

Issuer: CMC Infocomm Limited
Security: CMC Infocomm Limited

Meeting details:

Date: 21 September 2017

Time: 2.00 p.m.

Venue: Orchid Country Club, Emerald Suite, 1 Orchid Club Road, Singapore 769162

Company Description

CMC Infocomm Limited, an investment holding company, provides integrated communication solutions and services to communications network operators and communications network equipment vendors in Singapore, Malaysia, the Philippines, and Thailand. The company operates through four segments: In-Building Coverage, Outdoor Construction, Telecommunications Implementation, and Maintenance Services. The In-Building Coverage segment engages in the planning, design, construction, and implementation of customers' indoor mobile network infrastructure. The Outdoor Construction segment is involved in the site survey, planning, design, construction, procurement, implementation, testing, and commissioning of customers' outdoor mobile network infrastructure, as well as provision of solutions and services to enhance its customers' mobile network coverage and optimize their network performance. The Telecommunications Implementation segment provides telecommunications implementation works for the installation and commissioning of radio base transceiver stations. The Maintenance Services segment offers corrective and preventive maintenance services to ensure network reliability and minimal network disruptions. CMC Infocomm Limited was incorporated in 2015 and is based in Singapore. As of May 5, 2017, CMC Infocomm Limited operates as a subsidiary of Yinda Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42F)

Q1. Based on the annual report for the last financial year (ended 31 May 2016), the company was asked to elaborate further on the key drivers of the industry and how management intended to capture more value for shareholders as the company had reported losses attributable to owners of the company in FY2012 to FY2016. Over the five-year period, the gross profit margin had ranged from 22% to 26%.

For the financial year ended 31 May 2017, the group reported a 21.8% dip in revenue to \$14.2 million, gross profit margin dropped to 23.7% and the net loss for the group was \$4.3 million in FY2017. Equity attributable to owners of the company stands at just \$7.7 million as at 31 May 2017.

As disclosed in Note 11 (page 72 of the annual report – Intangible assets), customer relationships (recognised as intangible assets) were allocated to the two cash-generating units, CMC Communications (Singapore) Pte. Ltd. and CMC Communications (Thailand) Co., Ltd.. Following an impairment test, an impairment loss of \$2.385 million was recognised to write-down the carrying amount of customer relationships in the Singapore segment.

- a) **Can management discuss in greater detail the current competitive landscape that led to the impairment? What are management’s forecasts on the annual growth rate, projected order book and gross profit margin for the Singapore market?**
- b) In the Letter to Shareholders (page 3), it was stated that the award of the licence to a fourth telecommunication operator “could present potential business opportunities for the group, particularly in the areas of constructing telecommunications infrastructure”. **Can management elaborate further on the potential scale of such a roll-out? What is the company doing to position itself to capture this potential business?**

Q2. Following the completion of the mandatory general offer on 20 June 2017, Yinda Pte. Ltd. is the new controlling shareholder of the company with a 79.23% stake. As disclosed in the Corporate Profile (page 2), 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.

The group had reported years of losses since its listing and has impaired the carrying value of the customer relationship (intangible asset) in Singapore (which is the largest segment). In addition, a new joint venture with Argosy Properties Inc. (which was just formed in 2016) was terminated in the Philippines.

Given all the uncertainties, the new controlling shareholder and the newly appointed Chief Executive Officer, shareholders would like to request the board to carry out a strategic review and provide an update on the strategic direction of the group.

Q3. The attendance of the directors at board meetings, as disclosed in the Corporate Governance Report (page 18), is reproduced below:

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

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.

(Source: Company annual report)

The role of the Chairman is disclosed on page 20, as follows:

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.

- a) **Were there extenuating circumstances that led to the Chairman missing the two board meetings?**
- b) **Given that the Constitution of the company provides for meetings of the board to be held by way of telephonic conference, is it possible to arrange for the Chairman to call in to the board meeting if there are extenuating circumstances that prevented him from attending the meeting in person?**
- c) **How can the company secretary, the directors and the Chairman better schedule the board meetings so that the attendance at the board meetings could be improved?**