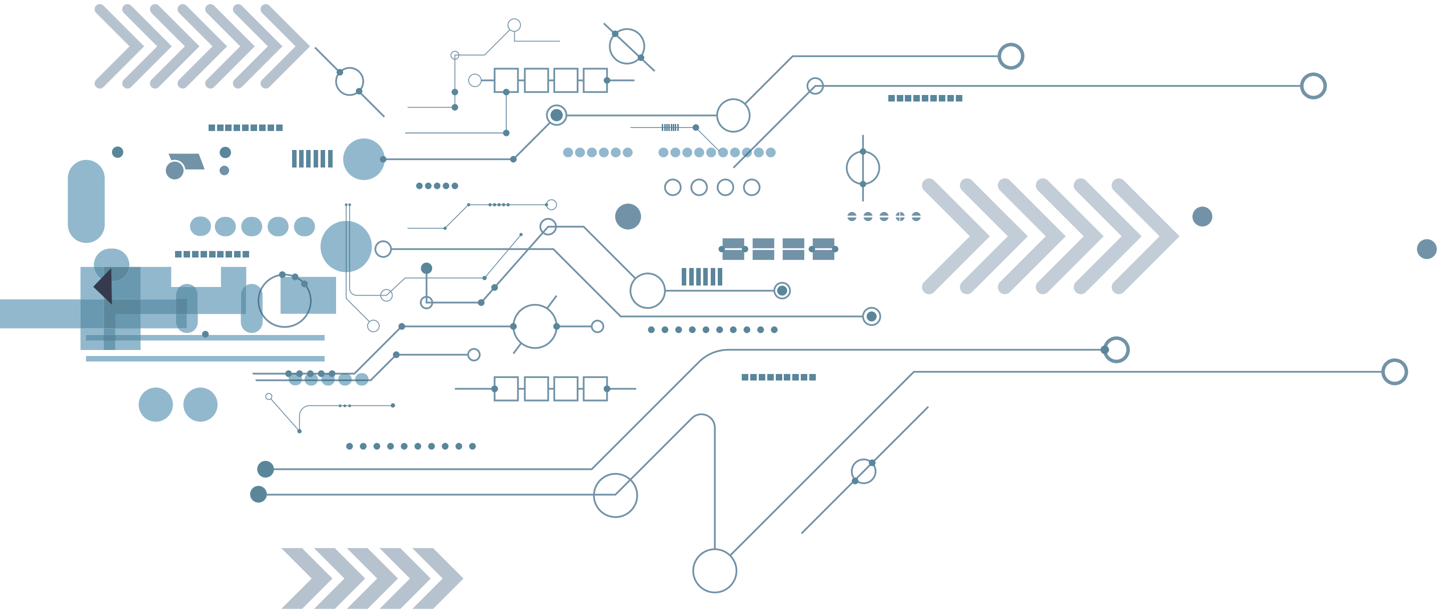
CMC INFOCOMM

ANNUAL REPORT 2017

VISION FOR THE FUTURE



OUR VISION

To be a leading integrator and one-stop provider for infocommunication technology solutions.

OUR MISSION

To lead, deliver quality services and create innovative solutions that enhance the quality of our customers' experience and ensure seamless connectivity in the region.

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CORPORATE PROFILE

CMC Infocomm Limited ("**CMC Infocomm**", and together with its subsidiaries, the "**Group**") is a regional integrated and innovative communications solutions and services provider with operations in Singapore, Malaysia, the Philippines and Thailand. Our capabilities include:

IN-BUILDING COVERAGE

Provision of full turnkey in-building coverage services from planning and design to construction and implementation of customers' indoor mobile network infrastructure;

OUTDOOR CONSTRUCTION

Provision of full turnkey services from planning and design to construction and implementation of customers' outdoor mobile network infrastructure;

TELECOMMUNICATIONS IMPLEMENTATION

Provision of telecommunications implementation works for the installation and commissioning of radio base transceiver stations; and

MAINTENANCE SERVICES

Provision of corrective and preventive maintenance services to ensure network reliability and minimal network disruptions.

Over the years, CMC Infocomm has established a firm reputation in providing consistent and reliable solutions and services. With over 20 years of experience in the telecommunications industry, CMC Infocomm has completed numerous projects in Singapore, the Philippines and Thailand since 2011.

CMC Infocomm was listed in August 2015 on the Catalist Board of the SGX-ST.

The Group was acquired by Yinda Pte. Ltd. through a mandatory general offer completed on 20 June 2017. Yinda Pte. Ltd. is a wholly-owned subsidiary of Shanghai Yinda Science and Technology Industrial Co. Ltd. ("**Shanghai Yinda**"). Shanghai Yinda is in turn held by Shanghai Yinda Technology Group Co. Ltd. ("**Shanghai Yinda Group**"). Shanghai Yinda Group is engaged in the information technology, telecommunications and related businesses. Yinda Pte. Ltd. currently holds 120,437,180 shares, representing approximately 79.23% of the total number of issued shares of the Company.

LETTER TO SHAREHOLDERS

TOGETHER, WE WILL CONTINUE TO WORK RELENTLESSLY TO CREATE GROWTH, VALUE AND RETURNS ENHANCEMENT FOR THE COMPANY AND ALL OUR STAKEHOLDERS.

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present the annual report of CMC Infocomm for the financial year ended 31 May ("**FY**") 2017.

FY2017 BUSINESS REVIEW

FY2017 was a challenging year where the global economy languished at a sluggish rate. This was further compounded by intensifying competition brought about by a few providers on the market, as well as evolving technology that disrupted the traditional telecommunication operators' business models.

Nevertheless, we remain positive about the industry and our business as we identify and seek promising opportunities in Singapore and beyond.

During the year, TPG Telecom Limited ("**TPG**") obtained the licence to operate as the fourth telecommunication operator in Singapore. This could present potential business opportunities for the Group, particularly in the areas of constructing telecommunications infrastructure.

In addition, the Info-communications Media Development Authority also completed a General Spectrum Auction which the telecommunication operators would use to enhance their existing networks. The Group has the experience to help the telecommunication operators in such enhancement.

Besides this, developments in foreign markets also present encouraging business potential. In Thailand, two of the telecommunication giants, have successfully acquired their 4G spectrum in an auction; while in the Philippines, telecommunication operators, SMART and Globe have both taken over the spectrum assets of another operator. As such, these companies will be looking to expand their 4G coverage in their respective countries, and thus presenting opportunities for us to work with them.

The acquisition by Yinda Pte. Ltd. also presented possible synergies that could be drawn between the two entities.

BUSINESS PERFORMANCE

During the year, we boosted our order book with three contracts totalling S$7.8 million. These contracts, which will be completed over three years, involved the installation of WIFI infrastructure in Singapore, as well as the procurement and provision of necessary infrastructure, system and maintenance services in Thailand for leading telecommunications operators. We look forward to the fulfillment of these contracts in the near future.

FINANCIAL REVIEW

In FY2017, the Group reported a 21.8% dip in revenue to S$14.2 million mainly due to lower revenue contribution from both in-building construction ("**IBC**") and telecommunications implementation ("**TI**") projects in Singapore. The lower revenue contribution from IBC projects in Singapore is partly due to billing milestones for certain projects nearing completion which have yet to be reached. However, this was partially offset by the higher revenue contribution from IBC projects in the Philippines, which increased by 10.7% to S$1.9 million in FY2017 as we stepped up on our marketing and operational activities in the Philippines.

LETTER TO SHAREHOLDERS

Concurrently, other operating expenses rose by S$1.5 million to S$3.1 million mainly due to a S$2.4 million impairment loss of the Group's intangible assets, which were offset against the absence of IPO-related expenses amounting to about S$1.0 million incurred in FY2016.

As a result, the Group registered a net loss of S$4.3 million in FY2017 against S$1.5 million in FY2016.

FUTURE PROSPECTS

We envisage economic uncertainties and stiff competition to prevail in the financial year ending 31 May 2018 despite the entry of a fourth telecommunications operator and Singapore's spectrum development in its move towards a digital economy. However, we will continue working towards enhancing efficiency and productivity through technology and innovation to achieve more cost and operational optimisation.

Going forward, our main focus will be helping Singapore to realise its SMART nation dream, while increasing marketing efforts to existing customers. We will also be looking to expand our global footprints to other overseas markets.

We believe that with the new controlling shareholder on board, a fresh perspective would be injected into the Group's business, which could benefit the Group in time to come as we plan to set up an enterprise business division to foray into other business segments and poise ourselves to seize any opportunities that may arise.

ACKNOWLEDGEMENTS

We would like to take this opportunity to express our deepest appreciation to Mr Kevin Phua Cher Chuan, who stepped down as Chief Executive Officer on 5 May 2017 pursuant to a change in the Group's controlling interest. Mr Phua remains as the Group's Executive Director.

On the same note, we would like to extend a warm welcome to Mr Liu Kwee Choy and Mr Qian Zimin, who have joined us as Alternate Director to the Non-Executive Chairman on 20 September 2016 and Chief Executive Officer on 30 May 2017 respectively. We look forward to working together with this new team to take the Group to greater heights.

On behalf of the Board, we would like to show our gratitude to the Board of Directors for their guidance and insights, as well as our shareholders and business associates for their staunch support over the years.

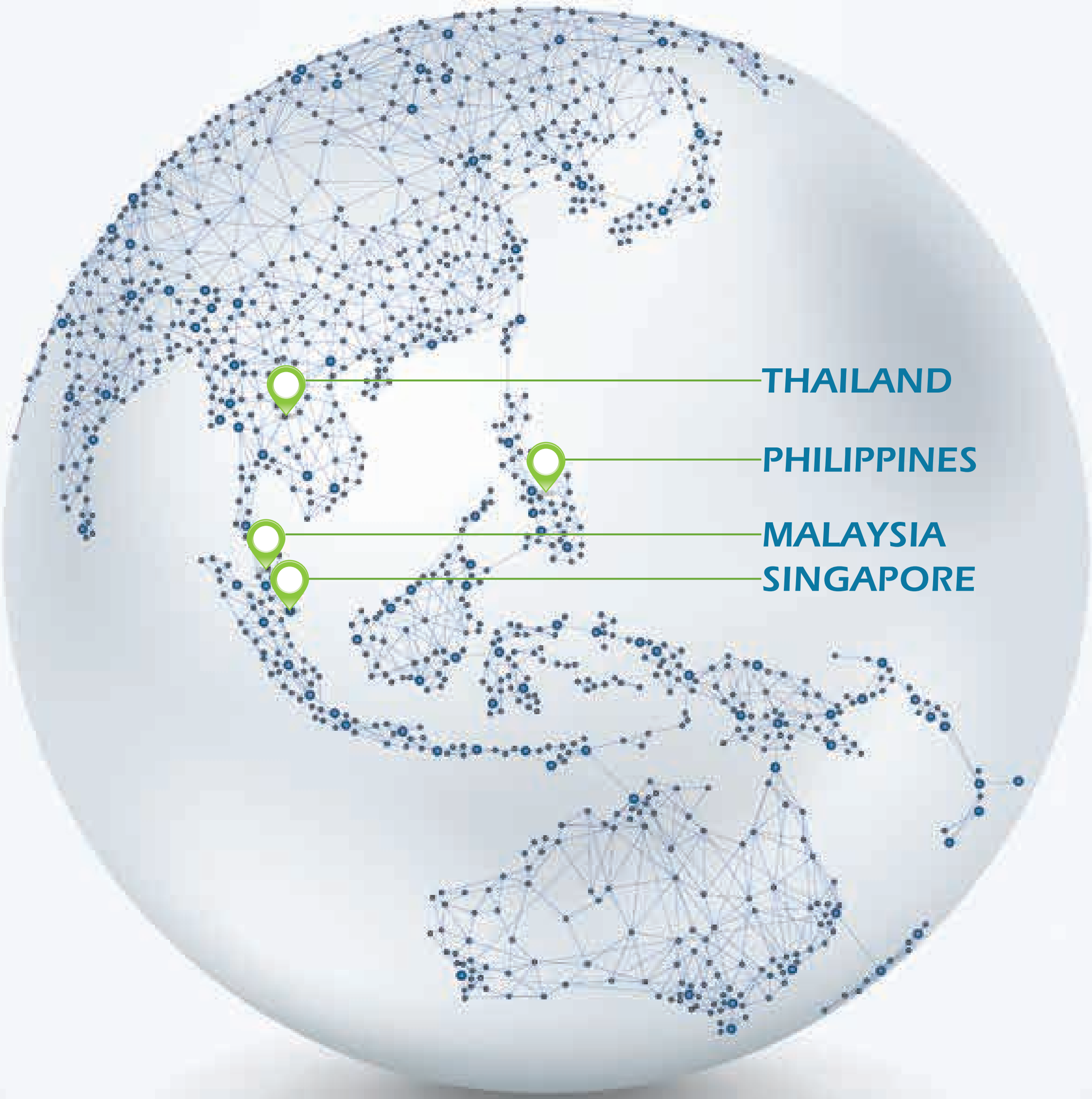
Finally, we would like to thank our dedicated team of management and staff who have contributed immensely to the Group's progress. We hope to journey on together to create greater value for all our stakeholders.

DATO' ABDUL RAHMAN
Non-Executive Chairman

QIAN ZIMIN
Chief Executive Officer

REGIONAL PRESENCE

OUR PRESENCE IN THESE MARKETS NURTURES OUR ABILITY TO ADAPT TO DIVERSE OPERATING CONDITIONS, ENABLING US TO RESPOND QUICKLY TO THE CHANGING NEEDS AND REQUIREMENTS OF OUR CUSTOMERS AND SECURE PROJECTS ON PROVIDING SOLUTIONS AND SERVICES BEYOND SINGAPORE. THROUGH OUR REGIONAL BUSINESS NETWORKS, WE ARE ABLE TO ENJOY ECONOMIES OF SCALE WHICH ALLOWS US TO PROVIDE COST-EFFECTIVE SOLUTIONS AND SERVICES TO OUR CUSTOMERS.



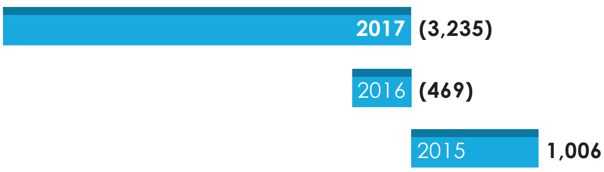
FINANCIAL HIGHLIGHTS

FOR THE YEAR (S$'000)	FY2017	FY2016	FY2015
Revenue	14,238	18,217	16,321
Gross profit	3,374	4,650	4,269
Gross profit margin (%)	23.7	25.5	26.2
(Loss)/earnings before interest, tax, depreciation & amortisation (EBITDA)	(3,235)	(469)	1,006
(Loss)/profit before tax	(4,330)	(1,465)	110
Loss for the year	(4,322)	(1,497)	(186)
Loss attributable to owners of the Company	(4,322)	(1,497)	(186)
AT YEAR END (S$'000)			
Current assets	14,269	17,328	11,787
Total assets	15,475	21,695	16,270
Current liabilities	7,194	9,121	5,815
Total liabilities	7,735	9,696	5,933
Total debts (Including shareholder's loan)	2,131	2,117	–
Equity attributable to owners of the Company	7,740	11,999	10,337
Total equity	7,740	11,999	10,337

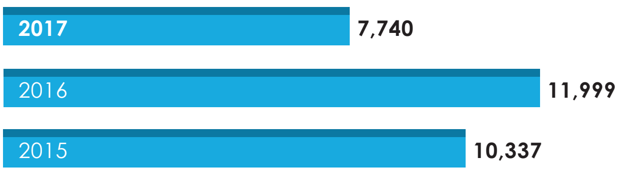
REVENUE (S$'000)

GROSS PROFIT (S$'000)

EBITDA (S$'000)



SHAREHOLDERS' EQUITY (S$'000)



FINANCIAL REVIEW

INCOME STATEMENT

For FY2017, the Group's revenue decreased by 21.8% to S$14.2 million mainly due to lower revenue contribution from both IBC and TI projects in Singapore. The lower revenue contribution from the IBC projects in Singapore is partly due to billing milestones for certain projects nearing completion which have yet to be reached. This is offset by the higher revenue contribution from IBC projects in the Philippines as the Group increased its marketing and operational activities in the Philippines.

