

No. 0050-2024

February 9, 2024

Subject : Disclosure of the Special Audit Report (Final) an Executive Summary from Auditors

To : The President
The Stock Exchange of Thailand


Reference: Letter of the Office of the Securities and Exchange Commission No. GorLorTor.JorThor-1
5197/2023 re: Disclosure of the Special Audit Report, dated December 25, 2023

As the reference letter from the Securities and Exchange Commission (“SEC”) has required CMO Public Company Limited (the “Company”) to send the Special Audit Report (Executive Summary) via the electronic media of the Stock Exchange of Thailand.

In this regard, the Company would like to submit a summary of the special audit report (Final), an executive summary from EY Office Company Limited in which the Company has deleted the names of related persons and juristic persons. Because it may cause misunderstanding or damage to other people, leading to disputes or legal liability. The details are as attachment:

Please be informed accordingly.

Yours Sincerely



(Mr. kitisak jampathipphong)

Chief Executive Officer

CMO Public Company Limited

บริษัท ซีเอ็มโอ จำกัด (มหาชน)

รายงานสรุปข้อเท็จจริงที่พบจากการตรวจสอบเป็น
กรณีพิเศษ ฉบับสมบูรณ์

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1. The Executive Summary

1.1 The causes and objectives

Due to the many doubts from CMO Public Company Limited (the "Company"), the auditors found some issues as irregular withdrawal of advance payment, consulting payment, expenses related to the concert and the investment in purchasing additional shares of the Company and two subsidiaries, namely CM Live Company Limited and CM Lab Company Limited (collectively referred to as the "Group Company"). Thus, the auditors has raised such issues to the Company's audit committee and the Securities and Exchange Commission ("SEC"). To comply with the order of SEC that was determined in Letter No. GorLorTor.JorThor-1 3885/2023, dated October 24, 2023, the Company has engaged the EY Office Company Limited ("EY Office") to provide a special audit since November 6, 2023. EY Office conducted the audit to investigate the following issues:

1. Expense transactions and consulting payments

1.1 In the Opinion of the auditors in case of the withdrawal of advance payment, It may be an embezzlement in the form of a loop (Lapping) because the receipts are not expenses of the Group of the Company. So, the auditors have summarized the details and evidences of the withdrawal of advance payment, including related persons involved in such transactions.

1.2 Checking the sources, necessity, and reasonableness of contracting with several consultants which did not specify the scope of work. Including auditing the facts that the Company received services from these consultants, checking the personnel involved in contracts or approving these transactions, and checking the relations between juristic persons and the company's directors or executives.

1.3 Checking the payment transactions related to operating and activity expenses in the amount of 4.1 million baht of the 4th consulting company, which involves the directors. The auditors give an opinion that the Company has not received service reports yet.

1.4 Checking the details of expenses related to organizing concerts between January - April 2023 for a total of 4 events. These events caused the company to lose 85 million baht. Therefore, the auditors will recheck whether the Company received service.

2. Examining facts and questions regarding the purchase of additional investments in Momentum S Company Limited ("MTS") during the 2nd quarter of 2023, covering the following issues.

2.1 Source, necessity, and reasonableness of additional investments in MTS from the percentage of 59.99 to the percentage of 99.99. Also, the appropriate price of investment in MTS is 65 million baht, while there was interest in this amount at the purchase date only 0.38 million baht.

2.2 Examining the relevant facts and the reasons for the change of shareholders in the amount of 8,000 shares of MTS: former MTS executives and former MTS shareholders who had close relation with its directors that holding shares on April 4, 2023, before selling shares to the Company on the same day.

2.3 Reviewing the procedures and evidence to prove that the Company has considered sufficient information about the resignation of MTS's directors and executives at the end of March 2023. For this reason, auditors noticed that the case had affected MTS's customers and might have affected the investment value purchased by MTS from companies holding MTS shares on April 4, 2023.

1.2 Scope of work and Procedure

EY Office has examined facts according to the following procedures, and the implementation period was from November 10, 2023 to January 9, 2024.

