



UPDATE – PROPOSED DISPOSAL OF A SUBSIDIARY

Unless otherwise defined, capitalised terms herein shall have the same meaning as ascribed to them in the Company's announcements dated 17 April 2014 and 16 May 2014 in relation to the Proposed Disposal of CCM Industrial Pte Ltd (the "Announcement").

1. **CONDITIONAL APPROVAL OF THE WAIVER APPLICATION IN RELATION TO THE PROPOSED DISPOSAL**

The Board of Directors of CCM Group Limited (the "**Company**", and with its subsidiaries, the "**Group**") refers to the Announcements and is pleased to announce that the SGX-ST has informed PrimePartners Corporate Finance Pte. Ltd., the sponsor of the Company (the "**Sponsor**") that, based on the information provided by the Sponsor to the SGX-ST for and on behalf of the Company, the SGX-ST has no objection to granting the Company a waiver from compliance with Rule 1014 of the Catalist Rules in respect of the proposed disposal of CIPL (the "**Waiver**"), subject to the Company disclosing the following:

- (i) the reasons for seeking the Waiver, and that the Company and/or its Board of Directors are not aware of any other material information in respect of the Company which was not formerly disclosed to the investors;
- (ii) the Audit Committee's opinion that the Proposed Disposal is not prejudicial to the interests of the Company and its Shareholders, stating the basis for such opinion; and
- (iii) the Board's opinion that the Proposed Disposal is in the best interest of the Company and is not expected to have material impact on the nature and risk profile of the Group's business, stating the basis for such opinion.

2. **THE REASONS FOR SEEKING THE WAIVER**

As disclosed in the Announcements, as the relative figures under the bases set out in Rules 1006(a) and (b) of the Catalist Rules exceed 50%, the Proposed Disposal constitutes a "major transaction" under Rule 1014 of the Catalist Rules. In addition, the Proposed Disposal falls under the guidelines set out under Practice Note 10A of the Catalist Rules. Paragraph 8(a) of Practice Note 10A states that "(a) *The disposal of an issuer's core business (or a substantial part of its core business) will usually result in a material change to the nature of the issuer's business. Thus, shareholders should have an opportunity to consider the future direction of the issuer, and Rule 1014 will be applied.*" The Sponsor, for and on behalf of the Company, therefore sought, among others, the Waiver on the basis that it would be reasonable to expect Shareholders to not be overly concerned with the Proposed Disposal and it would be in the interest of the Company and the Shareholders to expedite the Proposed Disposal in order to limit the exposure of the Company to further liabilities, based on the following reasons (the "**Grounds**"):

- (a) CIPL recorded an audited loss of S\$21.40 million for FY2013 and had net tangible liabilities of S\$7.73 million as at 31 December 2013. It contributed to approximately

95% of the Group's loss in FY2013 and 65% of the Group's net liability position as at 31 December 2013. In the financial year ended 31 December 2012, CIPL made a marginal audited profit of S\$0.12 million and in the financial year ended 31 December 2011, it made an audited loss of S\$2.95 million.

- (b) The revenue generating and earnings potential of CIPL is dismal given, *inter alia*, that (i) the Company has received notices of termination for CIPL's key projects, being (1) the building contract for the proposed erection of a 32-storey commercial building at 70 Shenton Way (the "**Shenton Way Contract**"); and (2) the building contract for the proposed erection of a 23-storey residential flat at 6 Jalan Ampas (the "**Orion-One Contract**"); and (ii) CIPL had in April 2014 appointed the Company's wholly owned subsidiary, Singapore Construction Pte Ltd ("**SCPL**") as its sub-contractor to assist CIPL in the completion of the building works at Jurong West Neighbourhood 2 Contract 19 and the design and build contract for the proposed erection of a 4-storey single user warehouse development with ancillary office at Tuas Bay Drive (the "**Tuas Contract**") (the "**Contracting Services Arrangement**"), so as to achieve greater certainty on obtaining the relevant temporary occupation permits.

Please refer to the Company's announcements:

- (1) dated 20 March 2014, 27 March 2014 and 2 April 2014 for more information on the Shenton Way Contract;
- (2) dated 22 April 2014 and 28 April 2014 for more information on the Orion-One Contract; and
- (3) dated 17 April 2014, 28 April 2014 and 30 April 2014 for more information on the Tuas Contract and the Contracting Services Arrangement.

- (c) The Company had in its FY2013 written down its investment in CIPL to nil.
- (d) CIPL was served an originating summons on 23 April 2014, where a trade creditor of CIPL has applied for a winding up order to be made against CIPL (the "**Winding Up Application**").

Please refer to the Company's announcements dated 23 April 2014 and 9 May 2014 for more information on the Winding Up Application.

- (e) There have been significant delays in the completion of certain projects secured by CIPL, which may result in claims in liquidated damages by the relevant project owners against CIPL.
- (f) Shareholders had on 20 November 2013, approved the Group's diversification into property development business and new funds had been raised to support the growth of this new business of the Group.
- (g) The time and resources of the Board and management would be better served leading the Company in the property development business.
- (h) The Audit Committee is of the view that the Proposed Disposal, if it goes through, is not prejudicial to the interests of the Company and its Shareholders.

3. THE AUDIT COMMITTEE'S OPINION

Based on the Grounds for the Waiver set out in paragraph 2 above, and in particular, in light of:

- (a) the net tangible liability position of CIPL and its poor financial performance in recent financial years;

- (b) based on the illustrative financial effects of the Proposed Disposal set out in paragraph 7 of the Company's Announcement dated 17 April 2014, the expected positive effect on the net tangible liability per Share and loss per Share and the net gain on the Proposed Disposal to the Group;
- (c) the Proposed Disposal will not materially affect the business operations of the Company given the Company's plans for the Group's construction business to be undertaken by SCPL, going forward;
- (d) the Company's plans for the development of its property development business following the receipt of Shareholders' approval for the diversification of the Company's business to include the property development business at the extraordinary general meeting of the Company held on 20 November 2013 and for the expansion of the geographical scope of the property development business at the extraordinary general meeting of the Company held on 28 April 2014;
- (e) the expected relief from financial pressures arising from the liabilities of CIPL and the Winding Up Application pursuant to the release and discharge of the Original Guarantees following the replacement of the Original Guarantees with back to back guarantees by the Purchaser as a condition subsequent to the sale and purchase agreement which the Company had entered into on 16 May 2014 with the Purchaser and Mr Liew Sen Keong for the Proposed Disposal; and
- (f) the re-allocation of the use of proceeds, raised by the Company through the issue of bonus warrants and piggyback warrants and the issue of exchangeable notes by the Company's subsidiary, CCM Property Pte. Ltd. for the Group's property development and investment businesses, to satisfy liabilities incurred by the Company in connection with the performance bond relating to the Shenton Way Contract, as announced by the Company on 4 April 2014,

the Audit Committee is of the opinion that the Proposed Disposal is not prejudicial to the interests of the Company and its Shareholders.

4. THE BOARD'S OPINION

Based on the Grounds for the Waiver set out in paragraph 2 and taking into account the Audit Committee's opinion set out in paragraph 3 above, the Board of Directors is of the opinion that the Proposed Disposal is in the best interest of the Company, and is not expected to have a material impact on the nature and risk profile of the Group's business.

The Company and/or any of its Board of Directors are not aware of any other material information in respect of the Company which was not formerly disclosed to the investors.

The Company intends to proceed to complete the Proposed Disposal and will make the necessary announcement(s) in due course.

BY ORDER OF THE BOARD

Chan Heng Fai
Executive Director and Chief Executive Officer
20 May 2014

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (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 announcement.

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

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