Gross profit decreased by 27.4% from S$4.7 million in FY2016 to S$3.4 million in FY2017 while gross profit margins decreased from 25.5% in FY2016 to 23.7% in FY2017. This was mainly due to increased competitiveness in the industry and tougher market conditions in Singapore, Thailand and the Philippines.

Other operating expenses increased by 86.5% from S$1.7 million in FY2016 to S$3.1 million in FY2017 mainly due to the S$2.4 million impairment loss of the Group's intangible assets and the aggregate impairment of investment in joint venture and notes receivable of S$0.1 million in the Philippines resulting from the termination of the joint venture with Argosy Properties Inc. This is offset against the absence of IPO-related expenses amounting to approximately S$1.0 million that was incurred in FY2016.

Administrative expenses remained constant at approximately S$4.6 million for FY2017 and FY2016. There was a slight increase in depreciation from the purchase of testing equipment to be used for IBC projects in FY2016 that was offset by the decrease in employee benefit expenses.

BALANCE SHEET

Non-current assets decreased by 72.4% from S$4.4 million as at 31 May 2016 to S$1.2 million as at 31 May 2017. This was mainly due to the decrease in the carrying value of the intangible assets as a result of amortisation charges of S$0.6 million and impairment of intangible assets of S$2.4 million for the financial year, together with the decrease in the net book value of property, plant and equipment and decrease in deferred tax assets.

Current assets decreased by 17.7% from S$17.3 million as at 31 May 2016 to S$14.3 million as at 31 May 2017. This was mainly attributable to lower trade and other receivables which decreased by 33.5% from S$7.3 million as at 31 May 2016 to S$4.8 million as at 31 May 2017 due to lower retention sums and timely collection of accounts receivables. Cash and cash equivalents also decreased mainly due to repayment of trade payables and shareholder's loan. This is partially offset by the increase in gross amount due from customers for contracts work-in-progress of S$2.2 million which is representative of the increase in work done but not yet billed.

Current liabilities decreased by 21.1% from S$9.1 million as at 31 May 2016 to S$7.2 million as at 31 May 2017. This was mainly due to the repayment of trade and other payables and decrease in gross amount due to customers for contracts work-in-progress, offset by an increase in loan and borrowings and current portion of hire purchases for the purchase of testing equipment and copiers.

Non-current liabilities decreased by 5.9% from S$0.6 million as at 31 May 2016 to S$0.5 million as at 31 May 2017 mainly due to loan repayments made to a shareholder amounting to S$0.6 million, partially offset by the increase in non-current portion of the unsecured term loans and hire purchases.

STATEMENT OF CASH FLOWS

Net cash flows used in operating activities amounted to S$2.4 million. This includes mainly operating cash outflows before changes in working capital of S$0.7 million and changes in working capital of negative S$1.7 million.

Net cash flows used in financing activities amounted to S$0.4 million. This was mainly due to repayment of shareholder loan of S$0.6 million, repayment to related companies of S$0.1 million and placement of pledged deposits of S$0.1 million, partially offset by net bank borrowings of S$0.4 million.

Net cash flows used in investing activities amounted to S$0.2 million mainly due to purchases of tools and testing equipment and office equipment.

As a result of the above, there was a net decrease of S$3.0 million in cash and cash equivalents. As at 31 May 2017, the Group's cash and cash equivalents amounted to S$2.2 million.

CORPORATE MILESTONES

2015

AUGUST
- Listed on Catalist of SGX-ST.
- Awarded S$2 million worth of orders from Singapore telecommunications companies.

SEPTEMBER
- Awarded of S$4 million worth of contracts from the Singapore telecommunications companies to carry out IBC projects and network migration for the upgrading and refurbishment in Singapore.

OCTOBER
- Acquired 100% stake in CMC Infocomm Sdn Bhd in Malaysia.

2016

JULY
- Awarded S$3.8 million worth of contracts for cellular network engineering and maintenance projects with the leading mobile operators in the region.

DECEMBER
- Awarded three contracts worth a total of S$7.8 million in relation to the installation of WIFI infrastructure and the procurement and provision of required infrastructure, system and maintenance services for leading telecommunications operators in Singapore and Thailand respectively.

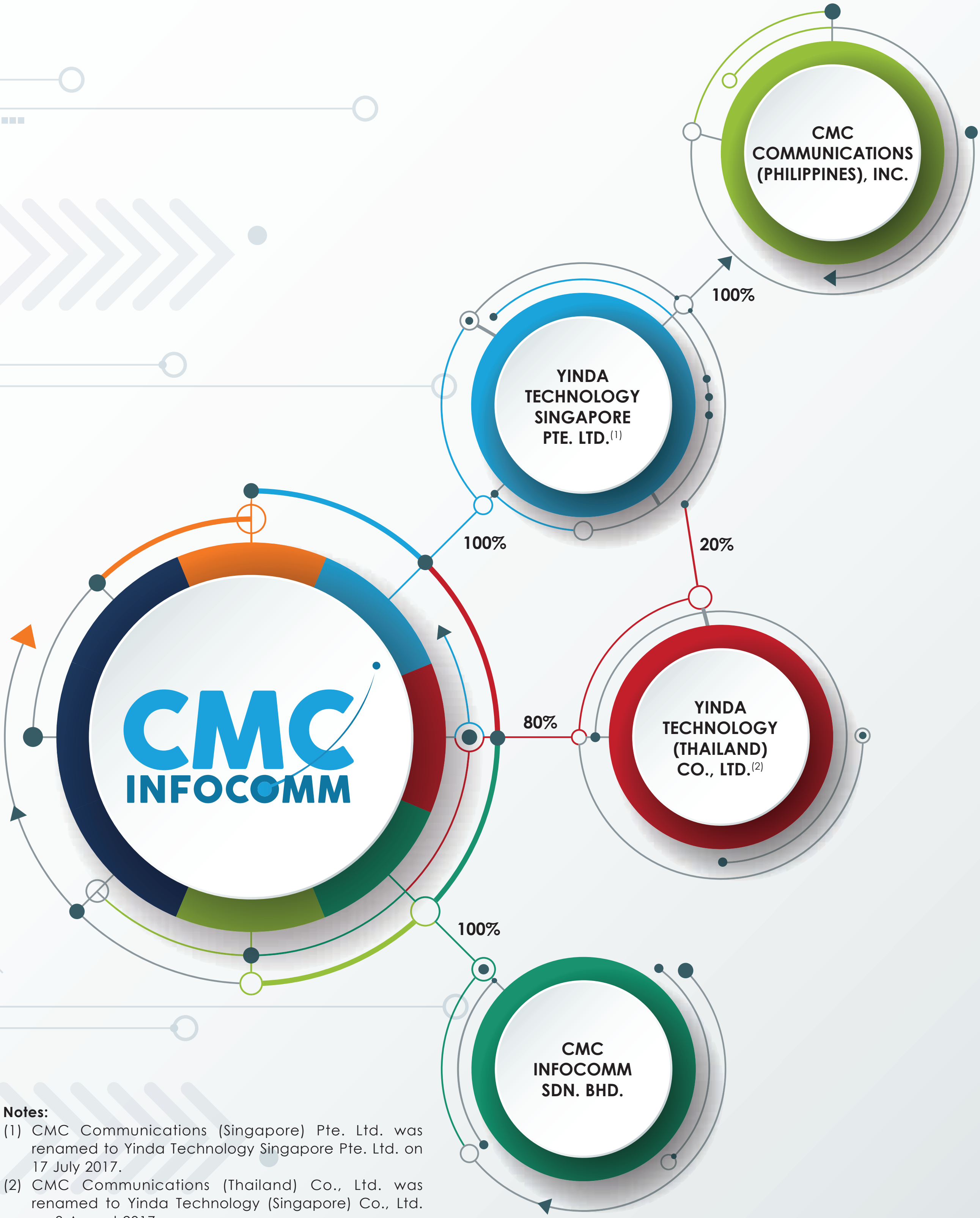
2017

MAY
- Yinda Pte. Ltd. acquired an aggregate of 113,104,000 shares from TEE International Limited and CMC Engineering Sdn. Bhd. representing approximately 74.41% of all the ordinary shares in the capital of the Company.
- Mandatory unconditional cash offer by Yinda Pte. Ltd. for all the issued and paid-up ordinary shares in the capital of the Company.

JULY
- Change of name of its wholly-owned subsidiary, CMC Communications (Singapore) Pte. Ltd. to Yinda Technology Singapore Pte. Ltd..

AUGUST
- Change of name of its subsidiary, CMC Communications (Thailand) Co., Ltd. to Yinda Technology (Thailand) Co., Ltd..

CORPORATE STRUCTURE



Notes:

(1) CMC Communications (Singapore) Pte. Ltd. was renamed to Yinda Technology Singapore Pte. Ltd. on 17 July 2017.

(2) CMC Communications (Thailand) Co., Ltd. was renamed to Yinda Technology (Singapore) Co., Ltd. on 8 August 2017.

BOARD OF DIRECTORS

DATO' ABDUL RAHMAN BIN YUSOF Non-Executive Chairman

Dato' Abdul Rahman was appointed to our Board on 14 July 2015 and is our Non-Executive Chairman. He has over 30 years of experience in the engineering and telecommunications industry and has been instrumental in leading our Group to become an established player in the telecommunications industry.

He provides strategic direction and formulates business and corporate policies and strategies for the continual growth of our Group. Dato' Abdul Rahman started his career as a technical assistant at Telekom Department of Malaysia in 1975. Between 1977 and 1980, Dato' Abdul Rahman worked for various companies before returning to Telekom Department of Malaysia as an assistant controller in January 1980. From 1983 to 1985, Dato' Abdul Rahman worked for various companies under Sri Communication Sdn Bhd where he was involved in telecommunications-related projects. In 1986, Dato' Abdul Rahman joined Sapura Infrastructure Group as general manager where, he was responsible for two companies within the group involved in telecommunications-related projects. In May 1996, Dato' Abdul Rahman founded CMC Engineering Sdn Bhd to offer full turnkey engineering services relating to public transportation system, telecommunications network roll-out ("**CMC Engineering**") and oil and gas electrical and automation works.

Dato' Abdul Rahman graduated with a Diploma in Electrical Engineering (Communication) from Universiti Teknologi Malaysia in December 1978 and subsequently obtained a Bachelor of Science degree in Electronic and Electrical Engineering in July 1981 from Robert Gordon University (formerly known as Robert Gordon's Institute of Technology) in Scotland, United Kingdom. He also completed the Stanford-NUS Executive Program in February 1988.

Dato' Abdul Rahman is a Chartered Engineer and a fellow of the Institution of Engineering and Technology, a fellow of the Institution of Railway Signal Engineers, a Chartered Engineer of the Engineering Council UK, a member of Malaysian Institute of Management, a chartered member of Malaysian Institute of Directors and a Senior Fellow of the Institute of Business Executive Malaysia.

Dato' Abdul Rahman is the father of Hazwan Alif, the Non-Executive Director of the Group.

MR LIU KWEE CHOY Alternate Director to Non-Executive Chairman

Liu Kwee Choy was appointed to our Board on 20 September 2016 and is the Alternate Director to our Non-Executive Chairman, Dato' Abdul Rahman. Liu Kwee Choy served as vice president of Thales Asia Pacific Sa from 2006 to 2010. After which he served as the chief executive officer of Hollysys (Asia Pacific) Pte. Ltd. from 2011 to 2015. Liu Kwee Choy is currently a director of CMC Asia Pacific Pte Ltd, a subsidiary of CMC Engineering. Liu Kwee Choy graduated with a Masters in Business Administration from University of Hull, United Kingdom.

MR KEVIN PHUA Executive Director

Kevin Phua was appointed to our Board on 16 March 2015 as our Executive Director and Chief Executive Officer. Kevin Phua is responsible for the overall management of our Group's business and corporate development and he works together with our Non-Executive Chairman to formulate the business and corporate policies and strategies of our Group. In light of a change in controlling shareholders of the Company, Kevin Phua resigned as the Chief Executive Officer ("**CEO**") of the Group on 5 May 2017 but remained as Executive Director of the Company.

He started his career in August 1994 as an engineer with National Semiconductor Manufacturing Pte Ltd before he joined Infineon Technologies Asia Pacific Pte Ltd (formerly known as Siemens Components Pte Ltd) from March 1996 to December 2000 where he was involved in developing software for the testing of microchips as a senior engineer. In January 2001, Kevin Phua joined ST Assembly and Test Services Pte Ltd as an engineering section manager where he was in-charge of testing microchips at its test development centre. He subsequently joined Flextronics International Ltd. in June 2002 as a manager at its test development department where he was a division head and responsible for testing of product designs for Singapore, Malaysia and China. Kevin Phua founded and was the chief executive officer of Nexfrontier Solutions Pte. Ltd. from June 2005 to September 2012. Prior to being appointed as our Executive Director and CEO, Kevin Phua had been an executive director at TEE International Limited from October 2012 to August 2015 and was involved in the executive and management role in the telecommunication operation, infrastructure, information technology functions and merger and acquisition projects.

Kevin Phua graduated from Nanyang Technological University with a Bachelor of Engineering degree in May 1994 and further his studies to obtain a Master of Science (Electrical Engineering) degree from the National University of Singapore in July 1999.

MR HAZWAN ALIF Non-Executive Director

Hazwan Alif was appointed to our Board on 16 March 2015 as Executive Director. He was re-designated to Non-Executive Director on 31 October 2016. Prior to his re-designation, he primarily oversaw the business development and administration functions of our Group. He began his career as an associate with KPMG in London between October 2009 and July 2010 when he was involved in the execution of full audit work on design and effectiveness of internal controls and statutory audit on financial statements. Hazwan Alif joined Ernst and Young, Kuala Lumpur, Malaysia between October 2010 and July 2013 as a senior associate where he led audit and non-audit engagement teams serving a portfolio of clients including various banks and finance houses, asset/investment management firms and unit trust funds. In July 2013, he joined CMC Engineering as the head of strategic development and focused on business strategy development and execution, establishment of key collaborations between the company (including our operations) and its various partners. He was also responsible for identifying opportunities for the company's overseas expansions. Hazwan Alif is currently the chief executive officer of CMC Engineering.

Hazwan Alif graduated from The University of Warwick with a Bachelor of Science with Honours degree in Economics in July 2009. He is an associate with The Institute of Chartered Accountants in England and Wales, an affiliate of The Institution of Railway Signal Engineers and a committee member of the Board of the Institution of Railway Signal Engineers Malaysian Section Berhad.

Hazwan Alif is the son of Dato' Abdul Rahman, the Non-Executive Chairman of the Group.

BOARD OF DIRECTORS

MR SIM GEOK SOON Non-Executive Director

Sim Geok Soon was appointed to our Board on 14 July 2015 and is our Non-Executive Director. Sim Geok Soon has more than 30 years of experience in project and construction management in the construction engineering industries, familiar with all stages of project delivery.

Sim Geok Soon started his career as an electrical technician in Soon Meng Electrical Engineering & Plumbing Contractors in October 1982. In March 1984, he joined Link Automation Pte Ltd as an electrical foreman. In April 1985, he joined LK-NES (S.E.A) Pte. Ltd. as an assistant project engineer involved in upgrading of electrical system for various sewage pumping stations. In May 1986, he joined Kandenko Co Ltd as project engineer involved in Phase 1A Mass Rapid Transit project. In May 1988, he joined Indeco Engineer Pte Ltd as a project engineer involved in Phase 2A Mass Rapid Transit Project. In June 1990, he joined Lindeteves Jacoberg (F.E) Private Limited as a project engineer before he left as a project manager in April 1996. He was in charge of various water and waste projects in Singapore and Malaysia. In April 1996, he joined Trans Equatorial Engineering Pte Ltd as a project director and later rose to the position of senior project director/executive director before he was promoted to managing director (special projects), a position which he holds to date. He is in charge of mechanical and electrical engineering and special projects in Singapore and overseas, handling a variety of projects in the airport, metro, commercial, gaming, water and waste sectors.

Sim Geok Soon received a National Trade Certificate (Grade Three) in electrical fitting and installation (industrial & domestic) in August 1979, from the Vocational and Industrial Training Board Singapore. He obtained an Industrial Technician Certificate in Electrical Engineering in October 1981 from the Vocational and Industrial Training Board Singapore and a Certificate in Management in November 1994 from Singapore Institute of Management.