1.2.1 Analyze data and check supporting documents to identify abnormalities in the process.

- ▶ Request additional information and documents regarding the policy, operating guidelines for the Group of Company, and supporting documents on topics that the auditor had doubts about from the executives of the Group Company—checking the accuracy and appropriateness of workflow and transaction approval processes, including specify abnormal transactions which may indicate fraud.

- ▶ Review the audit report of the internal audit department (Appendix A) about the withdrawal of advance payment and receipt evidence are not expenses of the Group of the Company, including asking for additional information from the company's internal auditors to assess the accuracy and completeness of fraudulent transactions that the internal audit department identified as being committed by former executives of the Group.

- ▶ Review "the report of Financial Advisor's Opinion on the Acquisition of Moment Company's Common Stock Assets," which was prepared by Avantgarde Capital Company Limited ("Financial Advisor") on December 8, 2023. Inquiring the financial advisor about the methods and assumptions used to evaluate the reasonableness of purchasing stocks and the acquisition price on December 12, 2023, in order to assess the necessity and reasonableness of investing in additional MTS shares of the Company.

1.2.2 Research the individual and company profiles involve in the audit issue from public databases

- ▶ Research the profile of consulting companies and external service providers from public databases related to the matters that the auditor has questions about (Background check). To find the relationship of those people with the executives of the Company Group and information indicates additional suspects (if any).

1.2.3 Checking the electronic evidences

- ▶ Collect data from the email accounts of 3 executives of the Group and data from the computers of 2 executive secretaries in order to collect electronic files related to the work of said executives by using Digital forensic methods between November 9-13, 2023.

- ▶ Examine and analyze collected electronic data using search techniques (keywords) in both Thai and English and other examination methods.

1.2.4 Prepare a summary report from the audit

► Prepare a summary report from auditing facts discovered in the above procedure and attach the evidence to support the suspicion of the incident to present to the Company's Audit Committee.

1.3 Summary of fact from auditing

1.3.1. The result of audit in the issue of investing in additional shares in Momentum S Company Limited.

1.3.1.1 Reasonableness of the purchase price

Due to the Company's engagement with Avantgarde Capital Company Limited ("Financial Advisor") as an independent appraiser, Mr. Sornchai Wattanasukchai is responsible for the company's valuation in this special investigation. EY Office has evaluated the qualifications of the financial advisor and the methods used to calculate the fair price of the MTS share of acquisition transaction in order to examine the facts and questions regarding the necessity and reasonableness of the additional investments transaction in MTS. The audit results found that:

1. The evaluation qualifications of the financial advisor result: Avantgarde Capital Company Limited and Mr. Sornchai Wattanasukchai are financial advisors approved by the SEC and have experience in evaluating business values and analyzing risks. Therefore, auditors considered that the said financial advisor is suitable to be the appraiser for this time.

2. In the auditor's opinion, with the calculation methods and prices calculated by the financial advisor, it was found that calculating the fair value of MTS through the present value of the cash flow method or DCF was appropriate. However, EY noted the source of some assumptions and estimated data as follows:

2.1 The revenue estimates in the future for 2023 - 2027 are higher than MTS's past performance figures, which had revenue figures between 3.00 million baht and 87.43 million baht.

2.2 The total revenue for nine months from January 1 to September 30, 2023, of MTS is 27.63 million baht, 30 percent of the 2023 revenue estimate that the financial advisor used to calculate the value, which is 91.80 million baht.

2.3 The growth rate of MTS's revenue forecast is based on the assumption that (a) MTS completely transferred its customer base from its former executives after selling shares. And (b) The experience and reputation of MTS (credentials) to the customers, not from the former management team. Both of these assumptions contradict the facts discovered by background checks. In 2023, EY Office discovered that three major customers of MTS (based on 45% of MTS's annual revenue in 2022) switched to using the services of the former MTS executive's new company, which affected MTS's revenue from these three customers income decreased from 87.43 million baht in 2022 to 27.63 million baht in the nine months of 2023 (additional information is in section 6.2.1.2 and appendix 6).

