

CNA GROUP LTD.
(UNDER JUDICIAL MANAGEMENT)
(the “**Company**”)
(Company Registration No. 199000449K)
(Incorporated in Singapore)

DIVESTMENT OF SINGAPORE BUSINESS

The Judicial Managers wish to announce that the Company has, on 28 October 2015, entered into a sale and purchase agreement (the “**SPA**”) with Michael Ong Liang Huat (the “**Buyer**”), the Group President and CEO and an Executive Director of the Company prior to the Company being placed under judicial management, and the SPV (defined below) for the divestment of the Company’s Singapore business. The Company’s Singapore business involves the provision, design and implementation of integrated control and automation systems and IT solutions for buildings and facilities, as contemplated in the project contracts awarded to and currently undertaken by the Company (the “**Singapore Business**”).

The divestment of the Singapore Business (“**Divestment**”) will be undertaken on an “as is where is” basis, and effected via:

- (i) the transfer of the Company’s entire issued and paid-up capital of CNA Development Pte Ltd (“**SPV**”), a dormant entity with no assets, to the Buyer, following which the SPV shall cease to be a subsidiary of the Company; and
- (ii) the assignment, novation and/or transfer (as applicable), to the SPV, of the relevant project contracts, together with the related contracts, licences, intellectual property rights, goodwill, employees, equipment and other assets used for the Singapore Business.

The consideration for the Divestment is S\$300,000, and was determined on a willing-buyer willing-seller basis taking into account the key factors considered by the Judicial Managers described below:

- i. Following the appointment of the Judicial Managers, the Judicial Managers together with the management of the Company, have been able to stabilise the Singapore Business. However, given the financial position of the Company, it will not have sufficient financial resources to carry on the Singapore Business for the long term without the support of the various project owners and main contractors.
- ii. As the Company is under Judicial Management, it is prohibited from tendering for government related projects, which forms a significant portion of the Company’s Singapore Business. Without revenue from new projects, the Company will face major challenges in maintaining the sustainability of the Singapore Business.
- iii. The proper execution and completion of the Singapore Business is entirely dependent on the existing management given their experience and knowledge in the ongoing projects. As the ongoing projects progress, the Judicial Managers are finding it increasingly challenging to retain the existing management.

- iv. If the existing management cannot be retained or problems arise from the ongoing projects that may lead to the termination of the projects, material contingent liabilities may crystallise. Claims for losses from the termination of the projects will then be made against the Company.
- v. In addition to the purchase consideration of S\$300,000, the Buyer has also agreed to replace all performance bonds and guarantees provided by the Company for the existing projects amounting to approximately S\$3.5 million.

Based on the above, the Judicial Managers, in consultation with the majority creditors of the Company, decided that it is in the best interests of the creditors of the Company to divest the Singapore Business to a party with the relevant experience and track record.

Save for the Buyer, none of the Directors of the Company has any interest, direct or indirect, in the Divestment other than through their respective directorships and/or shareholding interests (if any) in the Company.

**Submitted by the Judicial Managers
For and On Behalf of the Company**

Tam Chee Chong
Andrew Grimmett
Deloitte & Touche LLP

29 October 2015