MR YEE KIT HONG Lead Independent Director

Yee Kit Hong is our Lead Independent Director and was appointed to our Board on 14 July 2015. Prior to joining Ernst & Young in July 1982, he worked as a project accountant in Morrison Knudsen Low Keng Huat and as an accountant in Brown & Roots, as well as an audit senior in Wilson Green & Gibbs. He was an assurance and tax manager at Ernst & Young when he left in September 1989. Since October 1989, Yee Kit Hong has been a partner at Kit Yee & Co, a firm providing audit, accountancy and taxation advice or related services. He is a principal partner responsible for providing assurance, advisory, consultancy and taxation services to clients.

Yee Kit Hong graduated with a Bachelor of Accountancy degree from University of Singapore in June 1971. Yee Kit Hong is a fellow of The Institute of Chartered Accountants in England and Wales and of the Institute of Singapore Chartered Accountants. He is also admitted as an accredited tax practitioner by the Singapore Institute of Accredited Tax Professionals and a full member of the Singapore Institute of Directors.

MR JAKOB HINRICHSEN Independent Director

Jakob Hinrichsen is our Independent Director and was appointed to our Board on 14 July 2015. He started his career with DSC Communications Dedicom as a project and service manager in July 1994. He then served as the sales manager of TDC, the largest telco in Denmark, responsible for sales of the company's international data solutions from June 1996 to May 1999. He joined Energis Carrier Services in June 1999 where he served as head of networks responsible for building and operating Energis' Pan-European and Transatlantic network. In November 2004, Jakob Hinrichsen co-founded Oghma and became the company's director for market development, strategy and operations. Between October 2005 and June 2007, he served as a general manager of Natrindo Telepon Seluler where he was responsible for strategy development and business planning for the company's international gateway and business. In October 2007, Jakob Hinrichsen joined PT Excelcomindo Pratama (XL) as its vice president of corporate strategy and business development responsible for strategy formation and execution of strategic initiatives. In September 2012. he became Senior Vice President of corporate strategy and business transformation with PT XL Axiata. In that role, which he held until August 2014, he was the chairman of the operating committee and led the company's strategy formation and the execution of its business transformation program. Since October 2004, Jakob Hinrichsen has also been the managing director of T. Hagen Partners Pte. Ltd., an independent consultancy firm specialising in strategy formation, and execution of growth strategies for companies in the internet, communication and technology sectors in Asia.

Jakob Hinrichsen graduated with a Master of Science in Engineering degree from the Technical University of Denmark in July 1994 and a Masters of Business Administration degree from INSEAD in December 2003. He is a member of the Singapore Institute of Directors and a member of the Danish Society of Engineers.

MR ALEX SIOW Independent Director

Alex Siow is our Independent Director and was appointed to our Board on 14 July 2015. He started his career as a structural engineer in June 1981 at the Housing & Development Board, where he was responsible for the design and construction of public housing in Singapore and was promoted to head of the construction technology unit in April 1986 where he was responsible for the introduction of several technologies for improvement of construction productivity. In September 1990, he was promoted to chief information officer responsible for the overall implementation of information technology to facilitate product development and customer service. In March 2003, Alex Siow joined StarHub Ltd as vice president of strategic relations and government affairs in the chief executive officer's office before he was appointed as head of corporate sales in February 2005 where he was responsible for the sales of all StarHub products to the enterprise sector. In February 2008, he was promoted to head of business excellence and systems technology, responsible for network convergence and the implementation of a new business support system. In March 2011, Alex Siow was promoted to head of enterprise risk management and business excellence, responsible for drawing a risk management framework, identifying risks, risk mitigation, and risk policy and process audits. Alex Siow joined Accenture Pte Ltd as managing director of health and public service in July 2013 where he was responsible for sales origination of system integration and consultancy projects in the healthcare and public sectors. Since January 2015, he has been a professor in the department of information systems, school of computing in National University of Singapore. He is also the director of Strategic Technology Management Institute and the Centre for Health Informatics at National University of Singapore.

Alex Siow graduated with a Bachelor of Engineering (Civil) degree from Stuttgart Institute of Technology in July 1979 and a Master of Science (Engineering) (Construction Management) degree from the University of Birmingham in December 1986. He completed the Senior Management Programme at INSEAD, Fontainebleu in 1991. He is a full member of the Singapore Institute of Directors. He is also a member of the Certification Board for the Institute of Management Consultants.

BOARD OF DIRECTORS

MR CLIFTON YONG Independent Director

Clifton Yong is our Independent Director and was appointed to our Board on 14 July 2015. He began his career at the Ministry of Defence from June 1982 to November 1988. From May 1991 to February 2002, Clifton Yong was with Nortel Networks before he left as vice president of submarine cables and global carriers division, responsible for the company's optical portfolio in the submarine segment and co-leading the global submarine networks initiatives which included manufacturing as well as research and development. He then joined Alcatel Singapore in February 2002 as managing director and left in March 2008 as senior vice president of the Asia Pacific region, responsible for the expansion of the company's business into enterprises and vertical markets. Subsequently, from March 2008 to July 2011, Clifton Yong was the chief commercial officer and group executive vice president of MediaCorp Pte Ltd, responsible for all commercial functions such as sales, marketing, operations and customer engagement functions.

He is currently the executive chairman of Nano Equipment Pte. Ltd., having successfully transformed the company from a technology system integrator to a cloud-based mobile solution provider.

Clifton Yong graduated from the National University of Singapore with a Bachelor of Engineering (Electrical) degree in July 1991 and obtained a Master of Business Administration (General Management) degree from University of Hull in April 1995. He also completed the general manager program at Harvard Business School in November 2000.

KEY EXECUTIVES

MR QIAN ZIMIN Chief Executive Officer

Qian Zimin was appointed as the CEO on 30 May 2017 and is responsible for the overall management of our Group's business and corporate development.

Upon graduation, Qian Zimin started his career in Shanghai First water chiller manufacture company, People's Republic of China ("**PRC**"), where he headed a group of design engineers which specialized in absorption water chiller manufacturing. In 1992, Qian Zimin joined Shanghai Huayuan Refrigeration and Air-Conditioning Engineering Company as the general manager where he was involved in the expansion and managing the daily operations of the Company.

From 2000 to 2001, Qian Zimin was the vice president of Netmegastore.com which was one of the earliest batch of e-commerce companies in Singapore. From 2002 to 2007, Qian Zimin joined MediaCorp News as a news editor and established the Chinese version of Channel NewsAsia.com which soon became one of Singapore's two major Chinese news website. In 2008, Qian Zimin founded Nanyangpost.com LLP and was their CEO till May 2017 before his appointment as the CEO of the Group.

In 2016, Qian Zimin also set up Yinda Pte. Ltd. in Singapore as subsidiary of Shanghai Yinda Science and Technology Industrial Co., Ltd. to carry out its expansion of base station rollout business where he assumed the position as managing director of the Company. Ever since his appointment as CEO of the Group, Qian Zimin has reduced his involvement in Yinda Pte. Ltd. and turned his focus to the Group's business.

Qian Zimin graduated from Shanghai Jiao Tong University in 1983 with a Bachelor degree in refrigeration engineering.

MR LIM LIAN SWA Chief Operating Officer

Lim Lian Swa is our Chief Operating Officer and is responsible for the overall operations of our Group in Singapore, Thailand and the Philippines to achieve desirable objectives, project deliverables and profitability. He is assisted by the general managers from each of the respective offices.

Upon graduation, Lim Lian Swa started his career as a project engineer with Rahmonic Resources Pte Ltd from June 1993 to March 1995, where he was responsible for computer imaging projects in the semiconductor industry. He then joined International Video Products Pte Ltd as a test engineer from March 1995 to May 1995, where he was responsible for developing and enhancing both software and hardware for online testing of recorders and other products. Subsequently, he joined Keppel Communications Pte Ltd as a project engineer in June 1995 and was responsible for achieving targeted margins and guiding a team of project engineers, before he left in August 2000 as a project manager. Thereafter, Lim Lian Swa worked as a project manager in Lantrovision (Singapore) Pte Ltd from August 2000 to April 2001 before he returned to Keppel Communications Pte. Ltd. as a senior manager in April 2001. In August 2001, he was promoted to project director responsible for the Singapore and Indonesia project offices and in April 2003, he also became responsible for the Thailand project office, in addition to the Singapore and Indonesia project offices. From 2004 to May 2011, he was project director for the Singapore and the Philippines project offices. As a project director, he was in charge of the overall performance of each of the project offices, ensuring all operation processes adhered to ISO standards and achieving targeted annual revenue. He was appointed as the Group General Manager in May 2011 and assisted the then Chief Operation Officer to oversee the overall operations of our various regional offices before he was promoted to the Chief Operating Officer of our Group in January 2015.

Lim Lian Swa graduated from the National University of Singapore in June 1993 with a Bachelor of Engineering (Electrical) degree and subsequently obtained a Master of Science (Communication & Network Systems) degree from Nanyang Technological University of Singapore in July 2003. He also successfully completed the Risk Management Course (BizSafe Level 2) in July 2010 by NTUC Learning Hub Pte Ltd, the Workshop for CEO/Top Management (BizSafe Level 1) in October 2010 by NTUC Learning Hub Pte Ltd and the ISO 9001:2008 Internal Auditing Training Course by SGS-SSC in November 2009. Lim Lian Swa has attended courses on Building Automation Systems organised by Singapore Polytechnic in April 1998 and Internal QMS Auditor Training conducted by PSB Corporation in October 2005.

KEY EXECUTIVES

MR BENJAMIN WONG Deputy Financial Controller

Benjamin Wong is our Deputy Financial Controller. He joined our Group in January 2016 and is in charge of managing the accounting and finance function of our Group including supervising the preparation of accounts as well as consolidation of financial results and reporting. Prior to joining our Group, Benjamin Wong was an auditor with the Assurance Services Unit of Ernst & Young LLP in Singapore. He progressed from an audit assistant to audit manager from 2009 to 2016 and was involved in various audit works for companies with overseas subsidiaries and listing-related audit engagements.

Benjamin Wong obtained his Bachelor of Accounting (Second Upper Honours) from the Nanyang Technological University in 2009. Benjamin Wong is a member of the Institute of Singapore Chartered Accountants since 2013.

CORPORATE GOVERNANCE REPORT

CMC Infocomm Limited (the "**Company**", and together with its subsidiaries, the "**Group**") is committed to maintaining a high standard of corporate governance. The Company understands that good corporate governance is an integral element of a sound corporation and enables it to be more transparent and forward-looking. In addition, sound corporate governance is an effective safeguard against fraud and dubious financial engineering, and hence helps to protect shareholders' interests. This also helps the Company to create long-term value and returns for its shareholders.

The Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") requires all listed companies to describe in their annual reports, their corporate governance practices, with specific reference to the principles of the Code of Corporate Governance 2012 (the "**Code**").

The Company is pleased to report on its corporate governance processes and activities as required by the Code ("**Report**"). For easy reference, sections of the Code under discussion in this Report are specifically identified. However, this Report should be read as a whole with other sections of this Report and the Annual Report in entirety.

Statement of Compliance

The Board of Directors of the Company (the "**Board**") confirms that for the financial year ended 31 May 2017 ("**FY2017**"), the Company has generally adhered to the principles and guidelines as set out in the Code, save as otherwise explained below.

1. THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board comprises the following members, all of whom have the appropriate core competencies and diversity of experience needed to enable them to effectively contribute to the Group.

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

The principal functions of the Board, in addition to carrying out its statutory responsibilities, *inter alia*, are as follows:

- overseeing and approving the formulation of the Group's overall long-term strategic objectives and directions, taking into consideration sustainability issues;
- overseeing and reviewing the management of the Group's business affairs and financial controls, performance and resource allocation;

CORPORATE GOVERNANCE REPORT

- establishing a framework of prudent and effective controls to assess and manage risks and safeguard shareholders' interests and the Group's assets; and

- reviewing management performance.

All Directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the interests of the Company.

The approval of the Board is required for matters such as, but not limited to, corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, appointment of new directors and major corporate policies on key areas of operations, major corporate actions such as share issuance, the release of the Group's half-year and full-year results, declaration of dividends and interested person transactions.

Directors may request to visit the Group's operating facilities and meet with the Group's management (the "**Management**") to gain a better understanding of the Group's business operations and corporate governance practices. Upon appointment of a new Director, the Company will provide a formal letter to the Director setting out his duties and obligations, and the Director will undergo orientation and be briefed on the business and governance practices of the Group as well as on industry-specific knowledge. All Directors who have no prior experience as directors of a listed company will undergo training and/or briefing on the roles and responsibilities as directors of a listed company. In FY2017, the newly appointed Alternate Director, Mr Casey Liu had attended a directorship course with the Singapore Institute of Directors to allow him to perform his duties effectively.

The Directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and appropriate courses and seminars will be arranged and funded by the Company. The external auditors update the Directors on the new or revised financial reporting standards on an annual basis.

To assist in the execution of its responsibilities, the Board has established three Board Committees, comprising an Audit Committee (the "**AC**"), a Nominating Committee (the "**NC**") and a Remuneration Committee (the "**RC**"). These committees function within clearly defined written terms of reference and operating procedures.

The Board meets regularly on a half-yearly basis and ad hoc Board Committee or Board meetings are convened when they are deemed necessary. The number of Board Committee and Board meetings held in FY2017 are set out below:

	Board	Board Committees		
		AC	NC	RC
Number of meetings held[1]	2	2	1	1
	Number of meetings attended			
Dato' Abdul Rahman	–[2]	–	–[2]	–
Casey Liu[3]	1	–	–	–
Kevin Phua	2	–	–	–
Hazwan Alif	2	–	–	–
Sim Geok Soon	2	–	–	–
Yee Kit Hong	2	2	1	–
Jakob Hinrichsen	2	2	–	1
Alex Siow	2	2	–	1
Clifton Yong	2	–	1	1

CORPORATE GOVERNANCE REPORT

Notes:

(1) The full year Board and Board Committee meetings conducted on 26 July 2017 was not included as they were conducted subsequent to 31 May 2017.

(2) Dato' Abdul Rahman was absent with apologies.

(3) Casey Liu was appointed as Alternate Director to Non-Executive Chairman since 20 September 2016.

The Constitution of the Company provides for meetings of the Board to be held by way of telephonic conference.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

The Board currently comprises eight Directors and one Alternate Director, of whom four (constituting half of the Board) are independent, namely, Mr Yee Kit Hong, Mr Jakob Hinrichsen, Mr Alex Siow and Mr Clifton Yong.

The criterion of independence is based on the definition set out in the Code. The Board considers an "independent" director to be one who has no relationship with the Company, its related companies, its shareholders with shareholdings of 10% or more of the total votes attached to all the voting shares in the Company, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. With four Independent Directors, the Board is able to exercise independent judgment on corporate affairs and provide the Management with a diverse and objective perspective on issues.

The independence of each Director is reviewed annually by the NC and the Board. Each Independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. The independence of any Director who has served on the Board beyond nine years from the date of his first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board. As at date of this report, none of the Independent Directors have served on the Board for a period exceeding nine years from the date of their appointments.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group and the requirements of the Group's business. There is therefore no individual or small group of individuals who dominate the Board's decision-making.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Board as a group comprises members with core competencies in accounting and finance, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge. This enables the Management to benefit from the external and expert perspectives of the Directors who collectively possess the core competencies relevant to the direction and growth of the Group.

Where necessary or appropriate, the Non-Executive Directors (including the Independent Directors) on the Board will meet without the presence of the Management. The Non-Executive Directors (including the Independent Directors) communicate regularly to discuss matters related to the Group, including the performance of the Management and the direction and growth of the Group.

The profiles of our Directors are set out on pages 10 to 14 of this Annual Report.

CORPORATE GOVERNANCE REPORT

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The positions of Chairman and Chief Executive Officer ("**CEO**") are held by separate individuals, who are not immediate family members, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for objective decision-making.

Dato' Abdul Rahman is the Non-Executive Chairman of the Company and oversees the overall strategic direction and expansion plans for the growth and development of the Group. With the assistance of the Company Secretary, he also ensures that Board meetings are held as and when required, sets the agenda for the Board meetings, ensures the quality, quantity and timeliness of the flow of information between the Management, the Board and the shareholders, and ensures effective communication with shareholders as well as promotes high standards of corporate governance.