Details of purchase value	Amount (Million Baht)	EY' Opinion
Valuation by the Company at February 23,2023	81.84	The valuation was too high because it was found that the resignation of a former MTS executive had a significant impact on MTS's customer base.
Valuation by Avantgarde Capital Company Limited at December 8,2023	73.26 - 79.74	
Actual Purchase Price at April 4, 2023	65.00	

1.3.1.2 The necessity and appropriateness of purchasing decisions

The evaluation results of the necessity and appropriateness of purchasing decisions are shown in the board meeting document No. 2/2023 on February 23, 2023, and May 10, 2023, which are the only two meeting minutes of the company which were discussions about purchasing additional MTS shares, but it did not show the necessity and appropriateness of purchasing decisions.

1. The sources and reasons for selling from existing shareholder shares, as well as the purposes or benefits that the company obtains from purchasing additional shares.

2. Review the Purchase Price again when group shareholders resign as MTS directors and executive directors.

Moreover, additional audit information found that some employees of the Company have been in the Executive Secretary position since January 1, 2022, and had a close relationship with a chief executive officer of the Company as a subordinate for a long time (Appendix 11). Presently, this employee is the Managing Director of MTS, which was transferred on January 1, 2023, and shown on the document BorAorJor 4 at the same time as the resignation of the former executive director and former shareholder on March 22, 2023 (Appendix 10). Also, there was the resignation of MTS employees of 7 persons who were in a position relevant to the operating business as Production Director / Account Manager resigned on the same day as the former executive director, effective on March 1, 2023.

In the two situations above, it could supposed that Management knew about the resignation of the former MTS executive but did not consider reviewing the purchase price again and did not bring this topic to propose to the Board before entering the purchasing transaction.

1.3.1.3 The appropriateness of approval purchasing transaction

According to the overall valuation criteria of the transaction, the value of purchasing MTS shares from a company holding MTS shares is 65 million baht, which does not meet the criteria of acquisition transactions that must be reported and approved by shareholders. The transaction size is lower than the percentage of 15% of net tangible assets.

This transaction is not classified as a connected transaction because of the relationship between the Company's executives and shareholders or directors of a company that holds shares in MTS, who purchase shares from existing shareholders of MTS and resell them to the Company on the same day. According to the announcement of the Capital Market Supervisory Board No. TorChor. 21/2008 regarding criteria for conducting connected transactions and Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003. However, referring to the criteria above for connected transactions, it will be found that the value of purchasing MTS shares meets the criteria for a large transaction. According to the criteria that calculate the highest value, it is the highest value of the consideration method. The transaction size is calculated to be equal to 20.16 percent (which is more than 3 percent of the net tangible assets value). Therefore, purchasing additional MTS shares may require approval from the Board of Directors and shareholder meetings, including disclosing information to the Stock Exchange of Thailand. Also, it is necessary to have an independent financial advisor give an opinion on this transaction.

1.3.1.4 Transparency of purchase transactions

The auditors found information that may indicate an indirect connection between the CEO of the Company and the purchase of MTS shares through companies holding the MTS shares, who are Shareholder in the company that hold MTS share 1 and Shareholder in the company that hold MTS share 2. Two persons are friends of the Company's Chief Executive Officer, while the minority shareholders of the company hold 0.01% of shares in MTS and are the older sister of the CEO. The table below summarizes the relationship between the CEO, shareholders, and directors of companies holding MTS shares.

Related Person	Relationship with CEO	Directors	Shareholder
Shareholder in the company that hold MTS share no. 1	High school friends and partner	2013 - Present	2013 (50%) - Present (99.9%)
Shareholder in the company that hold MTS share no. 2	Friends traveling abroad	2013 - 2017	2013 (49%) - 2017 (49%)
Shareholder in the company that hold MTS share no. 3	older sister	-	2022 (0.01%) – Present (0.01%)

The information from the audit raised suspicions that the company's CEO may have been involved in purchasing MTS shares transactions. Moreover, if such a relationship causes this transaction to acquire MTS shares, it will be classified as a connected transaction. It may be concluded that the approval to enter into the transaction did not comply with the criteria set forth by the Securities and Exchange Act.

