MFS TECHNOLOGY LTD
(Company Registration Number: 200009562R)
(Incorporated in Singapore)
(the "**Company**")

SALE AND PURCHASE AGREEMENT IN RELATION TO THE DISPOSAL OF THE ASSETS AND LIABILITIES OF THE COMPANY

All defined terms used in this announcement shall bear the same meanings as ascribed to them in the announcement by the Company dated 5 August 2014 ("**Offer Letter Announcement**") in relation to the sale by the Company of the Disposed Assets and Liabilities (the "**Proposed Transaction**"), unless otherwise stated.

1. INTRODUCTION

The Board of the Company refers to the Offer Letter Announcement in relation to the Proposed Transaction and wishes to announce that the Company has on 10 September 2014 entered into a definitive sale and purchase agreement (the "**SPA**") with Integrated Circuits Pte. Ltd. (the "**Buyer**", information on which is set out below) in relation to the sale by the Company, and the purchase by the Buyer, of the Disposed Assets and Liabilities.

2. INFORMATION ON THE BUYER AND THE TARGET GROUP AND VALUATION OF THE DISPOSED ASSETS AND LIABLITIES

2.1 The Buyer

The Buyer is a special purpose company incorporated in Singapore by Navis Asia Fund VII, L.P., together with Novo Tellus, for the purpose of the Proposed Transaction.

2.2 Novo Tellus

Please refer to Paragraph 2.1 of the Offer Letter Announcement for information on Novo Tellus.

2.3 Navis

Please refer to Paragraph 2.2 of the Offer Letter Announcement for information on Navis.

2.4 Target Group

Please refer to Paragraph 2.3 of the Offer Letter Announcement for information on the Target Group.

2.5 Value of Disposed Assets and Liabilities

As stated in Paragraph 2.4 of the Offer Letter Announcement, the value of the Disposed Assets and Liabilities based on the latest consolidated financial results of the Group for the six (6)-month period ended 30 June 2014 is as follows:

	S$'000
Book value	110,648
Net tangible asset value	110,648

3. PRINCIPAL TERMS OF THE SPA

3.1 The Consideration

The aggregate Consideration payable by the Buyer to the Company for the Disposed Assets and Liabilities is S$124,152,000, to be satisfied in cash. In relation to the payment of the Consideration:

(a) 95% of the Consideration will be paid by the Buyer to the Company on Completion, less the following: (i) the amount of cash on the Seller's balance sheet that is to be retained by the Seller following Completion and (ii) S$500,000 being the Company's agreed contribution to the costs and expenses (including premium) of the W&I Insurance taken out by the Buyer (to the extent that the W&I Insurance is put in place); and

(b) the balance 5% of the Consideration, being the Deferred Consideration, will be paid by the Buyer to the Company on the date falling three (3) business days after 12 months of Completion, less the following (if any): (i) any Cash Leakage, (ii) certain other deductions agreed between the Company and the Buyer as set out in the SPA and (iii) up to S$1,250,000 of the Deferred Consideration may be used to cover the stipulated insurance deductibles under the W&I Insurance and the tax liabilities and costs and expenses not covered by the W&I Insurance.

The Consideration was arrived at pursuant to arm's length negotiations between the Company and the Buyer on a willing-buyer willing-seller basis, after taking into account the book value of the Disposed Assets and Liabilities, the valuation of other comparable publicly-listed companies and the performance of the Company over the past three (3) years.

3.2 Conditions of the SPA

Completion of the SPA is conditional upon the approval of the Proposed Transaction at the EGM of the Company to be convened to approve the Proposed Transaction in accordance with the Listing Manual of the SGX-ST and the Companies Act (Chapter 50 of Singapore).

4. MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL

4.1 As stated in Section 5 of the Offer Letter Announcement, based on the latest consolidated financial results of the Group for the six (6)-month period ended 30 June 2014, the relative figures of the Proposed Transaction computed on the basis set out in Rule 1006(a) to (d) of the Listing Manual are as follows:

Relative figures under Rule 1006:

Rule 1006	Base	Figure (S$'000)
(a)	**The net asset value of the Disposed Assets and Liabilities, compared with the Group's net asset value.**	
	Net asset value of the Disposed Assets and Liabilities:	110,648
	Net asset value of the Group:	111,168
	Size of relative figure:	99.5%
(b)	**The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.**	
	Net profits (attributable to the Disposed Assets and Liabilities):	6,598
	Net profits of the Group:	6,391
	Size of relative figure:	103.2%
(c)	**The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.**	
	Aggregate value of the maximum consideration to be received:	123,632
	Company's market capitalisation as at 1 August 2014[1] being the market day immediately preceding the date of the Offer Letter on which the shares of the Company were traded:	98,015
	Size of relative figure:	126.1%
(d)	**The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.**	Not applicable

[1] The Company's market capitalisation as at 4 September 2014, being the market day immediately preceding the date of the SPA on which the shares of the Company were traded (as there was no trading volume on 5 September 2014), is S$117,641,000 and the relative figure of the Proposed Transaction computed on the basis set out in Rule 1006(c) of the Listing Manual will be 105.1%.

4.2 As the relative figures under Rules 1006(a), (b) and (c) of the Listing Manual exceed 20% as set out above, the Proposed Transaction constitutes a "major transaction" as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Transaction is subject to the approval of the shareholders at the EGM of the Company to be convened.

5. NET PROCEEDS

As mentioned in Paragraph 2.5 of this announcement, the book value of the Disposed Assets and Liabilities as at 30 June 2014 is S$110,648,000. The excess of the proceeds of the Proposed Transaction over the book value of the Disposed Assets and Liabilities is expected to be S$12,984,000 and the Net Proceeds from the Proposed Transaction, after deducting transaction related costs, is S$122,750,000. Based on the latest consolidated financial results of the Group for the six (6)– month period ended 30 June 2014, the Company is expected to record a net gain on the Proposed Transaction of S$7,067,000 after deducting foreign currency translation reserves arising from consolidation of S$5,035,000.

6. FINANCIAL EFFECTS

6.1 As stated in Section 7 of the Offer Letter Announcement, the financial effects of the Proposed Transaction on the Group as set out below are based on the audited consolidated financial statements of the Group for FY2013 and the following assumptions:

(a) the financial effects are purely for illustrative purposes only and do not represent any projection of the actual future financial performance or financial position of the Company after the Proposed Transaction;

(b) in relation to balance sheet items, the Proposed Transaction had been completed at the end of FY2013, being 31 December 2013;

(c) in relation to the profit and loss items, the Proposed Transaction had been completed at the beginning of FY2013, being 1 October 2012;

(d) the Consideration is S$124,152,000; and

(e) the issued share capital of the Company comprises 653,430,497 shares (excluding 7,000,000 treasury shares) as at 31 December 2013.

Note:

During the financial period, the Company changed its financial year-end from 30 September to 31 December. Consequently, the reporting period for the financial statements of FY2013 cover a period of 15 months from 1 October 2012 to 31 December 2013.

6.2 Net tangible assets

Assuming the Proposed Transaction had been completed on 31 December 2013, the Proposed Transaction would have the following impact on the NTA of the Group for FY2013:

	Before the Proposed Transaction	After the Proposed Transaction
NTA as at 31 December 2013 (S$'000)	112,746	123,270
Number of issued shares of the Company[2]	653,430,497	653,430,497
NTA per share as at 31 December 2013 (cents)	17.3	18.9

6.3 Earnings per share

Assuming the Proposed Transaction had been completed on 1 October 2012, the Proposed Transaction would have the following impact on the EPS of the Group for FY2013:

	Before the Proposed Transaction	After the Proposed Transaction
Profit attributable to the shareholders of the Company for FY2013 (S$'000)	5,878	6,425*
Number of issued shares of the Company[2]	653,430,497	653,430,497
EPS for FY2013 (cents)	0.90	0.98

**This represents the net gains on the Proposed Transaction computed assuming that the Proposed Transaction had been completed on 1 October 2012*.

6.4 Gearing

Assuming the Proposed Transaction had been completed on 31 December 2013, the Group's gearing would be nil instead of 0.12 times.