Mr Qian Zimin was appointed as CEO of the Company on 30 May 2017, following the resignation of Mr Kevin Phua, on 5 May 2017. Mr Qian Zimin oversees the overall business and general management of the Group.

The Board is of the view that with the current executive management team and the establishment of the three Board committees, there are adequate safeguards in place to ensure unfettered decision-making, as well as to prevent an uneven concentration of power and authority in a single individual.

In view that the Non-Executive Chairman is not an Independent Director, Mr Yee Kit Hong has been appointed as the Lead Independent Director. He is available to shareholders where they have concerns or issues which communication with the Company's Chairman, CEO, Executive Director and/or Deputy Financial Controller has failed to resolve or where such communication is inappropriate.

In addition, the Lead Independent Director will co-ordinate and lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. Where necessary, the Lead Independent Director will chair meetings with only the Independent Directors present to discuss relevant issues and provide feedback to the Non-Executive Chairman.

4. BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC is responsible for making recommendations on all board appointments and re-nominations, having regard to the contribution, performance and experience of the Director seeking re-election or who was proposed to be appointed.

The NC comprises Mr Clifton Yong, Mr Yee Kit Hong and Dato' Abdul Rahman. The chairman of the NC is Mr Clifton Yong. A majority of the NC, including the chairman, is independent. The chairman of the NC is not directly associated with, any substantial shareholder of the Company.

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The written terms of reference of the NC have been approved and adopted, and they include the following:–

(a) developing and maintaining a formal and transparent process and making recommendations to the Board for the appointment and nomination for the re-election of Directors (including alternate Directors, if any), having regard to their competencies, contribution, performance and ability to commit time and attention to the affairs of the Group, taking into account their respective commitments outside the Group including their principal occupation and board representations in other companies, if any;

(b) reviewing Board succession plans for the Directors, in particular, for the Chairman and the CEO;

(c) reviewing and approving any new employment of related persons and the proposed terms of their employment;

(d) determining on an annual basis whether or not a Director is independent having regard to Guideline 2.3 or 2.4 of the Code and any other salient factors;

(e) review and decide, in respect of a Director who has multiple board representations on other companies (if any), whether or not such Director is able to and has been adequately carrying out his duties as a Director, having regard to the competing time commitments that are faced by the Directors serving on multiple boards and discharging his duties towards other principal commitments;

(f) reviewing training and professional development programs for the Board; and

(g) developing a process for evaluating the performance of the Board, its committees and the Directors and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long-term shareholders' value.

Having made its review, the NC is of the view that Mr Yee Kit Hong, Mr Jakob Hinrichsen, Mr Alex Siow and Mr Clifton Yong have satisfied the criteria for independence.

The Company does not have a formal selection criteria for the appointment of new Directors to the Board. When the need for a new Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC, in consultation with the Board, will determine the selection criteria and will select candidates with the appropriate expertise and experience for the position. In its search and nomination process for new Directors, the NC may rely on search companies, personal contacts and recommendations for the right candidates.

Board appointments are made by the Board after the NC has, upon reviewing the resume of the proposed Director and conducting appropriate interviews, recommended the appointment to the Board. Pursuant to the Constitution of the Company, each Director is required to retire at least once every three years by rotation, and all newly appointed Directors who are appointed by the Board are required to retire at the next annual general meeting following their appointment. The retiring Directors are eligible to offer themselves for re-election.

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The dates of initial appointment and last re-election of the Directors, together with their directorships in other listed companies, are set out below:–

Director	Position	Date of Initial Appointment	Date of Last Re-election	Current Directorships in Listed Companies	Past Directorships in Listed Companies (in Last Three Years)
Dato' Abdul Rahman	Non-Executive Chairman	14 July 2015	12 August 2015	PJ Development Holdings Berhad	–
Casey Liu	Alternate Director to Non-Executive Chairman	20 September 2016	N.A.	–	–
Kevin Phua	Executive Director	16 March 2015	26 September 2016	–	–
Hazwan Alif	Non-Executive Director	16 March 2015	12 August 2015	–	–
Sim Geok Soon	Non-Executive Director	14 July 2015	26 September 2016	–	–
Yee Kit Hong	Lead Independent Director	14 July 2015	26 September 2016	Acromec Limited Global Palm Resources Holding Limited Nam Cheong Limited	KOP Limited
Jakob Hinrichsen	Independent Director	14 July 2015	12 August 2015	–	–
Alex Siow	Independent Director	14 July 2015	12 August 2015	–	–
Clifton Yong	Independent Director	14 July 2015	12 August 2015	–	–

According to Article 104 of the Company's Constitution, Dato' Abdul Rahman (together with his Alternate Director, Mr Casey Liu), Mr Hazwan Alif and Mr Jakob Hinrichsen, will be eligible for re-election at the Company's forthcoming annual general meeting. However, they have represented to the Company that they will not be seeking re-election and will retire upon the conclusion of the annual general meeting. The Company will be appointing suitable replacements in due course.

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations. The NC is of the view that the matter relating to multiple board representations should be left to the judgement of each Director given that time requirements for different board representations vary. As such, the NC and the Board have decided that there is no necessity to determine the maximum number of listed company board representations which a Director may hold.

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The Board provides for appointment of alternate directors only in exceptional cases such as when a director has a medical emergency. The alternate director bears all the duties and responsibilities of a Director. The Board will take into consideration the same criteria applied to the selection of directors to the appointment of alternate directors, taking into account, amongst others, his qualifications and competencies. In view of this, the Board had approved the appointment of Mr Casey Liu as an Alternate Director to Dato' Abdul Rahman.

Key information regarding the Directors is set out on pages 10 to 14 of this Annual Report. None of the Directors hold shares in the subsidiaries of the Company.

5. BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board's performance is linked to the overall performance of the Group. The Board ensures that the Company is in compliance with the applicable laws, and members of our Board are required to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of the Chairman and each individual Director to the effectiveness of the Board. The NC has established a review process and has proposed objective performance criteria set out in assessment checklists which are approved by the Board. The NC assesses the Board's effectiveness as a whole by completing a Board Assessment Checklist, which takes into consideration factors such as the Board's structure, conduct of meetings, risk management and internal control, and the Board's relationship with the Management. The NC also assesses the Board's performance based on a set of quantitative criteria and financial performance indicators as well as share price performance. The NC assesses the individual Directors' performance by completing an Individual Director Assessment Checklist, which takes into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings and the technical knowledge of the Directors. The assessment of the Board as a whole and the individual Directors are conducted annually. No external facilitor was engaged by the Board for this purpose in FY2017.

In view of the size and composition of the Board, the Board deems it unnecessary for the NC to assess the effectiveness of each Board Committee.

The performance criteria are not subject to changes from year to year. Nonetheless, where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such changes.

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the background, experience, business knowledge, finance and management skills critical to the Group's business. They have also ensured that each Director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

CORPORATE GOVERNANCE REPORT

6. ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are from time to time furnished with detailed information concerning the Group to support their decision-making process. Upon request, the Management will provide in a timely manner any additional information needed for the Directors to make informed decisions.

Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. In respect of budgets or internal forecasts, any material variance between the projections and the actual results should be disclosed to and explained to the Board.

As a general rule, notices are sent to the Directors one week in advance of Board meetings, followed by the Board papers, in order for the Directors to be adequately prepared for the meetings.

The Board (whether individually or as whole) has separate and independent access to the Management and the Company Secretary at all times, and may seek independent professional advice, if necessary, at the expense of the Company. The Company Secretary's role is defined. The Company Secretary attends all Board meetings and ensures that all Board procedures are followed. Where the Company Secretary is unable to attend any Board meeting, she ensures that a suitable replacement is in attendance and that proper minutes of the same are taken and kept. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

The Directors may seek independent professional advice as and when necessary in furtherance of their duties, either individually or as a group. Any cost of obtaining such professional advice will be borne by the Company.

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC makes recommendations to the Board on the framework of remuneration, and the specific remuneration packages for each Director and key management personnel.

The RC comprises Mr Alex Siow, Mr Jakob Hinrichsen and Mr Clifton Yong, all of whom are Independent Directors. The chairman of the RC is Mr Alex Siow.

The terms of reference of the RC have been approved and adopted. The duties and powers of the RC include the following:–

(a) reviewing and recommending for endorsement by the entire Board a framework of remuneration for the Directors and Executive Officers and determining specific remuneration packages of each Director and Executive Officer. The RC shall cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind;

CORPORATE GOVERNANCE REPORT

(b) reviewing annually the remuneration, bonuses, pay increase and/or promotions of employees who are related to the Directors or substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;

(c) reviewing the Company's obligations arising in the event of termination of service contracts entered into between the Group and its Executive Directors or Executive Officers, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly onerous to the Group;

(d) if necessary, seeking expert advice within and/or outside the Company on remuneration matters, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and

(e) reviewing annually the remuneration package in order to maintain their attractiveness to retain and motivate the Directors and Executive Officers and to align the interests of the Directors and Executive Officers with the long-term interests of the Company.

The members of the RC are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships. The RC has access to expert advice regarding executive compensation matters, if required and shall ensure that any relationship between the appointed consultant and any of its Director or the Company will not affect the independence and objectivity of the remuneration consultant. The Board did not engage any external remuneration consultant to advise on remuneration matters for FY2017.

The RC's recommendations will be submitted for endorsement by the Board. No Director is involved in deciding remuneration, compensation or any form of benefit to be granted to himself, his associates or employees who are related to him.

8. LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and key management personnel. The remuneration package is designed to allow the Company to better align the interests of the Executive Directors and key management personnel with those of shareholders and link rewards to corporate and individual performance.

Executive directors do not receive directors' fees. Remuneration for the Executive Directors comprises a basic salary component and a variable component that is the incentive bonus, based on the performance of the Group as a whole.

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The Independent Directors and Non-Executive Directors receive directors' fees, subject to shareholders' approval at annual general meetings. The Non-Executive Directors receive directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent, the responsibilities and obligations of each Director and their contributions to the Board. The Group recognises the need to pay competitive fees to attract, motivate and retain Non-Executive Directors, without being excessive to the extent that their independence is compromised, and thereby maximising shareholders' value.

The Company had entered into fixed-term service agreements with the Executive Directors, namely Mr Kevin Phua and Mr Hazwan Alif. The service agreements are valid for an initial period of three years with effect from the date of admission of the Company to the Catalist. Upon the expiry of the initial period of three years, the employment of Mr Kevin Phua and Mr Hazwan Alif shall be automatically renewed on a year-to-year basis on the same terms or otherwise on such terms and conditions as the parties may agree in writing. During the initial period of three years, either party may terminate the service agreements at any time by giving the other party not less than six months' notice in writing, or in lieu of notice, payment of an amount equivalent to six months' salary based on the director's last drawn monthly salary. The current CEO, Mr Qian Zimin holds a similiar service agreement.

Mr Hazwan Alif was re-designated to Non-Executive Director on 31 October 2016. Following which, the service agreement previously entered into was terminated. He will be receiving only Directors' fees from November 2016 to May 2017, which will be put up for the approval of shareholders at the upcoming annual general meeting.

The Company does not currently have any long-term incentive schemes. The RC will consider recommending the implementation of such schemes for the Directors as well as key management personnel as and when it consider appropriate.

The RC is of the view that it is currently not necessary to use contractual provisions at this juncture to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company, as the remuneration package of the Executive Directors are moderate and not excessive. The RC will review such contractual provisions as and when necessary.

9. DISCLOSURE ON REMUNERATION

Principle 9: **Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

The Board is of the view that full disclosure of the specific remuneration of each individual Director is not in the best interests of the Company, taking into account the sensitive nature of the subject, the competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group.

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The level and mix of remuneration paid or payable to the Directors and key management personnel for FY2017 are set out as follows:–

Remuneration Bands	Salary & CPF %	Bonus & CPF %	Director's Fee[1] %	Other Benefits %	Total %
Directors and CEO					
Below S$250,000					
Dato' Abdul Rahman	–	–	100.0	–	100.0
Casey Liu[2]	–	–	–	–	–
Hazwan Alif[3]	67.0	–	18.1	14.9	100.0
Kevin Phua[4]	93.2	–	–	6.8	100.0
Sim Geok Soon	–	–	100.0	–	100.0
Yee Kit Hong	–	–	100.0	–	100.0
Jakob Hinrichsen	–	–	100.0	–	100.0
Alex Siow	–	–	100.0	–	100.0
Clifton Yong	–	–	100.0	–	100.0
Qian Zimin[5]	100.0	–	–	–	100.0
Key Management Personnel[6]					
Below S$250,000					
Lim Lian Swa	88.2	4.3	–	7.5	100.0
Wong Wei Wen, Benjamin	89.3	–	–	10.7	100.0

Note:

(1) Director's fees were approved at the last annual general meeting held on 26 September 2016. During the financial year, as Mr Hazwan Alif was re-designated to Non-Executive Director, the director's fee payable to him is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.
(2) Mr Casey Liu was appointed as Alternate Director to Non-Executive Chairman since 20 September 2016.
(3) Mr Hazwan Alif was re-designated from Executive Director to Non-Executive Director since 31 October 2016.
(4) Mr Kevin Phua ceased to be CEO with effect from 5 May 2017 but remains as Executive Director as at the date of this Report.
(5) Mr Qian Zimin was appointed as CEO since 30 May 2017.
(6) The Company only has two key management personnel (who are not Directors or CEO) in FY2017.

There were no employees of the Company or its subsidiaries who were immediate family members of any Director or the CEO and whose remuneration exceeded S$50,000 during FY2017.

The aggregate remuneration paid to the above key management personnel of the Group (excluding the Executive Directors and the CEO) in FY2017 amounted to S$327,000.

There are no termination, retirement or post-employment benefits that are granted to the Directors, CEO and the key management personnel of the Group. Currently, the Company has not implemented any employee share option schemes.

CORPORATE GOVERNANCE REPORT

10. ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board understands its accountability to the shareholders on the Group's performance, financial position and prospects. The objectives of the presentation of the annual and half year financial statements announcements to its shareholders are to provide the shareholders with a balanced and understandable analysis and explanation of the Group's financial performance and position, and prospects. In line with the Catalist Rules, the Board provides a negative assurance statement to the shareholders in respect of the half year financial statements announcement.

The Management understands its role in providing all members of the Board with management accounts on a half-yearly basis and such explanation as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, financial position and prospects.

11. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

The internal auditors conduct annual reviews of the effectiveness of the Group's key risk management and internal control systems, including financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The Board has received assurance from the Executive Director and the Deputy Financial Controller (a) that the financial records have been properly maintained and the financial statements for the financial year ended 31 May 2017 give a true and fair view of the Company's operations and finances, and (b) regarding the effectiveness of the Company's risk management and internal control systems.

Based on the assurance from the Executive Director and Deputy Financial Controller referred to in the preceding paragraph, the various internal controls put in place by the Group, the work performed and reports submitted by the internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems of the Group, addressing financial, operational, compliance and information technology controls, were adequate and effective as at 31 May 2017.

CORPORATE GOVERNANCE REPORT

The Company does not have a Risk Management Committee. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks, as well as appropriate measures through which to control and mitigate these risks. The Management reviews all significant control policies and procedures, and highlights all significant matters to the Board and the AC.

12. AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference, which clearly set out its authority and duties.

The AC comprises Mr Yee Kit Hong, Mr Jakob Hinrichsen and Mr Alex Siow, all of whom are Independent Directors. The chairman of the AC is Mr Yee Kit Hong. No former partner or director of the Company's existing audit firm or auditing corporation is a member of the AC. The members of the AC have sufficient accounting or financial management expertise, as interpreted by the Board in its business judgment, to discharge the AC's functions.