However, the EY auditing did not find any price information at the company that holds MTS shares purchased MTS shares from former MTS executives and former MTS shareholders. In addition, auditors did not find evidence of a difference in the purchase price of the said MTS shares or that there was any benefit

from the Company's Chief Executive Officer or other company executives in any way. The Company transferred the money to purchase MTS shares into the Thanachart Thai Military Bank account number xxx-x-xxxx-x, which is the account name of the Companies that held shares in MTS on April 20 and May 23, 2023, in the amount of 32.50 million baht each.

1.3.2. The audit results regarding hiring and paying consulting firms without actually providing services.

1.3.2.1 The Reasonableness of selecting and hiring a consulting company

According to the audit, EY received information from the company that all four consulting firms which were selected and appointed by the company's executive committee. The supporting documents are the minutes of the Executive Committee meetings for 2021 and 2022 (Appendix 15). However, the meeting minutes did not show detailed information on the qualifications and comparative procedures of the company's consultants.

1.3.2.2 Evidence of providing services to the Company

According to the audit, EY received service reports from three consulting firms (Appendix 16) as evidence of the company's operations. However, EY has not found any other evidence that can be used as a reference or clear proof of cooperation between companies and consulting firms during the period of 2022-2023 (such as email, communication, progress reports, meeting arrangements, etc.) Except for Consulting company no. 3, there is additional evidence of the services provided, including pictures of the work delivered by the consulting company, communication information between companies and consulting companies during operations, etc. In providing the consulting companies' services for 12 such jobs, the Company has paid additional service fees in addition to consulting fees, totaling 2.48 million baht, from July 2022 until June 2023 (Appendix 43).

1.3.2.3 Relationship between directors and shareholders of the consulting company and the company's executives

According to the audit, three executives of the company (CEO, COO, and former Assistant CEO) Related to directors or shareholders of four consulting companies, as shown in the table below.

Management	Related consulting companies	Relationships**
Chief Executive Officer	Consulting company no. 1	Directors and shareholders of Consulting Company No. 1 and Consulting Company No. 2 (directors and shareholders of both consulting companies) and their wives have business relationships with the Chief Executive Officer and have relation with the CEO's family personally.
	Consulting company no. 2	

Chief Operating Officer	Consulting company no. 3	<p>1. The directors and shareholders of the consulting company are former employees of the company and are subordinate to the Chief Operating Officer.</p> <p>2. The company that holds shares in Consulting Company No. 3, which is the major shareholder of Consulting Company No. 3, has a major shareholder: An employee of a company who was a former employee of a company which the Company's Chief Operating Officer is a director and shareholder.</p>
Former Assistant CEO	consulting company no. 4	The former assistant chief executive officer is a director and largest shareholder of a consulting company.

Based on the audit results, the selection of consulting firms may not be clear and concise enough. No other evidence in the services report can be used as a reference or to prove the cooperation between the companies—the relationship between the executive of the Company and these consulting firms. It may indicate a lack of strictness in management, which caused the company financial damages. However, EY did not find evidence that consulting fees were paid directly to the company's executives.

In summary, it is expected that the value of the loss caused to the company in this issue of 19.8 million baht, with expenses transaction for 2022 equal to 12.6 million baht and expenses from January to September 2023 equal to 7.2 million baht. Details of the payment of consultant fees are shown in Appendix 41.

Management	Related consulting companies	Audit Result	Loss amount (Baht)*		
			CMO	CM Lab	CM Live
Chief Executive Officer	Consulting company no. 1**	1. Personal relationship 2. There is no documentation to prove cooperation with the consultant services.	7,200,000		
	Consulting company no. 2**		5,400,000		
Former Assistant CEO	Consulting company no. 4		7,200,000		
Chief Operating Officer	Consulting company no. 3	Personal relationship	-		
Total Loss amount			<u>19,800,000</u>		

* The loss value does not include VAT 7%.

