

Ref: REG/LC/GT/DT/NOC2021120001

1 December 2021

The Board of Directors

CFM Holdings Limited
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Dear Sirs,

NOTICE OF COMPLIANCE (THE “NOTICE”)

CFM HOLDINGS LIMITED

(“CFM” OR THE “COMPANY”, TOGETHER WITH ITS SUBSIDIARIES, THE “GROUP”)

-
1. Singapore Exchange Regulation (“**SGX RegCo**” or the “**Exchange**”) refers to the Company’s following SGXNet announcements:
- (a) Dated 3 June 2021 (Announcement Reference No: SG210603OTHR89KQ) titled “*Sale and Purchase Agreement in Relation to the Proposed Acquisition*”;
 - (b) Dated 4 June 2021 (Announcement Reference No: SG210604OTHR8RH9) titled “*Response to SGX Queries*”;
 - (c) Dated 20 September 2021 (Announcement Reference No: SG210920OOTH4T1N) titled “*Responses to SGX Queries Regarding Trading Activity*”;
 - (d) Dated 28 October 2021 (Announcement Reference No: SG211028OTHR4FIS) titled “*Retirement of Mr. Ross Yu Limjoco as Director*”;
 - (e) Dated 29 October 2021 (Announcement Reference No: SG211029OTHRGOG) titled “*Appointment of Lead Independent Director*”;
 - (f) Dated 29 October 2021 (Announcement Reference No: SG211029OTHROR6O) titled “*Appointment of Independent Director*”; and
 - (g) Dated 12 November 2021 (Announcement Reference No: SG211112OTHR4PKV) titled “*Response to SGX Queries*”.
- (collectively, the “**Announcements**”).

Singapore Exchange Regulation Pte. Ltd.

Company Reg No. 201709600D
(A wholly-owned subsidiary of Singapore Exchange Limited)

11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589
main: +65 6236 8888
sgx.com

2. **Background**

- 2.1 The Company is in the business of manufacturing metal components and providing metal stamping services.
- 2.2 The existing board of directors comprise:

Executive Directors

- Ip Kwok Wing (Executive Chairman)
- Lim Fong Li Janet (Chief Executive Officer)

Independent Directors

- Lo Kim Seng (Appointed 1 July 2020)
- Chia Seng Hee (Appointed 29 October 2021)
- Teo Kian Huat (Appointed 29 October 2021)

3. **Acquisition of 51% of the Issued Share Capital of SING-SWE MM Biotechnology Pte. Ltd. (“Target”) (the “Proposed Acquisition”)**

- 3.1 On 3 June 2021, the Company announced its entry into a Sale and Purchase Agreement (“SPA”) with shareholders of the Target, namely Wang Xinmeng, Gao Hong and New Energy Industry Sweden AB, (“Vendors”) to acquire 51% of the issued share capital of the Target. Under the SPA, the Company shall acquire 51 ordinary shares in the capital of the Target for an aggregate consideration of up to S\$6.12 million, to be satisfied via the issuance of up to 120,000,000 new fully-paid up ordinary shares in the capital of the Company at an issue price of S\$0.051 each.

The Target, a Singapore company incorporated on 7 May 2021, is involved in the distribution and sale of pharmaceutical products with the exclusive distribution rights to certain viral test and detection kits in Europe, Africa, South Asia, South-East Asia and Middle East.

It was further stated in the announcement that the Company will conduct due diligence on the Target, the results of which must be satisfactory to the Company prior to completion of the Proposed Acquisition, and will update the Company’s shareholders (“Shareholders”) as and when there are material developments.

- 3.2 On 4 June 2021, in response to SGX RegCo’s queries on the Proposed Acquisition, the Company explained that, *inter alia*:
- (i) There was no independent valuation conducted on the Target as it had only commenced business recently and was more of a startup notwithstanding that its business (“Target Business”) is in an area that is currently well-established;

Singapore Exchange Regulation Pte. Ltd.

