

CSF FUND I PTE. LTD. AS STRATEGIC INVESTOR AND COLLABORATION PARTNER

1. OVERVIEW

The Company had, on 1 November 2022, appointed One World Business Advisory Pte. Ltd. (“**Introducer**”), as an introducer and arranger to identify potential investors for the purposes of fund raising and/or introducing assets or business opportunities to the Company.

From its network, the Introducer had introduced CSF Fund I Pte. Ltd. (“**CSF**” or “**Placee**”) as a strategic investor and collaboration partner. In this regard, the Company intends to engage CSF as a strategic partner and investor by (i) carrying out a placement exercise with CSF (“**Placement Exercise**”) for an aggregate subscription amount of S\$1.25 million such that CSF will become a new substantial shareholder of the Company holding 13.82% of the enlarged share capital of the Company after the completion of the Placement Exercise, and (ii) entering into a non-binding memorandum of understanding (“**MOU**”) with CSF to set out the broad scope of strategic collaboration between the Company and CSF (collectively, the “**Parties**”) (“**Strategic Collaboration**”).

Upon completion of the Placement Exercise, the Company shall pay the Introducer an introduction fee of 3% (“**Introduction Fee**”) of the total amount of funds raised, i.e. S\$37,500, on a success basis.

2. CSF

CSF is an investment fund incorporated in Singapore, which is managed by CSF Ventures Pte. Ltd. (“**CSF Ventures**”), a licensed fund management company with the Monetary Authority of Singapore. CSF Ventures is founded by Singapore-based experienced deep tech venture builder, JCS Group (Singapore) and Israel security technology leader, Avnon Group, and leverages on each other’s deep-tech engineering capabilities, local/overseas network and resources. CSF Ventures focuses on investments into companies with innovative technology applications and valuable intellectual property onto scalable business with sizeable market demand.

3. STRATEGIC INVESTMENT AND COLLABORATION

Placement Exercise

The Company had on 5 June 2023 entered into a subscription agreement with CSF (“**Subscription Agreement**”) pursuant to which the Company has agreed to allot and issue an aggregate of 50,000,000 new ordinary shares in the capital of the Company (“**Shares**”) (“**Placement Shares**”) to CSF, and CSF has agreed to subscribe for the Placement Shares, at the issue price of S\$0.025 per Placement Share (“**Issue Price**”), for an aggregate amount of S\$1.25 million (“**Subscription Consideration**”). The Issue Price represents a premium of approximately 2.9% above the volume weighted average price of S\$0.0243 for trades done on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 31 May 2023, being the last full market day when trades were done on the Shares prior to the signing of the Subscription Agreement.

The Placement Shares constitute approximately 16.04% of the existing number of issued Shares and 13.82% of the enlarged number of Shares post the Placement Exercise. Accordingly, CSF will become a new substantial shareholder of the Company upon the completion of the Placement Exercise. Pursuant to the Subscription Agreement, CSF will nominate a representative to be appointed as a non-executive director on the Board of the Company upon completion of the Placement Exercise.

The Placement Shares, when allotted and issued, will rank *pari passu* in all respects with the existing issued Shares and be free from all encumbrances and with all rights and benefits attaching thereto save that they will not rank for any dividends, rights, allotments or other distributions, if the Record Date (as defined below) falls on or before the completion of the Placement Exercise. "**Record Date**" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares, if any.

The Placement Shares will be issued pursuant to the Company's general share issue mandate ("**Share Issue Mandate**"), which was approved by shareholders during the Company's annual general meeting ("**AGM**") held on 27 April 2023. In addition, the Placement Exercise is undertaken pursuant to the exemption under Section 272B of the Securities and Futures Act 2001 of Singapore. As such, no prospectus or offer information statement will be issued by the Company in connection with the Placement Exercise.

MOU

Concurrently, the Parties had on 5 June 2023 entered into the non-binding MOU which sets out the broad scope of strategic collaboration between the Company and CSF. It is the intention of the Parties to cooperate and collaborate by leveraging on each other's capabilities, resources, experience and networks, whereby the Company can benefit from CSF's existing and potential access and introduction to deep technology companies with strength in intellectual property development and high growth potential as potential investment targets. If the Parties agree subsequent or pursuant to the MOU to undertake any specific investments with intended legally binding obligations, the Parties will enter into separate written agreements for each of such investments and comply with the relevant regulatory requirements.

4. RATIONALE AND USE OF PROCEEDS

As disclosed in the Company's annual report for FY2022 issued on 6 April 2023, the Company intends to continue to invest in emerging industries such as health and well-being, environmental and clean energy solutions, lifestyle wear with sustainable products, and solutions that the Company believes can add value to help its customers and stakeholders to differentiate and innovate. With an asset-light strategy after disposing of its two subsidiaries, the Company aims to put more efforts into joint strategic partnerships by strengthening its distribution channels, innovating green product research and developing and streamlining its manufacturing activities.