** Both companies have the same shareholders and directors, namely the directors and shareholders of Consulting Company no. 1 and Consulting Company no. 2.

1.3.3. Audit Result of inappropriate expenses of the Group Company

According to the audit of the administrative expenses of the Group, including 1) the cost of hiring a fourth consulting firm for off-site activities. 2) The expenses incurred shall be reimbursed as advance payment 3) Expenses that were incurred and were included in the cost of the event the four concerts held from January - April 2023, auditors found that a total of 6 companies and third parties that were confirmed by the company's internal audit department that the Group of companies not receiving services from these partners, but expenses were paid out from the Group of companies through noncontract hiring and employee advances.

Furthermore, auditors found that of six companies and outsiders related to the former assistant chief executive officer, three have personal or business relationships with the former assistant chief executive officer of the Company. Also, the remaining three individuals were brought the invoices or ID copies of the three individuals above to submit for clearing the withdrawal amount. It can be conveyed that the former CEO's assistant may be the beneficiary of these inappropriate expenses.

In summary, it is expected that the value of the loss caused to the Group of companies is 5.75 million baht³, with items occurring in 2022 equal to 2.89 million baht and items from January to September 2023 amounting to 2.86 million baht. Details of payment of expenses are shown in Appendix 41 (for hiring Consulting Company No. 4) and Appendix A (for the other five expenses)

Management	The Related Company or person	Audit Result	Loss amount (Baht)*		
			CMO	CM Lab	CM Live
Former Assistant CEO Of the Company	Consulting company no. 4	1. Personal relationship		4,387,000.00	
	Company Supplier no. 1				288,900.00
	Individual Supplier no. 1	2. There is no documentation to prove cooperation with the consultant services.		82,474.23	
	Company Supplier no. 2			882,750.00	
	Individual Supplier no. 2	There is no documentation to prove cooperation with the consultant services.		72,164.95	
	Individual Supplier no. 3			41,237.11	

Total Loss amount	<u>5,754,526.29</u>
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* The loss value does not include VAT 7%.

Other concert-related expenses from January to April 2023 include four events: Soundcheck, Tiffany, Y2K, and Seen Festival. The Company used four partners, mainly Box Media Co., Ltd. Company. PM Center Co., Ltd., GMM Music Publishing International Co., Ltd., and IMPACT Growth Real Estate Investment Trust. From the audit, it was found that it is an expense that has evidence of actual service. In addition, these trading partners exist and operate businesses that correspond to the services provided to the Company Group. Therefore, EY did not question most of these expenses.

1.3.4. The weakness of internal control of the Group Company

According to the audit results, the Group Company has the weaknesses in its control system as follows:

1. Lack of a clear and concise enough process for selecting vendors, Service providers, and consulting companies. Due to hiring the company's consulting company, there is only a report of the company's executive board meeting. It is a document for consideration and approval. There are no details of qualifications and procedures for considering and comparing consultants at the company. Procurement with other business partners is a document for the consideration of the company's executive committee.

2. Lack of process for tracking the performance of suppliers, service providers, and consulting companies because in the contract with the consulting company and Purchase orders, there is no specified period for business partners to report the progress of work to officials or executives of the Company. Including no determination of the form in which the partner must deliver work to the company clearly. Actions like this make the company unable to promptly follow up on progress in the work of partners or consulting companies.

3. Lack of process for considering the performance of the company group and joint decision-making by the company's executive committee. Due to the meeting minutes of the company's executive committee. The information EY received did not record the agenda, discussion, or decision points regarding the Group's strategies and operational plans. Therefore, it was raised as a matter of suggestion that the company's executive directors discuss the business plan as one of the regular agendas of the company's executive committee meetings.