Company Reg No. 201709600D
(A wholly-owned subsidiary of Singapore Exchange Limited)

11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589

main: +65 6236 8888

sgx.com

- (ii) No formal due diligence has been conducted on the Target as at the date of signing of the SPA as the results of due diligence to be conducted on the Target being satisfactory to the Company is a condition precedent to the Proposed Acquisition;
- (iii) It is intended for the Target to continue running the Target Business with board management and control from the Company;

- 3.3 On 28 October 2021, the Company announced the retirement of Mr. Ross Yu Limjoco (“**Mr. Limjoco**”) as a director of the Company (“**Cessation Announcement**”). In the Cessation Announcement, Mr Limjoco highlighted that the legal and financial due diligence into the Proposed Acquisition are ongoing, and that in the course of the due diligence, various queries and requests for clarifications were raised by the independent directors in respect of the draft reports. Mr. Limjoco further stated in the Cessation Announcement that such queries and requests are being looked into by the professionals as part of the ongoing due diligence.
- 3.4 On 29 October 2021, the Company announced the appointments of Mr. Chia Seng Hee (“**Mr. Chia**”) as lead independent director, and Mr. Teo Kian Huat (“**Mr. Teo**”) as independent director, of the Company (each an “**Appointment**”, and each relevant announcement an “**Appointment Announcement**”). It was highlighted in the Appointment Announcement relating to Mr. Chia that the Company’s Nominating Committee is not recommending the appointment of Mr. Chia as he is a candidate who had previously served on the board of companies with adverse track records or a history of irregularities. It was highlighted in the Appointment Announcement relating to Mr. Teo that the Company’s Nominating Committee has not recommended or endorsed the appointment of Mr. Teo due to (a) lack of experience as a listed company director; and (b) he was recommended for appointment by the introducer of the Proposed Acquisition.
- 3.5 On 30 October 2021, SGX RegCo queried the Company on various areas of concern arising from the Cessation Announcement and Appointment Announcements, including, *inter alia*:
- (i) Concerns raised by the Nominating Committee in relation to the Appointments;
 - (ii) The disagreements between the Executive Directors, and the Nominating Committee; and
 - (iii) Whether there are other disagreements amongst the board members, such as in relation to the Appointments and the Proposed Acquisition.

(“**30 October SGX RegCo Queries**”).

3.6 On 12 November 2021, the Company responded to the 30 October SGX RegCo Queries, in which it provided:

- (i) Details of the differing views of the Executive Directors and the Nominating Committee with regards to the Appointments;
- (ii) Reasons for the Appointments despite the Nominating Committee's non-recommendation; and
- (iii) A summary of the disagreements between the members of the Board in relation to the Proposed Acquisition ("**Disagreements**").

3.7 The Disagreements relate to two issues:

(i) Legal Due Diligence

Mr. Lo Kim Seng ("**Mr. Lo**") is the only remaining Independent Director currently on the Board who was also a director of the Company at the time of signing of the SPA on the Proposed Acquisition ("**Material Time**"). He noted that, at the Material Time, the Board did not have the benefit of any substantive discussions on the business, strategy, risks and valuation of the Target, or the overall future business plan or strategy of the Company.

Mr. Lo further highlighted that:

- (a) No legal due diligence was conducted by the Company before entry into the SPA;
- (b) The Target has a short established track record of less than six months;
- (c) The Target Business is a new business area for the Company;
- (d) The Target Business is primarily foreign;
- (e) The Proposed Acquisition, when completed, would give the Vendors up to 37% interest in the Company; and
- (f) Despite the foregoing, the legal due diligence being conducted was a simplified legal due diligence exercise on the Singapore-incorporated entities of the Target and its subsidiaries (if any), and no foreign legal due diligence was recommended by the Company's counsel, ZICO Insights Law LLC ("**ZICO**").

Mr Lo and Mr. Limjoco thus consulted with Harry Elias Partnership and requested for foreign legal due diligence to be conducted.

