operator and the potential sales of spectrum rights in Singapore, the Group remains cautious amid the prevailing economic uncertainties. The Group will also be selective in pursuing projects and investment opportunities as part of its expansion plan into new and complementary businesses in Singapore, Malaysia and the Philippines.

11. Dividend

(a) Current Financial Period Reported on:

Any dividend declared for the current financial period reported on?

No dividends have been declared or recommended.

- (b) Corresponding Period of the Immediately Preceding Financial Year:**
Any dividend declared for the corresponding period of the immediately preceding financial year?

No dividends were declared or recommended in the previous corresponding period.

- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

- (d) Date payable**

Not applicable.

- (e) Books closure date.**

Not applicable.

- 12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared or recommended in respect of 1H2017.

- 13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 902(1)(a)(ii) of the Catalist Rules.

- 14. Negative confirmation pursuant to Rule 705(5)**

The Board of Directors hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for the half year ended 30 November 2016 to be false or misleading in any material aspect.

- 15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H under Rule 720(1))**

The Company hereby confirms that it has procured undertakings from all its Directors and the relevant executive officers in the format as set out in Appendix 7H in accordance with Rule 720(1) of the Catalist Rules.

- 16. Update on use of IPO Proceeds**

As at the date of this announcement, there has been no updates or further utilization in the use of proceeds since last disclosed in the unaudited full year financial statements for the financial year ended 31 May 2016 and the annual report for the financial year ended 31 May 2016. The Company will make announcements to provide an update on the use of IPO proceeds as and when the funds are materially disbursed.

On behalf of the Board of Directors

Phua Cher Chuan
Executive Director and CEO

11 January 2017