The written terms of reference of the AC have been approved and adopted. The main duties and powers of the AC include:–

(a) reviewing the audit plans and scope of work of the external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the Group's system of internal controls, the management letters on the internal controls and the Management's response;

(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management system (such review may be carried out internally or with the assistance of any competent third parties) prior to the incorporation of such results in the Company's annual report;

(c) reviewing the annual consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies and practices, significant financial reporting issues and judgements, compliance with Singapore financial reporting standards as well as compliance with the Catalist Rules and other statutory or regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management to ensure the integrity of the financial statements of the Group and any announcements relating to the Company's financial performance, where necessary, before submission to the Board for approval;

(d) reviewing and discussing with the external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;

(e) reviewing and ensuring the co-ordination between internal auditors, external auditors and the Management, including the assistance given by the Management to the auditors;

(f) considering the appointment and re-appointment of the external auditors, including their independence and objectivity, taking into account the non-audit services provided by the external auditors;

CORPORATE GOVERNANCE REPORT

(g) reviewing and ratifying any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules, and approving interested person transactions where the value thereof amount to 3% or more of the latest audited net tangible assets of the Group (either individually or as part of a series or are aggregated with other transactions involving the same interested person during the same financial year), or any agreement or arrangement with an interested person that is not in the ordinary course of business of the Group, prior to the Group's entry into the transaction, agreement or arrangement;

(h) making recommendations to the Board on the proposals to the shareholders with regard to the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(i) reviewing and approving the Group's foreign exchange hedging policies (if any), and conducting periodic reviews of foreign exchange transactions and hedging undertaken by the Group;

(j) reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time; and

(k) ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing the adequacy and effectiveness of the internal audit function at least annually.

The AC has full authority to investigate any matter within its terms of reference, full access to and cooperation from the Management, and full discretion to invite any Director, Executive Officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

The AC meets with the external and internal auditors without the presence of the Management, at least once or an annual basis and as and when necessary during the year.

The external auditors update the AC on any changes in accounting standards impacting the financial statements of the Group before an audit commences.

The fees paid by the Company to the external auditors in FY2017 for audit and non-audit services amounted to $115,000 and $16,000, respectively. The AC, having undertaken a review of all non-audit services which mainly includes tax services provided by the external auditors, is of the opinion that such services would not affect the independence of the external auditors.

The Company has complied with Rules 712 and 715 of the Catalist Rules in relation to its external auditors.

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees and external parties to raise concerns about misconduct or improprieties in the Group and at the same time assure them that they will be protected from victimisation for whistle-blowing in good faith. Cases that are significant are reviewed by the AC for adequacy of investigation actions and resolutions. A copy of this policy, including the contact details of the AC, is available on the Company's website. These was no whistle blowing report received during the financial year ended 2017.

The AC also considered the report from the external auditors, including their findings on the key areas of audit focus. Significant matters that were discussed with Management and external auditors have been included as key audit matter ("**KAMs**") in the independent auditors' report dated 31 August 2017. In assessing each KAM,

CORPORATE GOVERNANCE REPORT

the AC considered the approach and methodology applied in the valuation of assets and recognition of revenue/expense, including the estimates and key assumptions used. The AC concluded that management's accounting treatment and estimates adopted in each of the KAMs were appropriate.

13. INTERNAL AUDIT

Principle 13: The company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognises the importance of maintaining a system of internal controls to safeguard the shareholders' investments and the Group's assets. The Company outsources the internal audit function to an external professional firm to perform the review and test of controls of the Group's processes. The AC approves the appointment, removal, evaluation and compensation of the internal auditors. The internal auditors report directly to the chairman of the AC and has full access to the Company's documents, records, properties and personnel.

The internal auditors plan its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities of the internal auditors, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

The AC is satisfied that the internal audit function is adequately staffed with suitably qualified and experienced professionals with the relevant experience. The internal audit work is carried out in accordance with the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

14. SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNET. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable.

Shareholders are informed of general meetings through notices published in the newspapers and through reports or circulars sent to all shareholders. The Company encourages shareholders' participation during the general meetings. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures. The Company appoints an independent external party as scrutineer ("**Scrutineer**") for the poll voting process at the general meetings of the Company. The Scrutineer will explain the poll voting procedures to Shareholders at the general meetings of the Company before the resolutions are put to vote.

Shareholders (other than a shareholder who is a relevant intermediary) may vote in person or by appointing up to two proxies to attend and vote on their behalf at the general meetings of the Company. A shareholder who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the general meetings of the Company.

CORPORATE GOVERNANCE REPORT

15. COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company recognises that effective communication leads to transparency and enhances accountability. The Company regularly conveys pertinent information, gathers views or input, and addresses shareholders' concerns. In this regard, the Company provides timely information to its shareholders via SGXNET announcements and news releases and ensures that price-sensitive information is publicly released and is announced within the mandatory period. The Company does not practise selective disclosure.

The Company is committed to maintaining a high level of corporate transparency of its financial results and all other pertinent information. The Company's investor relations function is under the purview of Mr Qian Zimin, CEO and Mr Benjamin Wong, Deputy Financial Controller.

Shareholders, investors or analysts may also send their queries or concerns to the Management, whose contact details can be found on the Company's website, press releases and the corporate information page of this Annual Report. The Company will consider use of other forums as and when applicable.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate. The Board has not recommended any dividend for FY2017 as the Board wants to redeploy cash reserves of the Group for expansion purposes and to sufficiently provide for any unexpected adverse changes in the macro economic environment.

16. CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All shareholders of the Company will receive the Annual Reports or Circulars and the notice of the general meetings. The notice will also be advertised in a local newspaper and made available on SGXNET. The Company encourages shareholders' participation at annual general meetings, and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board committees. The Company's external auditors are also present to assist the Board in addressing any relevant queries from shareholders. Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders upon their request.

The Company also ensures that there are separate resolutions at general meetings on each distinct issue. The Company will put all resolutions to vote by poll and announce the detailed results, including the number of vote cast for and against each resolution and the respective percentages, after the conclusion of the annual general meeting. The Company will deploy electronic polling if necessary.

The Company has not yet amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of shareholders' identities through the web are not compromised.

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

In compliance with the Catalist Rules on dealings in securities, Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company shall not deal in and shall prohibit dealings in its shares by its Directors, officers and employees during the period commencing one month before the announcement of the Company's half-year and full-year financial statements, and ending on the date of the announcement of the results. Directors and employees of the Company are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Group does not have a general mandate pursuant to Rule 920 of the Catalist Rules for interested person transactions.

During FY2017, the Group did not enter into any interested person transactions of S$100,000 and more.

MATERIAL CONTRACTS

Subsequent to year end, the Company and its wholly-owned subsidiary, CMC Communications (Singapore) Pte. Ltd. (now known as Yinda Technology Singapore Pte. Ltd. ("**Yinda Singapore**")) have, on 23 June 2017 and 7 July 2017 respectively, entered into separate loan agreements with Yinda Pte. Ltd. ("**Yinda**"), the controlling shareholder of the Company. Pursuant to the loan agreements, Yinda has agreed to lend the Company and Yinda Singapore S$1 million and S$0.5 million respectively. The loans are unsecured and have interest chargeable of 3.25% per annum which are repayable every quarterly. The loans shall be repayable in full after one year from the dates of the loan agreements.

Save as disclosed above, there were no other material contracts entered into by the Group, involving the interests of the CEO, each Director or controlling shareholder, either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

NON-SPONSOR FEES

For FY2017, there were no non-sponsor fees paid to the Company's sponsor, SAC Capital Private Limited.

CORPORATE GOVERNANCE REPORT

USE OF IPO PROCEEDS

The utilisation of the net proceeds from the Company's initial public offering ("**IPO**") as of 6 September 2017 is set out as below:

	Amount allocated	Amount allocated after the reallocation[1]	Amount utilised	Balance
	S$'000	S$'000	S$'000	S$'000
Expansion of business operations	3.20	2.20	0.18	2.02
Repayment of amount owing to TEE International Limited	0.60	0.60	0.60	–
General corporate and working capital requirements	0.18	1.18	1.18[2]	–
Total	**3.98**	**3.98**	**1.96**	**2.02**

Notes:–

(1) The Company had, on 31 May 2017, announced a reallocation on the use of its IPO proceeds.

(2) Breakdown of the general corporate and working capital requirements:

	S$'000
Professional fees	117
Employee benefit expenses for the Company	23
Sundry expenses	40
Payment to suppliers	1,000
	1,180

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of CMC Infocomm Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 May 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to meet its liabilities as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Dato' Abdul Rahman Bin Yusof
Liu Kwee Choy
Phua Cher Chuan
Hazwan Alif Bin Abdul Rahman
Sim Geok Soon
Yee Kit Hong
Hans Jakob Hinrichsen
Siow Yuen Khong Alex
Yong Kee Tong

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company or of related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Ordinary shares in the Company	At the beginning of financial year/date of appointment	At the end of financial year	At the beginning of financial year/date of appointment	At the end of financial year
Dato' Abdul Rahman Bin Yusof[(1)]	–	–	64,650,000	8,098,000
Phua Cher Chuan	50,000	50,000	–	–
Hazwan Alif Bin Abdul Rahman[(2)]	500,000	876,200	–	–
Sim Geok Soon	40,000	40,000	–	–
Yee Kit Hong	100,000	100,000	–	–
Hans Jakob Hinrichsen	100,000	100,000	–	–

(1) Dato' Abdul Rahman Bin Yusof is deemed to have an interest in 7,448,000 shares held by CMC Engineering Sdn. Bhd. and 500,000 shares held by Ray Venture Inc (through its nominee, Citibank Nominees Singapore Pte Ltd), by virtue of Section 7 of the Companies Act. He is also deemed to be interested in 150,000 shares held by his wife, Adilah Binti Abdullah (through her nominee, CIMB Securities (Singapore) Pte Ltd) by virtue of Section 7 of the Companies Act.

(2) The shares held by Hazwan Alif Bin Abdul Rahman are held through his nominee, CIMB Securities (Singapore) Pte Ltd.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 June 2017.

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option as at the end of the financial year.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

The audit committee ("**AC**") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Group's and the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

- Reviewed the announcements and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;

- Reviewed the nature and extent of non-audit services provided by the external auditor;

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate;

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual Section B: Rules of Catalist;

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once during the year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

DIRECTORS' STATEMENT

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Phua Cher Chuan
Director

Hazwan Alif Bin Abdul Rahman
Director

Singapore
31 August 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CMC INFOCOMM LIMITED

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of CMC Infocomm Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the financial position of the Group and Company as at 31 May 2017, statements of changes in equity of the Group and Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 May 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CMC INFOCOMM LIMITED

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

KEY AUDIT MATTERS (Continued)

Accounting for telecommunications projects

The Group recognised revenue and expenses from telecommunications network design, planning and implementation in the wireless and internet communications services using the stage of completion method. The stage of completion is measured by reference to completion of work performed in accordance with contract milestones. The determination of revenue and expenses from the telecommunication projects requires significant management judgment and estimates such as estimates of the progress towards completion, total budgeted contract cost, remaining costs to completion and budgeted gross profit margin. Accordingly, we identified this as a key audit matter.

We performed the following audit procedures, amongst others:

- We obtained an understanding and tested, on a sample basis, the key financial controls surrounding management's revenue recognition and internal costing put in place to estimate the projects' revenue, expenses and profit margin.

- We tested the mathematical accuracy of projects' revenue, expenses and profit margin based on the stage of completion calculation.

- We reviewed contractual terms and conditions, revenue and expenses incurred for significant projects.

- We reviewed budgeted costs against actual costs incurred to date and assessed the reasonableness of costs to be incurred and robustness of management's budgeting process by comparing actual cost against budgeted cost for completed projects.

- We discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, and overruns where it is probable that project expenses will exceed project revenue and require the recognition of foreseeable losses on such projects.

Information regarding the Group's revenue from telecommunication projects and contracts work-in-progress are disclosed in Note 4 and Note 15 to the financial statements.

Impairment of intangible assets

As disclosed in Note 11, the Group's intangible assets relate to customer relationships. The customer relationships were allocated to two cash-generating units ("CGUs"), CMC Communications (Singapore) Pte. Ltd. ("CMCCS") and CMC Communications (Thailand) Co., Ltd. ("CMCCT"). Intangible assets have remaining estimated useful lives of 4 years.

During the year ended 31 May 2017, management performed impairment assessment on the two CGUs and impairment loss of $2.4 million was recognised on the intangible assets. We considered the audit of management's impairment assessment of intangible assets to be a key audit matter because the assessment process involved significant management judgment, and was based on assumptions that are affected by future market and economic conditions.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CMC INFOCOMM LIMITED

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

KEY AUDIT MATTERS (CONTINUED)

Impairment of intangible assets (Continued)

We performed the following audit procedures, amongst others:

- We gained an understanding from management on any significant adverse changes that have taken place during the period in the technological, market, economic or legal environments in which the CGUs operate.

- We reviewed cash flows projections of the CGUs approved by management. In particular, we evaluated the reasonableness of the projected order books, the growth rate covering the remaining useful lives of the customer relationships and the budgeted gross profit margin by reviewing the status of ongoing projects.

- We reviewed the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results of the CGUs.

Information regarding management's impairment assessment of intangible assets is disclosed in Note 11 to the financial statements.

Impairment of investment in subsidiaries

As at 31 May 2017, the Company has investment in subsidiaries with carrying value of $7,395,000. The Company assesses at each reporting date whether there are indicators of impairment and if there are such indicators, an estimate is made of the recoverable amount of the investment concerned. A cash flow forecast is performed to assess the recoverable amount of subsidiaries with impairment indicators. Significant judgment over the assumptions and estimations used in performing the forecast is required. The key assumptions and estimations used in performing the forecast are the annual growth rate of the business, the budgeted gross profit margin, the discount rate and the terminal growth rate. Accordingly, we identified this as a key audit matter.

We performed the following audit procedures, amongst others:

- We reviewed the key assumptions and estimates used by management in the value in use calculations.

- We assessed the reasonableness of the annual growth rate and the budgeted gross profit margin used by comparing them to historical results, current developments and future plans of the business.

- We involved our internal valuation specialists to assess reasonableness of the discount rate and the terminal growth rate used by management.

- We reviewed the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results.

The related disclosures are included in Note 2.6 and Note 12 to the financial statements. The key sources of estimation uncertainty in relation to impairment of investment in subsidiaries are disclosed in Note 3 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CMC INFOCOMM LIMITED

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

OTHER INFORMATION

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CMC INFOCOMM LIMITED

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CMC INFOCOMM LIMITED

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

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.

The engagement partner on the audit resulting in this independent auditor's report is Yeow Hui Cheng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
31 August 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	Note	2017 $'000	2016 $'000
Revenue	4	**14,238**	18,217
Cost of sales		**(10,864)**	(13,567)
Gross profit		**3,374**	4,650
Other income		**112**	247
Interest income		**15**	13
Other operating expenses		**(3,146)**	(1,687)
Administrative expenses		**(4,574)**	(4,570)
Finance costs	6	**(111)**	(118)
Loss before tax	7	**(4,330)**	(1,465)
Income tax credit/(expense)	8	**8**	(32)
Loss net of tax		**(4,322)**	(1,497)
Loss attributable to owners of the Company, net of tax		**(4,322)**	(1,497)
Loss per share attributable to owners of the Company (cents per share)			
Basic and diluted	9	**(2.84)**	(1.02)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gain/(losses) on measurements of post-employment benefit plan, net of tax		**9**	(29)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**54**	(153)
Other comprehensive income for the year, net of tax		**63**	(182)
Total comprehensive income for the year		**(4,259)**	(1,679)
Total comprehensive income for the year attributable to owners of the Company		**(4,259)**	(1,679)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	**835**	957	**3**	4
Intangible assets	11	**178**	3,193	**–**	–
Investment in subsidiaries	12	**–**	–	**7,395**	11,121
Deferred tax assets	14	**133**	155	**–**	–
Restricted bank deposits	18	**–**	19	**–**	–
Deposits		**60**	43	**–**	–
		1,206	4,367	**7,398**	11,125
Current assets					
Gross amount due from customers for contracts work-in-progress	15	**7,092**	4,857	**–**	–
Trade and other receivables	16	**4,826**	7,261	**19**	25
Amounts due from subsidiaries	17	**–**	–	**1,289**	390
Cash and bank balances	18	**2,351**	5,210	**1,021**	3,200
		14,269	17,328	**2,329**	3,615
Total assets		**15,475**	21,695	**9,727**	14,740
EQUITY AND LIABILITIES					
Current liabilities					
Gross amount due to customers for contracts work-in-progress	15	**778**	794	**–**	–
Trade and other payables	19	**4,231**	6,274	**300**	541
Amounts due to subsidiaries	17	**–**	–	**50**	475
Loan and borrowings	20	**1,809**	1,766	**941**	1,148
Provision for tax		**376**	287	**–**	–
		7,194	9,121	**1,291**	2,164
Net current assets		**7,075**	8,207	**1,038**	1,451
Non-current liabilities					
Deferred tax liabilities	14	**–**	30	**–**	–
Loan and borrowings	20	**322**	351	**–**	351
Employee benefit liabilities	21	**219**	194	**–**	–
		541	575	**–**	351
Total liabilities		**7,735**	9,696	**1,291**	2,515
Net assets		**7,740**	11,999	**8,436**	12,225
Equity attributable to owners of the Company					
Share capital	22	**14,542**	14,542	**14,542**	14,542
Retained earnings/(accumulated losses)		**1,673**	5,986	**(6,106)**	(2,317)
Reserves	23	**(8,475)**	(8,529)	**–**	–
Total equity		**7,740**	11,999	**8,436**	12,225
Total equity and liabilities		**15,475**	21,695	**9,727**	14,740