The Executive Directors are of the view that it is not unusual for companies to execute sale and purchase agreements prior to the completion of financial and legal due diligence, and that any issues uncovered during the due diligence then conducted would be dealt with accordingly. The Executive Directors further highlighted that safeguards including, *inter alia*, conditions precedent which were built into the SPA and an earn-out structure, are in place to protect the interests of Shareholders, and that comprehensive due diligence is ongoing.

The Executive Directors are currently in discussion with the Company's counsel, ZICO, on the possibility of obtaining foreign legal opinions on certain material agreements that have been expressed to be subject to governing laws other than Singapore.

(ii) Financial Due Diligence

Mr. Lo highlighted that the Independent Directors on the Board at the Material Time, being Mr. Lo himself and Mr. Limjoco, was informed that a comprehensive due diligence will be conducted after the signing of the SPA. However, the financial due diligence subsequently commissioned was merely an "agreed upon audit procedure" to be performed by the Company's auditor, Baker Tilly TFW LLP ("**Baker Tilly**"), which was very limited in scope. Mr. Lo and Mr. Limjoco had then insisted that Baker Tilly performed financial due diligence on an expanded scope ("**Expanded Scope Financial Due Diligence**").

The Expanded Scope Financial Due Diligence is currently ongoing.

4. Exchange's Directives

- 4.1 Catalyst Rule 305(1) provides that the Exchange may exercise administrative powers for the purposes of ensuring that the market is fair, orderly and transparent. Catalyst Rule 305(1)(k) further provides that the Exchange may impose on an issuer and its directors any other requirements which it considers appropriate.
- 4.2 The matters highlighted by the Company's Independent Directors at the Material Time, namely Mr. Lo and Mr Limjoco, raise concerns on whether adequate due diligence is conducted on the Proposed Acquisition, so as to provide assurance that the Proposed Acquisition is in the best interest of the Company and its Shareholders. SGX RegCo is also concerned about whether adequate disclosures will be made on the Target, the Proposed Acquisition and on the Board's recommendations, to enable shareholders to make informed decisions when they vote on the Proposed Acquisition in due course.

- 4.3 In view of the above, the Exchange directs that the following be undertaken in the interest of the Company and its Shareholders:
- (i) The Company's Board, including the Executive Directors and the three current Independent Directors, Mr. Lo, Mr. Chia and Mr. Teo, to:
 - (a) Commission and conduct comprehensive legal due diligence based on a scope of work unanimously agreed upon by all members of the Board and that the members of the Board be collectively and individually satisfied with the outcome of such legal due diligence;
 - (b) Oversee the completion of the Expanded Scope Financial Due Diligence and that the members of the Board be collectively and individually satisfied with the outcome of such financial due diligence; and
 - (c) Include in the circular to shareholders, bases and considerations of the Board of directors, collectively and individually (if there are differing views), on whether the Proposed Acquisition is in the best interests of the Company and its Shareholders.
- 4.4 Where warranted, SGX RegCo may direct the Board to expand on the Legal Due Diligence and Financial Due Diligence, look further into material findings (if any) arising from the due diligence exercises and / or appoint other professionals (including but not limited to valuers) to assess the Proposed Acquisition.
- 4.5 Please note that this Notice is an official notification to the Company with immediate effect.
- 4.6 Pursuant to Catalist Rule 305(4), failure to comply with the requirements SGX RegCo has imposed shall be deemed to be a contravention of the Catalist Rules.
- 4.7 Please note that compliance with this Notice does not constitute a waiver of any kind, and SGX RegCo reserves the right to take disciplinary action against the Company and/or any Relevant Person(s) for breaches of the Catalist Rules, including any failure to comply with the requirements SGX RegCo has imposed.

Yours faithfully,

June Sim
Senior Vice President
Head, Listing Compliance
Singapore Exchange Regulation

cc: Mr. Liao Hong Kong, Asian Corporate Advisors Pte. Ltd.
Ms. Foo Quee-Yin, Asian Corporate Advisors Pte. Ltd.

Singapore Exchange Regulation Pte. Ltd.
Company Reg No. 201709600D
(A wholly-owned subsidiary of Singapore Exchange Limited)

11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589
main: +65 6236 8888
sgx.com