The Company sees the strategic partnership with CSF as a concrete step towards this direction. As set out in Section 3 above, with CSF as a new substantial shareholder of the Company upon the completion of the Placement Exercise, the Company intends to leverage on CSF's network and access to technology, intellectual property and potential investment targets to value-add to its existing businesses and/or expand into new or related businesses.

As at 31 December 2022, the Company has cash and bank balances amounting S\$11.9 million. Together with the net placement proceeds of approximately S\$1.157million ("**Net Proceeds**") after deducting related expenses, the Company intends to utilise its cash resources to pursue such opportunities as set out above, as well as for the Company's working capital.

The Company will make periodic announcement(s) as to the use of the Net Proceeds from the Placement Exercise as and when such Net Proceeds are materially disbursed and whether such a use is in accordance with the stated use. The Company will also provide an update on the use of the Net Proceeds in its interim and full-year financial statements and the Company's annual report. Where the Net Proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on how the Net Proceeds have been applied. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

Pending the deployment of Net Proceeds, such proceeds may be placed as deposits with financial institutions or invested in short-term money markets or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit, from time to time.

5. SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

Terms used but not defined herein shall have the same meanings ascribed to them in the Subscription Agreement.

Conditions Precedent

The completion of the Placement Exercise is conditional upon, *inter alia*:

- (a) the SGX Approval having been obtained and not being revoked or amended and, where the SGX Approval is subject to conditions, such conditions being reasonably acceptable to the Placee and the Company;
- (b) any conditions attached to the SGX Approval which is required to be fulfilled on or before the Completion Date, and which have been accepted by the Placee and the Company, having been fulfilled on or before that date to the satisfaction of the SGX-ST unless waived by the SGX-ST;
- (c) the Share Issue Mandate being valid, subsisting and adequate for the purpose of the issue of the Placement Shares on the Completion Date;
- (d) neither the Company nor the Placee having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the Subscription Agreement and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;
- (e) the representations and warranties contained in Clause 4 of the Subscription Agreement remaining true and not misleading in any respect at Completion Date, as if repeated at Completion Date;
- (f) the Company or the Placee not in breach of any of the undertakings and covenants given in the Subscription Agreement as at the Completion Date, and if any of such undertakings and covenants are required to be fulfilled on or before the Completion Date, such undertakings and covenants shall have been fulfilled prior to Completion Date; and
- (g) the receipt by the Placee of such waivers or consents as may be necessary to enable the Placee to be registered as holder of any and all of the Placement Shares (including without limitation shareholders', third party and governmental and regulatory approvals).

Unless specifically waived by the Placee in accordance with Clause 5.5 of the Subscription Agreement, if any of the conditions set forth in Clause 5.1 is not satisfied on or before the Long Stop Date, the Subscription Agreement shall *ipso facto* cease and determine and in such event neither Party shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by a Party against the other arising from an antecedent breach of the terms of this Agreement or pursuant to Clause 7.1 of the Subscription Agreement. Further, the Company shall, at the demand of the Placee, reimburse the Placee up to S\$20,000 for costs and expenses incurred in the event the Company decides to cease to proceed with the Placement for any reason except where such cessation arises due to any non-compliance by the Placee of any rule of the Listing Manual in connection with the Placement.

In respect of the conditions precedent set out in Section 5(a) above, the Company will be submitting an additional listing application, through its Sponsor, Provenance Capital Pte. Ltd.,

to the SGX-ST in respect of the listing and quotation of the Placement Shares. The Company will make the necessary announcement once the SGX Approval has been obtained from the SGX-ST.

Completion

Completion shall take place on the Completion Date at the registered office of the Company (or such other place as the Parties may agree) at such time as the Parties may agree.

6. SHARE ISSUE MANDATE

The Placement Shares will be issued pursuant to the Share Issue Mandate as approved by the shareholders of the Company at the AGM of the Company held on 27 April 2023 for the Directors of the Company to allot and issue Shares, whereby the aggregate number of Shares to be issued shall not exceed 50% of the total number of issued Shares (excluding treasury shares) as at 27 April 2023 in the case where Shares are issued other than on a pro rata basis to existing shareholders. The total number of issued Shares as at the date on which the Share Issue Mandate was passed was 311,698,153 Shares and the Company does not have any treasury shares nor any outstanding options or any rights, warrants or other securities convertible into, exercisable for or redeemable for any Shares. The number of issued Shares remains unchanged as at the date of this announcement.

No Shares was previously issued under the Share Issue Mandate, and the proposed allotment and issuance of the Placement Shares is within the limit of the Share Issue Mandate.

The Placement Shares, when allotted and issued in full, will represent approximately 16.04% of the Company's existing and paid-up capital of 311,698,153 Shares as at the date of this announcement, and approximately 13.82% of the enlarged issued and paid-up share capital of 361,698,153 Shares upon the completion of the Placement Exercise (assuming that no further Shares are issued on or prior to the completion of the Placement Exercise).