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	Attributable to owners of the Company									
	Equity total $'000	Share capital (Note 22) $'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
Group										
At 1 June 2015	**10,337**	**726**	**78**	**–**	**76**	**7,512**	**1,945**	**1,890**	**49**	**6**
Loss for the year	(1,497)	–	–	–	–	(1,497)	–	–	–	–
Other comprehensive income										
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)	–	–	–	–
Contributions by owners										
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 and 1 June 2016	**11,999**	**14,542**	**–**	**(10,397)**	**(77)**	**5,986**	**1,945**	**1,890**	**49**	**6**
Loss for the year	(4,322)	–	–	–	–	(4,322)	–	–	–	–
Other comprehensive income										
Actuarial gains on measurement of post-employment benefit plan, net of tax	9	–	–	–	–	9	–	–	–	–
Currency translation difference	54	–	–	–	54	–	–	–	–	–
Other comprehensive income for the year, net of tax	63	–	–	–	54	9	–	–	–	–
Total comprehensive income for the year	(4,259)	–	–	–	54	(4,313)	–	–	–	–
At 31 May 2017	**7,740**	**14,542**	**–**	**(10,397)**	**(23)**	**1,673**	**1,945**	**1,890**	**49**	**6**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	Attributable to owners of the Company		
	Equity total $'000	Share capital (Note 22) $'000	Accumulated losses $'000
Company			
At 1 June 2015	**(657)**	**–***	**(657)**
Loss for the year, representing total comprehensive income for the year	(1,660)	–	(1,660)
Contributions by owners			
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 and 1 June 2016	**12,225**	**14,542**	**(2,317)**
Loss for the year, representing total comprehensive income for the year	(3,789)	–	(3,789)
At 31 May 2017	**8,436**	**14,542**	**(6,106)**

* 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 2017

	Note	2017 $'000	2016 $'000
Operating activities:			
Loss before tax		**(4,330)**	(1,465)
Adjustments for:			
Interest expense on borrowings	6	**111**	118
Interest income	7	**(15)**	(13)
Loss on disposal of property, plant and equipment	7	**6**	9
Impairment of investment in joint venture	7	**42**	–
Impairment of notes receivable	7	**63**	–
Allowance for doubtful debts	7	**45**	176
Write-back of allowance for doubtful debts	7	**(76)**	(8)
Depreciation of property, plant and equipment	10	**358**	252
Amortisation of intangible assets	11	**641**	639
Impairment of intangible assets	11	**2,385**	–
Exchange loss/(gain)		**60**	(71)
Employee benefit liabilities	21	**43**	42
Total adjustments		**3,663**	1,144
Operating cash flows before changes in working capital		**(667)**	(321)
Changes in working capital:			
Increase in gross amount due from customers for contracts work-in-progress		**(2,235)**	(1,179)
Decrease/(increase) in trade and other receivables and deposits		**2,389**	(1,683)
(Decrease)/increase in gross amount due to customers for contracts work-in-progress		**(16)**	276
(Decrease)/increase in trade and other payables		**(1,801)**	2,441
Total changes in working capital		**(1,663)**	(145)
Cash flows used in operations		**(2,330)**	(466)
Interest received		**15**	13
Interest paid		**(116)**	(118)
Taxes refund/(paid)		**64**	(192)
Net cash flows used in operating activities		**(2,367)**	(763)
Investing activities:			
Purchase of property, plant and equipment	10	**(194)**	(535)
Proceeds from disposal of property, plant and equipment		**1**	–
Decrease in deposits pledged with bank		**19**	40
Investment in joint venture		**(42)**	–
Net cash flows used in investing activities		**(216)**	(495)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	Note	2017 $'000	2016 $'000
Financing activities:			
Proceeds from bank borrowings		**2,383**	618
Repayment of bank borrowings		**(1,976)**	–
Repayment of shareholder's loan		**(558)**	(1,129)
Placement of pledged deposits		**(100)**	(85)
Proceeds from issuance of shares pursuant to the initial public offering		**–**	6,000
Payment of initial public offering related expenses		**–**	(1,326)
Decrease in amounts due to related companies		**(119)**	(340)
Net cash flows (used in)/generated from financing activities		**(370)**	3,738
Net (decrease)/increase in cash and cash equivalents		**(2,953)**	2,480
Effects of exchange rate changes on cash and cash equivalents		**(6)**	(66)
Cash and cash equivalents at 1 June		**5,125**	2,711
Cash and cash equivalents at 31 May	18	**2,166**	5,125

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 2017

1. CORPORATE INFORMATION

1.1 The Company

CMC Infocomm Limited is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

As at 31 May 2017, the Company’s immediate holding company is Yinda Pte. Ltd. which is incorporated and domiciled in Singapore and its ultimate holding company is Shanghai Yinda Technology Group Co Ltd which is incorporated and domiciled in the People’s Republic of China.

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.

During the financial year, Yinda Pte. Ltd. acquired 113,104,000 shares, representing approximately 74.41% of the capital of the Company from TEE International Limited and CMC Engineering Sdn. Bhd..

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

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

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($’000), except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 June 2018.

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 2016. The adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

Description	Effective for annual periods beginning on or after
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRSs (December 2016)	
– Amendments to FRS 101: *First-time Adoption of Financial Reporting Standards*	1 January 2018
– Amendments to FRS 112: *Classifications of the Scope of the Standard*	1 January 2018
– Amendments to FRS 28: *Measuring an Associate of Joint Venture at fair value*	1 January 2018
Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 & FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Except for FRS 109, FRS 115 and FRS 116, 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 109, FRS 115 and FRS 116 are described below.

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 Group 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.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Full retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

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.

FRS 109 requires the Group to record expected credit losses on loans and trade receivables, either on a 12-month or lifetime basis. The Group will need to perform a more detailed analysis which considers all reasonable and supportable information to determine the extent of impact arising from the application of the expected credit loss model.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. 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, EBITDA 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency (Continued)

(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 Joint Ventures

Companies in which the Group holds an interest on a long-term basis and are jointly controlled by the Group with one or more parties under a contractual agreement are treated as joint ventures.

The Group account for its investments in joint ventures using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Joint Ventures (Continued)

When the Group's share of losses in joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.8 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	3 – 5 years
Tools and testing equipment	5 years
Computer equipment	3 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 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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 assets 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. The useful life of these customer relationships is estimated to be ten (2016: ten) years.

Gains or losses arising from de-recognition of an intangible assets 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.

2.10 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.

2.11 Impairment of non-financial assets

The Group 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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets (Continued)

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.

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and deposits with licensed banks. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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.

2.16 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*

<u>Philippines</u>

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 zero coupon government bonds as published by the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.16 Employee benefits (Continued)

(b) *Defined Post-Employment Benefit Plan* (Continued)

Philippines (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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.

2.18 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 using the stage of completion method, based on letter of acceptance received from customers. The stage of completion is measured by reference to 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.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Taxes (Continued)

(b) *Deferred tax* (Continued)

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.

2.21 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.

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

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.

(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. Significant assumptions such as estimates of the progress towards completion, total budgeted contract cost, remaining costs to completion and budgeted gross profit margin are required. 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 15 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 2017 and 2016 would have increased by $319,000 and $403,000 respectively.

(b) Impairment of intangible assets

As disclosed in Note 11 to the financial statements, the recoverable amounts of the cash generating units which customer relationships have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the projected order books, the growth rate covering the remaining useful lives of the customer relationships and the budgeted gross profit margin.

The carrying amount of the intangible assets as at 31 May 2017 is $178,000 (2016: $3,193,000).

(c) Impairment of investment in subsidiaries

An impairment exists when the carrying value of an investment in a subsidiary exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years. The recoverable amount is most sensitive to the annual growth rate of the business, the budgeted gross profit margin, the discount rate and the terminal growth rate used for the discounted cash flow model.

For the financial year ended 31 May 2017, impairment loss of $3,726,000 (2016: Nil) were recognised, as disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

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	
	2017	**2016**
	$'000	**$'000**
Wages, salaries and allowances	**2,112**	2,346
Contributions to defined contribution plan	**216**	203
Defined benefit plans	**43**	42
Other short-term benefits	**118**	96
	2,489	2,687

Included in employee benefits expense of the Group are directors' remunerations amounting to $202,000 (2016: $167,000) (Note 24).

6. FINANCE COSTS

	Group	
	2017	**2016**
	$'000	**$'000**
Interest expense on shareholder's loan	**54**	103
Interest expense	**57**	15
	111	118

7. LOSS BEFORE TAX

The following items have been included in arriving in loss before tax:

	Group	
	2017	**2016**
	$'000	**$'000**
Audit fees:		
– Auditors of the Company	**89**	84
– Other member firms of EY Global	**26**	9
– Other auditors	**–**	21
Non-audit fees:		
– Auditors of the Company	**16**	54
Interest income	**(15)**	(13)
Employee benefits expense (Note 5)	**2,489**	2,687
Depreciation of property, plant and equipment (Note 10)	**358**	252
Loss on disposal of property, plant and equipment	**6**	9
Allowance for doubtful debts	**45**	176
Write-back of allowance for doubtful debts	**(76)**	(8)
Loss on foreign exchange	**9**	41
Rental of office premise, warehouse, equipment	**364**	349
Amortisation of intangible assets (Note 11)	**641**	639
Impairment of intangible assets (Note 11)	**2,385**	–
Impairment of investment in joint venture	**42**	–
Impairment of notes receivable	**63**	–
Initial public offering related expenses	**–**	980

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

8. INCOME TAX (CREDIT)/EXPENSE

Major components of income tax (credit)/expense

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

	Group	
	2017	**2016**
	$'000	**$'000**
Consolidated income statement:		
Income tax		
– Current income taxation	**24**	93
– (Over)/under provision in prior year	**(12)**	5
	12	98
Deferred tax		
– Reversal of temporary differences	**(37)**	(81)
– Under provision in prior year	**17**	15
	(20)	(66)
Income tax (credit)/expense recognised in profit or loss	**(8)**	32
Statement of comprehensive income:		
Deferred tax expense/(credit) related to other comprehensive income:		
– Post employment benefit obligation	**4**	(11)

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	
	2017	**2016**
	$'000	**$'000**
Loss before tax	**(4,330)**	(1,465)
Taxation at statutory tax rate of 17% (2016: 17%)	**(736)**	(249)
Adjustments:		
Effect of different tax rates in other countries	**(69)**	(42)
Income not subject to tax	**(1)**	(1)
Expenses not deductible for tax purposes	**692**	339
Under provision in prior year	**5**	20
Effect of partial tax exemption and tax relief	**(76)**	(141)
Deferred tax asset not recognised	**206**	114
Others	**(29)**	(8)
Income tax (credit)/expense recognised in profit or loss	**(8)**	32

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

8. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

Relationship between tax expense and accounting loss (Continued)

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	
	2017	**2016**
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 (2016: 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 2017 and 31 May 2016.

	Group	
	2017	**2016**
	$'000	**$'000**
Loss for the year attributable to owners of the Company	**(4,322)**	(1,497)
Weighted average number of ordinary shares for basic and diluted earnings per share computation ('000)	**152,000**	147,200
Loss per share attributable to owners of the Company (cents per share)		
– Basic and diluted	**(2.84)**	(1.02)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

10. PROPERTY, PLANT AND EQUIPMENT

	Renovation $'000	Tools and testing equipment $'000	Computers and office equipment $'000	Motor vehicles $'000	Total $'000
Group					
2017					
Cost:					
1 June 2016	423	899	795	70	2,187
Additions	9	94	138	–	241
Disposals	–	–	(20)	(27)	(47)
Currency realignment	(2)	2	(3)	–	(3)
At 31 May 2017	**430**	**995**	**910**	**43**	**2,378**
Accumulated depreciation:					
1 June 2016	152	416	616	46	1,230
Depreciation charge for the period	72	164	110	12	358
Disposals	–	–	(20)	(20)	(40)
Transfer	–	–	1	–	1
Currency realignment	(2)	(1)	(3)	–	(6)
At 31 May 2017	**222**	**579**	**704**	**38**	**1,543**
Net carrying amount:					
At 31 May 2017	**208**	**416**	**206**	**5**	**835**
Group					
2016					
Cost:					
At 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:					
At 1 June 2015	214	514	624	51	1,403
Depreciation charge for the year	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under finance leases

During the year, the Group acquired property, plant and equipment with an aggregate cost of $241,000 (2016: $710,000). The cash outflow on acquisition of property, plant and equipment amounted to $194,000 (2016: $535,000). The remaining amounts were held under finance leases (2016: under other payables) as at year end.

The carrying amount of testing and office equipment held under finance leases at the end of the reporting period were $134,000 (2016: $169,000) and $43,000 (2016: Nil) respectively.

Leased assets are pledged as security for the related finance lease liabilities.

	Computers and office equipment $'000
Company	
2017	
Cost:	
1 June 2015	–
Transfer(1)	4
At 31 May 2016 and 1 June 2016	4
Transfer(1)	1
At 31 May 2017	**5**
Accumulated depreciation:	
1 June 2015	–
Depreciation charge for the year	*
At 31 May 2016 and 1 June 2016	*
Depreciation charge for the year	2
Transfer(1)	*
At 31 May 2017	**2**
Net carrying amount:	
At 31 May 2016	4
At 31 May 2017	**3**

(1) Transferred from a subsidiary.

* denotes amounts less than $1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

11. INTANGIBLE ASSETS

	Customer relationships 2017 $'000	Customer relationships 2016 $'000
Group		
Cost:		
At 1 June	**8,940**	8,969
Currency alignment	**30**	(29)
At 31 May	**8,970**	8,940
Accumulated amortisation:		
At 1 June	**5,747**	5,125
Amortisation charge for the year	**641**	639
Impairment charge for the year	**2,385**	–
Currency alignment	**19**	(17)
At 31 May	**8,792**	5,747
Net carrying amount:	**178**	3,193

Customer relationships were allocated to two cash-generating units, CMC Communications (Singapore) Pte. Ltd. and CMC Communications (Thailand) Co., Ltd., which are also the reportable operating segments, for impairment testing. The reportable operating segments, for impairment testing are as follows:

– Singapore

– Thailand

The useful lives of these customer relationships are estimated to be ten years (2016: ten years) which is the period of expected benefits. As at 31 May 2017 and 2016, the customer relationships have remaining amortisation period of four years and five years respectively.

Amortisation expense

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

Impairment testing of customer relationships

The carrying amounts of customer relationships allocated to each CGU are as follows:

	Singapore		Thailand		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Customer relationships	**–**	2,981	**178**	212	**178**	3,193

The recoverable amounts of the CGUs have been determined using cash flow projections from financial budgets approved by management covering a four-year period which is also the remaining useful lives of these customer relationships. The recoverable amount is most sensitive to the projected order books, the growth rate covering the four-year period and the budgeted gross profit margin.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

11. INTANGIBLE ASSETS (CONTINUED)

Impairment loss recognised

During the financial year, an impairment loss was recognised to write-down the carrying amount of customer relationships in the Singapore segment. The impairment loss of $2,385,000 (2016: Nil) has been recognised in profit or loss under the line item "other operating expenses". The impairment loss is recognised based on the Group's assessment that the recoverable values of the customer relationships are lower than their carrying values due to the challenging telecommunication environment.

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	$'000	**$'000**
Shares, at cost	**11,121**	11,121
Impairment losses	**(3,726)**	–
	7,395	11,121

Details of the subsidiaries as at 31 May are:

Name of subsidiaries	Principal place of business	Principal activities	Proportion (%) of ownership 2017	2016
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**	100
Held through CMC Communications Singapore Pte Ltd				
CMC Communications (Philippines), Inc. ("CMCCP")#	Philippines	Design development, installation, implementation and maintenance of telecommunication equipment and system for commercial and industrial applications as well as related activities	**100**	100

@ Audited by Ernst & Young LLP, Singapore
# Audited by affiliates of Ernst & Young Global

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

^ 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, 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.