7. RATIONALE FOR THE PROPOSED TRANSACTION AND USE OF PROCEEDS

7.1 As stated in Section 8 of the Offer Letter Announcement, the Board believes that the Proposed Transaction is in the best interests of the Company and the Shareholders. As the FPC and PCB business becomes increasingly competitive, the Company may need to invest substantially to grow its production capacity and technology capabilities in order to compete effectively. Additional equity from Shareholders and/or debt facilities may be required. The Proposed Transaction presents the Company an immediate opportunity to unlock value, eliminating the need for future additional equity and/or debt financing in connection with such investments.

[2] Excluding 7,000,000 treasury shares.

7.2 In the event that Completion takes place, (a) MFSS will cease to be a subsidiary of the Company, (b) the Target Group will also cease to be subsidiaries of the Company, and (c) the Company will cease to have any operating business and its assets will consist substantially of cash. The Company will become a cash company under Rule 1018 of the Listing Manual. Further elaboration on Rule 1018 is set out in Section 8 of this announcement.

8. CASH COMPANY

8.1 Under Rule 1018(1) of the Listing Manual, if the assets of an issuer consist wholly or substantially of cash or short-dated securities, its securities will normally be suspended. The suspension will remain in force until the issuer has a business which is able to satisfy the SGX-ST's requirements for a new listing, and all relevant information has been announced. Upon completion of the disposal of its operations and/or assets, the issuer must:

(a) place 90% of its cash and short-dated securities (including existing cash balance and the consideration arising from the disposal(s) undertaken by the issuer) in an account opened with and operated by an escrow agent which is part of any financial institution licensed and approved by the Monetary Authority of Singapore. The amount that is placed in the escrow account cannot be drawn down until the completion of the acquisition of a business which is able to satisfy the SGX-ST's requirements for a new listing, except for payment of expenses incurred in a reverse takeover approved by shareholders and pro-rata distributions to shareholders; and

(b) provide monthly valuation of its assets and utilisation of cash, and quarterly updates of milestones in obtaining a new business to the market via SGXNET.

8.2 Shareholders should note that under Rule 1018(2) of the Listing Manual, the SGX-ST will proceed to remove an issuer from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company. The issuer may apply to the SGX-ST for a maximum 6-month extension to the 12-month period if it has already signed a definitive agreement for the acquisition of a new business, of which the acquisition must be completed in the 6-month extension period. The extension is subject to the issuer providing information to investors on its progress in meeting key milestones in the transaction. In the event the issuer is unable to meet its milestones or complete the relevant acquisition despite the time extension granted, no further extension will be granted and the issuer will be required to delist and a cash exit offer in accordance with Rule 1309 be made to the issuers' shareholders within 6 months.

8.3 The Board will after Completion explore and evaluate its options, including potential new business opportunities and investments that may present themselves before deciding on the next course of action that is in the best interests of Shareholders. Shareholders will be informed in due course as and when material developments occur.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As stated in Section 10 of the Offer Letter Announcement, none of the directors or controlling shareholders has any interest, direct or indirect, in the Proposed Transaction, other than through their respective shareholdings in the Company.

10. DIRECTORS' SERVICE CONTRACTS

As stated in Section 11 of the Offer Letter Announcement, no person is proposed to be appointed as a director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. INDEPENDENT FINANCIAL ADVISER

The Company appointed CIMB Bank Berhad, Singapore Branch, as independent financial adviser of the Company, to undertake a valuation analysis of the Company and opine on the fairness and reasonableness of the offer by the Buyer pursuant to the Proposed Transaction.

12. EGM AND CIRCULAR TO SHAREHOLDERS

The Company will convene the EGM to seek approval of the Shareholders for the Proposed Transaction and a circular containing, inter alia, details thereof and enclosing the notice of EGM in connection therewith, will be despatched to the Shareholders in due course.

13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be available for inspection during normal business hours at the Company's registered office at 801 Lorong 7 Toa Payoh, #02-01 Wearnes Building, Singapore 319319 for a period of three (3) months from the date of this Announcement.

By Order of the Board

Submitted by Hee Siew Fong, Company Secretary on 10 September 2014 to SGX