7. PRO FORMA FINANCIAL EFFECTS

The pro forma financial effects of the Placement Exercise on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Placement Exercise. The pro forma financial effects are prepared based on the audited financial statements of the Group for the financial year ended 31 December 2022, and are subject to the following key assumptions:

- (a) the gross Subscription Consideration is S\$1.25 million, before taking into account any expenses including *inter alia* Introduction Fees;
- (b) the effect of the Placement Exercise on the Group's consolidated net asset value ("**NAV**") per share is based on the assumption that the Placement Exercise had been completed on 31 December 2022. As the Group does not have any intangible assets as at 31 December 2022, its net tangible assets and its NAV are the same; and
- (c) the effect of the Placement Exercise on the Group's consolidated earnings per share ("**EPS**") is based on the assumption that the Placement Exercise had been completed on 1 January 2022.

7.1 Share capital

	Before Placement Exercise	After Placement Exercise
Number of shares	311,698,153	361,698,153
Issued and paid up capital (S\$)	24,603,000	25,853,000

7.2 NAV or NTA per Share

	Before Placement Exercise	After Placement Exercise
Consolidated NAV/NTA (S\$)	14,875,000	16,125,000
Number of shares	311,698,153	361,698,153
Consolidated NAV/NTA per share (cents)	4.77	4.46

7.3 EPS

	Before Placement Exercise	After Placement Exercise
Profit attributable to equity holders of the Company (S\$)	7,273,000	7,273,000
Number of shares	311,698,153	361,698,153
EPS (cents)	2.33	2.01

8. **SHAREHOLDING INTERESTS BEFORE AND AFTER THE PLACEMENT EXERCISE**

The table below sets out the changes to the shareholding interests of the substantial shareholders of the Company arising from the Placement Exercise:

Substantial shareholders of the Company	Before Placement Exercise		After Placement Exercise	
	Number of Shares	%	Number of Shares	%
Dr Alex Tan Pang Kee	87,972,630	28.22	87,972,630	24.32
Mr Khua Kian Keong	28,700,000	9.21	28,700,000	7.93
CSF	-	-	50,000,000	13.82

As set out above, upon the completion of the Placement Exercise:

- (i) Dr Alex Tan Pang Kee, who is the Company's CEO and Managing Director, will remain as the controlling shareholder of the Company, with a shareholding interest of 24.32% in the Company after the Placement Exercise;
- (ii) CSF will become the second largest shareholder with 13.82% shareholding interest in the Company after the completion of the Placement Exercise; and
- (iii) Mr Khua Kian Keong, a substantial shareholder of the Company, will have his shareholding interest in the Company diluted to 7.93% after the completion of the Placement Exercise.

Accordingly, the Placement Exercise would not result in any transfer of controlling interest in the Company.

9. **DIRECTORS' OPINION**

The Directors are of the opinion that, after taking into consideration:

- (a) the present bank facilities; and

(b) the present bank facilities and the Net Proceeds,

the working capital available to the Group is sufficient to meet its present requirements.

As set out in Section 4 of this announcement, the Company is proposing to undertake the Placement Exercise as part of a strategic investment and collaboration with CSF.

10. GENERAL

None of the Placement Shares will be placed with any person or groups of persons as set out under Rule 812(1) of the Catalist Rules. Pursuant to the Subscription Agreement, the Placee has represented that he does not fall within the class of restricted persons to whom placements must not be made by the Company pursuant to Rule 812(1) of the Catalist Rules.

None of the Directors of the Company have any interest, direct or indirect in the Placement Exercise. The Directors are not aware of any substantial shareholder of the Company having any interest, direct or indirect, in the Placement Exercise and has not received any notification of any interest in this transaction from any substantial shareholder of the Company.

None of the Directors have, and the Directors, to the best of their knowledge, are not aware of any substantial shareholder of the Company having, any connection (including business relationship) with the Placee, its directors and/or substantial shareholders.

As set out in Section 1, the Placee was introduced by the Introducer. None of the Directors or substantial shareholders of the Company have any interest, direct or indirect, in the Introducer.

11. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. The Placement Exercise is subject to certain conditions. There is no certainty or assurance as at the date of this announcement that the Placement Exercise will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments.

Shareholders and potential investors should also note that the MOU is non-binding and there is no certainty or assurance that the MOU will lead to the entry into any definitive agreement(s).

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the strategic investment and collaboration with CSF (including the Placement Exercise and the MOU), the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources, obtained from a named source, or obtained from CSF or CSF Ventures, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

13. DOCUMENT FOR INSPECTION

A copy of the Subscription Agreement is available for inspection during the normal business hours at the registered office of the Company at 1003 Bukit Merah Central, #01-10, Singapore 159836 for a period of 3 months from the date of this Announcement.

BY ORDER OF THE BOARD

Dr Tan Pang Kee
Chief Executive Officer / Managing Director
5 June 2023

*This announcement has been reviewed by the Company's sponsor, Provenance Capital Pte. Ltd. ("**Sponsor**"), for compliance with the SGX-ST Listing Manual Section B: Rules of Catalyst. It has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

The contact person for the Sponsor is Ms Wong Bee Eng, Chief Executive Officer, at 96 Robinson Road, #13-01, SIF Building, Singapore 068899, Telephone: (65) 6227 5810, Email: wongbe@provenancecapital.com