During the financial year, impairment loss of $3,726,000 (2016: Nil) were recognised to write down the cost of investment in CMC Communications Singapore Pte. Ltd. The impairment was a result of the impairment of the customer relationships due to the challenging telecommunication environment.

13. INVESTMENT IN JOINT VENTURE

The Group has 40% (2016: Nil) interest in the ownership and voting rights in a joint venture, CMC-AC Infocomms (Philippines) Inc, that is held through a subsidiary. This joint venture is incorporated in the Philippines for the purposes of designing, developing, installing, implementing and maintaining telecommunications equipment and systems for commercial and industrial applications in the Philippines.

The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

	Group	
	2017	**2016**
	$'000	**$'000**
Shares, at cost	**42**	–
Impairment losses	**(42)**	–
	–	–
Information about the Group's investment in joint venture is as follows:		
Loss after tax	**(13)**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(13)**	–

During the financial year, the joint venture was terminated due to the change in the Group's controlling shareholder and the joint venture was sold to the joint venture partner at one peso. Accordingly, notes receivable amounting to $63,000 due from the joint venture partner was impaired due to its non-recoverability (Note 16) and a compensation of $45,000 was paid to the joint venture partner. Donor tax relating to the disposal of the joint venture amounting to $42,000 was also borne by the Group. These expenses have been recognised in profit or loss under the line item "other operating expenses".

The shares are pending transfer as at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

14. DEFERRED TAX

	Group	
	2017	2016
	$'000	$'000
At 1 June	**125**	50
Recognised in profit or loss (Note 8)	**20**	66
Recognised in other comprehensive income (Note 8)	**(4)**	11
Currency realignment	**(8)**	(2)
At 31 May	**133**	125

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

	Group	
	2017	2016
	$'000	$'000
Deferred tax liabilities:		
Difference in depreciation for tax purposes	**(75)**	(91)
Deferred tax assets:		
Provisions and accruals	**100**	177
Unutilised losses	**24**	22
Unutilised capital allowances	**84**	17
Total	**208**	216
Represented by:		
Deferred tax assets	**133**	155
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.

Unrecognised tax losses

At the end of the reporting period, the Group has unutilised losses of approximately $1,369,000 (2016: $669,000) 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.

Unrecognised temporary differences relating to investments in subsidiaries

The Group has not recognised deferred tax liability in respect of undistributed profits of subsidiaries because the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised amounted to $2,308,000 (2016: $2,916,000). The deferred tax liability is estimated to be $259,000 (2016: $349,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

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

	Group 2017 $'000	Group 2016 $'000
Aggregate amount of costs incurred	**31,320**	37,385
Less: Aggregate amount of costs charged to profit or loss to date	**(25,006)**	(33,322)
	6,314	4,063
Presented as:		
Gross amount due from customers for contract work-in-progress	**7,092**	4,857
Gross amount due to customers for contract work-in-progress	**(778)**	(794)
	6,314	4,063

16. TRADE AND OTHER RECEIVABLES

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade receivables	**3,082**	4,662	**–**	–
Less: Allowance for impairment	**(178)**	(219)	**–**	–
Unbilled revenue	**905**	1,821	**–**	–
Trade receivables, net	**3,809**	6,264	**–**	–
Other receivables				
Creditable withholding tax and Input Value Added Tax	**617**	520	**–**	–
Deposits	**130**	257	**–**	–
Notes receivable (Note 13)	**63**	–	**–**	–
Less: Allowance for impairment	**(63)**	–	**–**	–
Sundry receivables	**116**	93	**–**	–
Prepaid expenses	**128**	127	**19**	25
Amount due from related party	**26**	–	*****	–
Other receivables	**1,017**	997	**19**	25
Total trade and other receivables	**4,826**	7,261	**19**	25
Less: Non-financial assets				
Prepaid expenses	**(128)**	(127)	**(19)**	(25)
Creditable withholding tax and Input Value Added Tax	**(617)**	(520)	**–**	–
	4,081	6,614	**–**	–
Add: Cash and bank balances (Note 18)	**2,351**	5,210	**1,021**	3,200
Add: Restricted bank deposits (Note 18)	**–**	19	**–**	–
Add: Amounts due from subsidiaries (Note 17)	**–**	–	**1,289**	390
Add: Deposits (Non-current)	**60**	43	**–**	–
Total loans and receivables	**6,492**	11,886	**2,310**	3,590

* denotes amount less than S$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2017 and 2016 are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**312**	116	**–**	–

Ageing analysis of trade receivables

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

	Group	
	2017	**2016**
	$'000	**$'000**
Neither past due nor impaired	**2,047**	2,917
1 to 30 days past due but not impaired	**504**	713
31 to 90 days past due but not impaired	**238**	707
More than 90 days but not impaired	**115**	106
	857	1,526
Impaired	**178**	219
	3,082	4,662

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 2017, the Group has trade receivables amounting to $857,000 (2016: $1,526,000) 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 20) 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 2017

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are impaired

The Group's trade and notes 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	
	2017	**2016**
	$'000	**$'000**
Trade receivables – nominal amounts	**178**	219
Note receivables	**63**	–
Less: Allowance for impairment	**(241)**	(219)
	–	–
Movement in allowance accounts:		
At 1 June	**219**	69
Charge for the year	**108**	176
Written back	**(76)**	(8)
Bad debt written off	**–**	(18)
Currency realignment	**(10)**	–
At 31 May	**241**	219

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.

17. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

18. CASH AND BANK BALANCES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Non-current assets				
Restricted bank deposits	**–**	19	**–**	–
Current assets				
Cash at banks	**1,111**	2,765	**15**	891
Short-term and fixed deposits	**1,202**	2,404	**1,006**	2,309
Cash on hand	**38**	41	**–**	–
	2,351	5,210	**1,021**	3,200
Less: Pledged bank deposits	**(185)**	(85)	**–**	–
Cash and cash equivalents	**2,166**	5,125	**1,021**	3,200

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

18. CASH AND BANK BALANCES (CONTINUED)

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 2017 for the Group and the Company were 0.58% (2016: 0.59%) and 0.62% (2016: 0.60%) 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	**2,351**	5,210
Less: Pledged bank deposits	**(185)**	(85)
Cash and cash equivalents	**2,166**	5,125

19. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2017	**2016**	**2017**	**2016**
		$'000	**$'000**	**$'000**	**$'000**
Trade payables		**2,829**	3,764	**–**	–
Other payables		**270**	488	**142**	93
Output Value Added Tax		**147**	137	**4**	15
Accruals		**968**	1,749	**154**	297
Amounts due to related parties		**17**	136	**–**	136
Total trade and other payables		**4,231**	6,274	**300**	541
Less: Non-financial liabilities					
Output Value Added Tax		**(147)**	(137)	**(4)**	(15)
		4,084	6,137	**296**	526
Add: Amounts due to subsidiaries	17	**–**	–	**50**	475
Add: Loan and borrowings	20	**2,131**	2,117	**941**	1,499
Total financial liabilities carried at amortised cost		**6,215**	8,254	**1,287**	2,500

Trade payables

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

19. TRADE AND OTHER PAYABLES (CONTINUED)

Trade payables denominated in foreign currency at 31 May 2017 and 2016 are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	*****	215	**–**	–

*   denotes amount less than S$1,000

Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 30 to 180 days.

20. LOAN AND BORROWINGS

		Group		Company	
	Maturity	**2017**	**2016**	**2017**	**2016**
		$'000	**$'000**	**$'000**	**$'000**
Current:					
Obligations under finance leases (Note 25b)	2018	**68**	–	**–**	–
Shareholder's loan	16 Aug 2017	**941**	1,148	**941**	1,148
Loan 1	31 July 2017	**300**	618	**–**	–
Loan 2	2018	**257**	–	**–**	–
Loan 3	2019	**243**	–	**–**	–
		1,809	1,766	**941**	1,148
Non-Current:					
Obligations under finance leases (Note 25b)	2018-2021	**72**	–	**–**	–
Shareholder's loan	16 Aug 2017	**–**	351	**–**	351
Loan 2	2018	**22**	–	**–**	–
Loan 3	2019	**228**	–	**–**	–
		322	351	**–**	351
Total loans and borrowings		**2,131**	2,117	**941**	1,499

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 10). The average discount rate implicit in the leases is 2.69% p.a.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

20. LOAN AND BORROWINGS (CONTINUED)

Shareholder's Loan

Shareholder's loan from TEE International Limited is unsecured, bears interest at the rate of 5.35% per annum and has been settled in cash in June 2017.

Loan and borrowings

– Loan 1 relates to a SGD denominated project financing from a bank which is secured by a fixed charge over certain trade receivables of a subsidiary (Note 16) and corporate guarantees (Note 26) 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.

– Loan 2 is a two-year SGD denominated term loan which bears effective interest of 6.53% per annum. The loan is unsecured and repayable in 24 equal monthly instalments commencing on 11 July 2016.

– Loan 3 consist of two-year SGD denominated term loans of $300,000 and $200,000 which bears effective interest rates at 6.25% and 7.00% respectively. The loans are unsecured and repayable in 24 equal monthly instalments commencing on 24 May 2017 and 28 April 2017 respectively.

21. EMPLOYEE BENEFIT LIABILITIES

As at 31 May 2017 and 2016, 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	
	2017	**2016**
	$'000	**$'000**
Net benefit expense		
Current service cost	**36**	37
Interest cost on benefit liabilities	**7**	5
Net benefit expense	**43**	42
Net actuarial (gains)/losses recognised in the other comprehensive income	**(13)**	40

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

21. EMPLOYEE BENEFIT LIABILITIES (CONTINUED)

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

	Group	
	2017	**2016**
	$'000	**$'000**
At 1 June	**194**	118
Current service cost	**36**	37
Interest cost on benefit liabilities	**7**	5
Actuarial (gains)/losses on obligation	**(13)**	40
Exchange differences	**(5)**	(6)
At 31 May	**219**	194

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

	Group	
	2017	**2016**
Discount rates	**2.7% – 5.45%**	2.7% – 4.3%
Expected rate of salary increases	**5%**	5%
Mortality rates	**3%**	3%
Price inflation	**3%**	3%

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:

		Group	
		2017	**2016**
	Increase/ (decrease) %	**(Decrease)/ increase in net employee benefit liabilities S$'000**	**(Decrease)/ increase in net employee benefit liabilities S$'000**
Discount rate	0.5	**(22)**	(14)
	(0.5)	**26**	15
Salary increase rate	1.0	**34**	29
	(1.0)	**(29)**	(25)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

22. SHARE CAPITAL

	Group			
	2017		2016	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At 1 June	**152,000**	**14,542**	1,235	726
Adjustment from restructuring exercise	**–**	**–**	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**	152,000	14,542
Preference shares:				
At 1 June	**–**	**–**	765	78
Adjustment from restructuring exercise	**–**	**–**	(765)	(78)
At 31 May	**–**	**–**	–	–
Total share capital:				
At 31 May	**152,000**	**14,542**	152,000	14,542

	Company			
	2017		2016	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At 1 June	**152,000**	**14,542**	*	*
Adjustment from restructuring exercise	**–**	**–**	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**	152,000	14,542
Total share capital:				
At 31 May	**152,000**	**14,542**	152,000	14,542

* denotes amounts less than $1,000

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.

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23. RESERVES

	Group	
	2017	**2016**
	$'000	**$'000**
Foreign currency translation reserve	**(23)**	(77)
Capital reserves	**1,890**	1,890
Merger reserves	**(10,397)**	(10,397)
Statutory reserves	**49**	49
Others	**6**	6
	(8,475)	(8,529)

(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 reserve comprises the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attributed to the owners of the Company.

(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 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 2017

24. 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	
	2017	2016
	$'000	$'000
Sales of services	**7**	–
Interest paid on shareholder's loan	**54**	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	
	2017	2016
	$'000	$'000
Short-term employee benefits	**1,037**	1,438
Defined contribution plan	**60**	75
	1,097	1,513
Comprise amounts paid to:		
Directors of the Group	**202**	167
Other key management personnel	**895**	1,346
	1,097	1,513

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

25. COMMITMENT

(a) Operating lease commitments

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	
	2017 $'000	2016 $'000
Within one year	**443**	439
Later than one year but not later than five years	**803**	1,114
	1,246	1,553

(b) Finance lease commitments

The Group has finance leases for certain items of plant and equipment.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2017 $'000		2016 $'000	
	Minimum lease payments	Present value of payments (Note 20)	Minimum lease payments	Present value of payments (Note 20)
Not later than one year	**73**	**68**	–	–
Later than one year but not later than five years	**77**	**72**	–	–
Total minimum lease payments	**150**	**140**	–	–
Less: Amounts representing finance charges	**(10)**	**–**	–	–
Present value of minimum lease payments	**140**	**140**	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

26. CORPORATE GUARANTEES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Corporate guarantees given to secure banking facilities & lender granted to:				
– a subsidiary	**–**	–	**4,352**	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.

27. 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 16 and 19), cash and bank balances (Note 18), restricted bank deposits (Note 18), amounts due from/(to) subsidiaries (Note 17), and loan and borrowings (Note 20).

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 2017 and 2016 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

28. 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.

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			
2017			
Financial assets:			
Trade and other receivables	**4,081**	**–**	**4,081**
Cash and bank balances	**2,351**	**–**	**2,351**
Deposits	**–**	**60**	**60**
Total undiscounted financial assets	**6,432**	**60**	**6,492**
Financial liabilities:			
Trade and other payables	**4,084**	**–**	**4,084**
Loan and borrowings	**1,860**	**334**	**2,194**
Total undiscounted financial liabilities	**5,944**	**334**	**6,278**
Total net undiscounted financial assets/(liabilities)	**488**	**(274)**	**214**
2016			
Financial assets:			
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
Financial liabilities:			
Trade and other payables	6,137	–	6,137
Loan and borrowings	1,827	354	2,181
Total undiscounted financial liabilities	7,964	354	8,318
Total net undiscounted financial assets/(liabilities)	3,860	(292)	3,568

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28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Liquidity risk (Continued)

	1 year or less S$'000	1 to 5 years S$'000	Total S$'000
Company			
2017			
Financial assets:			
Trade and other receivables	*	–	*
Amounts due from subsidiaries	1,289	–	1,289
Cash and bank balances	1,021	–	1,021
Total undiscounted financial assets	2,310	–	2,310
Financial liabilities:			
Trade and other payables	296	–	296
Amounts due to subsidiary company	50	–	50
Loan and borrowings	952	–	952
Total undiscounted financial liabilities	1,298	–	1,298
Total net undiscounted financial assets	1,012	–	1,012

* Denotes amount less than S$1,000

	1 year or less S$'000	1 to 5 years S$'000	Total S$'000
2016			
Financial assets:			
Amounts due from subsidiaries	390	–	390
Cash and bank balances	3,200	–	3,200
Total undiscounted financial assets	3,590	–	3,590
Financial liabilities:			
Trade and other payables	526	–	526
Amounts due to subsidiary company	475	–	475
Loan and borrowings	1,200	354	1,554
Total undiscounted financial assets/(liabilities)	2,201	354	2,555
Total net undiscounted financial assets/(liabilities)	1,389	(354)	1,035

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Liquidity risk (Continued)

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
Company	
2017	
Corporate guarantees	**4,352**
2016	
Corporate guarantees	3,730

(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 50.9% (2016: 74.1%) of the Group's trade receivables were due from three major customers located in Singapore, Thailand and the Philippines respectively.

<u>Exposure to credit risk</u>

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by a nominal amount of $4,352,000 (2016: $3,730,000) relating to a corporate guarantee provided by the Company to a bank on a subsidiary's bank loan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

29. 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 2017 and 31 May 2016.

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

	Group	
	2017	**2016**
	$'000	**$'000**
Loan and borrowings (Note 20)	**(2,131)**	(2,117)
Add: Cash and cash equivalents (Note 18)	**2,166**	5,125
Net cash	**35**	3,008

30. SEGMENT INFORMATION

For management purposes, the Group is organised into operating segments based on their geographical locations in Singapore, Thailand, 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 2017

30. SEGMENT INFORMATION (CONTINUED)

	Singapore		Thailand		Philippines		Malaysia		Adjustments and eliminations		Note	Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016		2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
External customers	**8,727**	12,927	**3,571**	3,538	**1,940**	1,752	**–**	–	**–**	–		**14,238**	18,217
Gross profit	**1,773**	3,130	**907**	979	**694**	541	**–**	–	**–**	–		**3,374**	4,650
Operating (loss)/profit	**(3,651)**	(1,031)	**(73)**	38	**(504)**	(338)	**(34)**	(3)	**28**	(26)	A	**(4,234)**	(1,360)
Interest income												**15**	13
Finance costs												**(111)**	(118)
Loss before taxation												**(4,330)**	(1,465)
Income tax expense												**8**	(32)
Loss for the financial year												**(4,322)**	(1,497)
Segment assets	**22,831**	28,498	**3,834**	3,135	**2,288**	3,037	**37**	3	**(13,515)**	(12,978)	B	**15,475**	21,695
Segment liabilities	**6,451**	8,432	**1,550**	892	**1,630**	1,772	**73**	6	**(1,969)**	(1,406)	C	**7,735**	9,696
Net assets	**16,380**	20,066	**2,284**	2,243	**658**	1,265	**(36)**	(3)	**(11,546)**	(11,572)		**7,740**	11,999
Other information:													
Provision for doubtful debts	**27**	42	**–**	–	**18**	134	**–**	–	**–**	–		**45**	176
Write back of provision for doubtful debts	**(25)**	(8)	**–**	–	**(51)**	–	**–**	–	**–**	–		**(76)**	(8)
Depreciation of property, plant and equipment	**210**	148	**82**	63	**66**	41	**–**	–	**–**	–		**358**	252
Amortisation of intangible assets	**596**	596	**45**	43	**–**	–	**–**	–	**–**	–		**641**	639
Impairment of intangible assets	**2,385**	–	**–**	–	**–**	–	**–**	–	**–**	–		**2,385**	–
Impairment of notes receivable	**–**	–	**–**	–	**63**	–	**–**	–	**–**	–		**63**	–
Purchase of property, plant and equipment	**93**	500	**8**	133	**140**	77	**–**	–	**–**	–		**241**	710

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

30. SEGMENT INFORMATION (CONTINUED)

Note A

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

	2017 $'000	2016 $'000
Others	**28**	(26)

Note B

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

	2017 $'000	2016 $'000
Inter-segment assets	**(13,515)**	(12,978)

Note C

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

	2017 $'000	2016 $'000
Inter-segment liabilities	**(1,969)**	(1,406)

Information about major customers

Revenue from the three major customers in Singapore, Thailand and the Philippines contributed 54.4% (2016: 74.6%) of the total revenue of the Group.

31. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the close of mandatory unconditional cash offer by Yinda Pte. Ltd. on 20 June 2017, Yinda Pte. Ltd. holds 120,437,180 shares, representing approximately 79.23% of the total number of issued shares of the Company.

Accordingly, CMC Communications (Singapore) Pte. Ltd. has been renamed to Yinda Technology Singapore Pte. Ltd. with effect from 17 July 2017 and CMC Communications (Thailand) Co., Ltd. has been renamed to Yinda Technology (Thailand) Co., Ltd. with effect from 8 August 2017.

The Group also entered into shareholder's loan agreement with Yinda Pte. Ltd. in June and July 2017 of $1 million and $0.5 million respectively. The loans have interest chargeable of 3.25% per annum which is repayable every quarterly. The loans shall be repayable in full after one year from the date of the loan agreements.

32. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 May 2017 were authorised for issue in accordance with a resolution of the directors on 31 August 2017.

ANALYSIS OF SHAREHOLDINGS

AS AT 14 AUGUST 2017

ISSUED AND FULLY PAID-UP CAPITAL	:	$14,542,370
NUMBER OF ISSUED SHARES	:	152,000,000
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE

The Company does not hold any treasury shares and there are no subsidiary holdings.

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	1	0.23	20	0.00
100 – 1,000	23	5.39	20,200	0.01
1,001 – 10,000	282	66.04	1,439,000	0.95
10,001 – 1,000,000	117	27.40	11,012,500	7.25
1,000,001 & above	4	0.94	139,528,280	91.79
TOTAL	427	100.00	152,000,000	100.00

TOP TWENTY SHAREHOLDERS AS AT 14 AUGUST 2017

	Name of Shareholders	No. of Shares	%
1.	UOB KAY HIAN PTE LTD	78,781,180	51.83
2.	YINDA PTE. LTD.	56,552,000	37.20
3.	DB NOMINEES (S) PTE LTD	2,687,000	1.77
4.	CIMB SECURITIES (SINGAPORE) PTE LTD	1,508,100	0.99
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	770,000	0.51
6.	CHEW SIEW ENG	550,000	0.36
7.	SAW CHIN CHOO	520,000	0.34
8.	LEE HUNG MING	480,000	0.32
9.	SEAH MOON MING	480,000	0.32
10.	MAYBANK KIM ENG SECURITIES PTE LTD	470,300	0.31
11.	TAN ENG LEE	400,000	0.26
12.	WONG CHEONG BOOU OR YEO EE YONG MRS WONG CHEONG BOOU	381,800	0.25
13.	LIM SWEE JOO	375,800	0.25
14.	LEE CHEE KIONG BURNIE	225,000	0.15
15.	YEO WEI NING, WILLY (YANG WEINING, WILLY)	204,500	0.13
16.	CHEW MOH KAY	200,000	0.13
17.	EKE CHARLOTTE HENRIETTA	200,000	0.13
18.	KOH MUI SONG	200,000	0.13
19.	LEE GUAT CHENG	200,000	0.13
20.	LIM KIAN MENG	200,000	0.13
		145,385,680	95.64

ANALYSIS OF SHAREHOLDINGS

AS AT 14 AUGUST 2017

FREE FLOAT

Based in the information provided to the Company as at 14 August 2017, approximately 14.62% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited has been complied with.

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders as at 14 August 2017.

	Direct Interest		Deemed Interest	
Name of Shareholders	**No. of Shares**	**%[4]**	**No. of Shares**	**%[4]**
Yinda Pte. Ltd.[1]	120,437,180	79.23%	–	–
Shanghai Yinda Science and Technology Industrial Co Ltd[2]	–	–	120,437,180	79.23%
Shanghai Yinda Technology Group Co Ltd[2]	–	–	120,437,180	79.23%
Song Xingyi[2]	–	–	120,437,180	79.23%
Qian Zhongcheng[2]	–	–	120,437,180	79.23%
Wang Zhijun[2]	–	–	120,437,180	79.23%
Wang Hua[2]	–	–	120,437,180	79.23%
Dato Abdul Rahman Bin Yusof[3]	–	–	8,098,000	5.33%

(1) A total of 63,885,180 shares held by Yinda Pte. Ltd. are held through its nominee, UOB Kay Hian Pte. Ltd.

(2) Yinda Pte. Ltd. is wholly-owned by Shanghai Yinda Science and Technology Industrial Co Ltd ("**Shanghai Yinda**"). Shanghai Yinda is in turn held by Shanghai Yinda Technology Group Co Ltd ("**Shanghai Yinda Group**") (60%), Song Xingyi (20%) and Qian Zhongcheng (20%). Shanghai Yinda Group is in turn held by Song Xingyi (44.0%), Wang Hua (34.0%), Wang Zhijun (14.0%) and Qian Zhongcheng (8.0%). Song Xingyi is the spouse of Wang Zhijun. The above-mentioned shareholders are deemed to have an interest in the 120,437,180 shares held by Yinda Pte. Ltd. by virtue of Section 7 of the Companies Act.

(3) Dato' Abdul Rahman Bin Yusof is deemed to have an interest in 7,448,000 shares held by CMC Engineering Sdn. Bhd. and 500,000 shares held by Ray Venture Inc (through its nominee, Citibank Nominees Singapore Pte Ltd), by virtue of Section 7 of the Companies Act. He is also deemed to be interested in 150,000 shares held by his wife, Adilah Binti Abdullah (through her nominee, CIMB Securities (Singapore) Pte Ltd) by virtue of Section 7 of the Companies Act.

(4) The percentages of issued share capital are calculated based on 152,000,000 issued shares in the capital of the Company as at 14 August 2017.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CMC Infocomm Limited (the "**Company**") will be held at Orchid Country Club, Emerald Suite, 1 Orchid Club Road, Singapore 769162 on Thursday, 21 September 2017 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 May 2017 and the Directors' Statement and the Independent Auditor's Report thereon. **(Resolution 1)**

2. To approve the additional payment of Director's fee of S$7,032 for the financial year ended 31 May 2017. **(Resolution 2)**

   See Explanatory Note (i) below

3. To approve the payment of Directors' fees of S$184,500 for the financial year ending 31 May 2018 to be paid quarterly in arrears.

   (Resolution 3)

4. To note the retirement of the following Directors pursuant to Article 104 of the Article of Association of the Company:

   (i) Dato' Abdul Rahman Bin Yusof

   (ii) Mr Hazwan Alif Bin Abdul Rahman

   (ii) Mr Hans Jakob Hinrichsen

   See Explanatory Note (ii) below

5. To re-appoint Messrs. Ernst & Young LLP as Independent Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

6. To transact any other business that may be properly transacted at an Annual General Meeting.

SPECIAL BUSINESS

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

7. **AUTHORITY TO ALLOT AND ISSUE SHARES** **(Resolution 5)**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Section B: Rules of Catalist ("**Catalist Rules**"), authority be and is hereby given to the Directors of the Company to:

   (A) (i) issue and allot new shares ("**Shares**") in the capital of the Company whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) 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, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

(B) (notwithstanding that this authority may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

PROVIDED ALWAYS that:

(1) the aggregate number of Shares to be issued pursuant to this authority (including the Shares to be issued in pursuance of Instruments, made or granted pursuant to this authority), shall not exceed 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), and provided further that where shareholders of the Company ("**Shareholders**") are not given the opportunity to participate in the same on a pro-rata basis, then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments, made or granted pursuant to this authority) shall not exceed 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the issued Shares (excluding treasury shares) at the time this authority was conferred, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time this authority was conferred; and

(iii) any subsequent consolidation or sub-division of the Shares;

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and

NOTICE OF ANNUAL GENERAL MEETING

(4) (unless revoked or varied by the Company in a general meeting) this authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law and the Catalist Rules to be held, whichever is earlier."

See Explanatory Note (iii) below

By Order of the Board
Claudia Teo Kwee Yee
Company Secretary
6 September 2017

Explanatory Notes:

(i) As recommended by the Remuneration Committee, the Board proposed the payment of additional Directors' fees of S$7,032 for the financial year ended 31 May 2017 to Mr Hazwan Alif Bin Abdul Rahman who was re-designated from Executive Director to Non-Executive Director on 31 October 2016.

(ii) a. Upon the retirement of Dato' Abdul Rahman Bin Yusof, he will relinquish his position as member of the Nominating Committee. Mr Liu Kwee Choy shall cease as Alternate Director to Dato' Abdul Rahman Bin Yusof.

b. Upon the retirement of Mr Hans Jakob Hinrichsen, he will relinquish his position as member of the Audit and Remuneration Committees.

(iii) Ordinary Resolution 5, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is carried or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares in the Company and/or the Instruments (as defined above). The aggregate number of Shares (including Shares to be made in pursuance of Instruments, made or granted pursuant to this Resolution) which the Directors may allot and issue, shall not exceed 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which the total number of Shares and convertible securities other than on a pro-rata basis to existing Shareholders, shall not exceed 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company.

Notes:

(a) A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies, to attend and vote on his/her behalf, save that no such limit shall be imposed on the number of proxies appointed by members which are **Relevant Intermediaries***. A proxy need not be a member of the Company.

(b) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

(c) A member who is a **Relevant Intermediary*** is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

***Relevant Intermediary** is:

(i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who hold shares in that capacity; or

(ii) a person holding a capital markets services license to provide a custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

(iii) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased on behalf of CPF investors.

NOTICE OF ANNUAL GENERAL MEETING

(d) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

(e) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised in writing.

(f) Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

(g) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 5008 Ang Mo Kio Avenue 5, #04-07 Techplace II, Singapore 569874, not less than 48 hours before the time appointed for holding the Annual General Meeting.

(h) In the case of joint shareholders, all shareholders must sign the instrument appointing a proxy or proxies.

(i) Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse the admission of any person or persons appointed under the instrument of proxy, to the Annual General Meeting.

(j) The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such member(s) are not shown to have shares entered against his/her/their name(s) in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

(k) A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his/her name appears on the Depository Register 72 hours before the time appointed for the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis of the Company (or its agents or service providers) of proxies and/or representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

*This notice 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 Sponsor has not independently verified the contents of this notice.*

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

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.

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

Important:
1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is sent to them at the request of their CPF Approved Nominees solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

PROXY FORM

I/We ____________________ (Name), ____________________ (NRIC/Passport No.)
of ____ (Address)
being a member/members of the above-mentioned Company, hereby appoint:–

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of shares	**%**
Address			

or failing him/her/them, the Chairman of the Annual General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Orchid Country Club, Emerald Suite, 1 Orchid Club Road, Singapore 769162 on Thursday, 21 September 2017 at 2.00 p.m. and at any adjournment thereof. Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

No.	Ordinary Resolutions	For	Against
	Ordinary Business		
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 May 2017 and the Directors' Statement and the Independent Auditor's Report thereon.		
2.	To approve the additional Director's fee of S$7,032 for the financial year ended 31 May 2017.		
3.	To approve the Directors' fees of S$184,500 for the financial year ending 31 May 2018, payable quarterly in arrears.		
4.	To re-appoint Messrs Ernst & Young LLP as Independent Auditors of the Company and to authorise the Directors to fix their remuneration.		
	Special Business		
5.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore.		

Dated this ________ day of ______________ 2017

Total number of Shares in	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes to the Proxy Form

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") a member entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints two (2) proxies, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

4. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting provided that each proxy is appointed to exercise the rights attached to different shares held by the member. In such event, the Relevant Intermediary shall submit a list of its proxies specifying the number and class of shares in relation to which each proxy has been appointed together with the proxy form.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such a person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. The instrument appointing a proxy or proxies, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof, shall be deposited at the registered office of the Company at 5008 Ang Mo Kio Avenue 5, #04-07 Techplace II, Singapore 569874 not less than 48 hours before the time appointed for the Meeting.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

9. In the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.

10. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 September 2017.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' ABDUL RAHMAN BIN YUSOF Non-Executive Chairman
MR. LIU KWEE CHOY (Alternate Director to Non-Executive Chairman)
MR. KEVIN PHUA Executive Director
MR. HAZWAN ALIF Non-Executive Director
MR. SIM GEOK SOON Non-Executive Director
MR. YEE KIT HONG Lead Independent Director
MR. JAKOB HINRICHSEN Independent Director
MR. ALEX SIOW Independent Director
MR. CLIFTON YONG Independent Director

AUDIT COMMITTEE

MR. YEE KIT HONG Chairman
MR. JAKOB HINRICHSEN
MR. ALEX SIOW

NOMINATING COMMITTEE

MR. CLIFTON YONG Chairman
MR. YEE KIT HONG
DATO' ABDUL RAHMAN BIN YUSOF

REMUNERATION COMMITTEE

MR. ALEX SIOW Chairman
MR. JAKOB HINRICHSEN
MR. CLIFTON YONG

COMPANY SECRETARY

CLAUDIA TEO KWEE YEE

REGISTERED OFFICE

5008 Ang Mo Kio Avenue 5
#04-07 Techplace II
Singapore 569874
Tel: (65) 6654 1200
Fax: (65) 6747 8631
Website: www.cmcinfocomm.com

SHARE REGISTRAR

B.A.C.S. PRIVATE LIMITED
8 Robinson Road #03-00
ASO Building
Singapore 048544

INDEPENDENT AUDITOR

ERNST & YOUNG LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge: **YEOW HUI CHENG**
(since financial year ended 31 May 2017)

SPONSOR

SAC CAPITAL PRIVATE LIMITED
1 Robinson Road #21-02
AIA Tower
Singapore 048542

PRINCIPAL BANKERS

United Overseas Bank Limited
Oversea-Chinese Banking Corporation Limited

CMC Infocomm Ltd.
5008 Ang Mo Kio Avenue 5 #04-07
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Singapore 569874

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