



CFM HOLDINGS LIMITED

(Incorporated in Singapore under Registration No. 200003708R)

RESPONSES TO SIAS'S QUESTIONS ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024 ("FY2024")

The Board of Directors (the "**Board**") of CFM Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the questions raised by Securities Investors Association (Singapore) (the "**SIAS**") on 12 October 2024 pertaining to the annual report for FY2024, and wishes to address the questions as disclosed in Annex A to this announcement.

BY ORDER OF THE BOARD

Lim Fong Li Janet
Executive Director and Chief Executive Officer
23 October 2024

This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "Sponsor"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

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.

The contact person for the Sponsor is Ms. Lin Huiying, Head of Continuing Sponsorship, at 7 Temasek Boulevard, #04-02 Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.

Annex A : Response to the Questions Raised by SIAS

No	Question	CFM Response
1	Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:	
i)	<p>Metal stamping: The group provides metal stamping services in the automotive industry to customers in the United States and various European countries.</p> <p>What are the key products sold by the group and how much innovation in product development and manufacturing has been introduced in recent years?</p> <p>What successes have been achieved in terms of business development within the metal stamping division?</p> <p>Has the group been successful in acquiring new customers or increasing the share of business with existing customers?</p>	<p>The Group is producing metal stamping parts mainly for the automotive industry, and we also produce metal stamping parts for the electronics and telecommunications industries. In relation to product development, we have improvised with 3D design and innovation so that we can meet our customer's expectations.</p> <p>By enhancing the staff skills through the training programs organised by the Group, the Group has strengthened its technical know-how to improve its capability and ability to produce parts which other companies may not be able to match in terms of quality.</p> <p>Yes. The Group has identified strategic customers who have business models that are strategically aligned with the Company and has increased its market share of business with them.</p>
ii)	<p>CFM Infratrade: The cost of investment in CFM Infratrade has been further written down to its recoverable amount of \$1.09 million.</p> <p>Can management clarify the methodology used to determine the fair value less costs of disposal?</p>	<p>The recoverable amount of the investment in CFM Infratrade had taken into account the fair values of its underlying assets and liabilities, which were valued using the appropriate valuation approaches and methods. Accordingly, the summation method under the cost approach was used, aggregating the respective values of CFM Infratrade's assets and liabilities, to determine its' fair value.</p>

No	Question	CFM Response
	<p>Are there any ongoing plans to divest CFM Infratrade, and if so, what are the expected timelines and potential challenges?</p> <p>At \$1.09 million, how much value has been created/destroyed since the acquisition?</p>	<p>There are currently no ongoing plans in the divestment of CFM Infratrade as the Company is working on to improve the operations, as CFM Infratrade is still generating revenue that contributes to the Group's revenue, and that the Group has been, and will continue to work on improving its' financial performance.</p> <p>The Company has a loss of about \$900,000 in investment.</p>
iii)	<p>Staff cost: While revenue was marginally lower at \$29.56 million (2023: \$29.73 million), FY2024 profit after tax is marginally lower than last year due to increased administrative and manpower costs once the profit from the one-off sale of the property was excluded. According to Note 8 Staff costs (page 83), salaries and bonuses increased significantly from \$7.74 million to \$9.19 million. This could be further tracked to significant bonuses paid to the executive directors, with Mr. Ip Kwok Wing receiving 62% in bonus, Mdm. Lim Fong Li Janet receiving 67% in bonus and Mr. Kenneth Ip Yew Wa receiving 64% in bonus. The remuneration bands are \$750,000 to \$800,000, \$700,000 to \$750,000, and \$500,000 to \$600,000 respectively. In total, the three executive directors collectively received remuneration between \$1.95 million and \$2.15 million when profit for the year amounted to \$1.8 million.</p> <p>Can the board, especially the remuneration committee (RC), help shareholders better understand the key performance indicators used in determining the director's remuneration?</p>	<p>The two Executive Directors, Mr. Ip Kwok Wing and Mdm. Lim Fong Li Janet, have service agreements that set out their remuneration, including profit sharing and bonuses. The same was for the Chief Operating Officer, Mr Kenneth Ip, whose bonus and profit sharing are set out in his employment contract.</p> <p>The RC, in consideration of the Group's operating results achieved in the last two (2) financial years ended 30 June 2023 ("FY2023") and 2024 which were attributed primarily due the leadership of the management team, has recommended a special bonus for FY2023 and FY2024.</p> <p>For the avoidance of doubt, the RC has confirmed that the bonuses and payments for both FY2023 and FY2024 were only made in FY2024 due to stringent evaluation on the Group's cash flows status to ensure the Group's post-pandemic growth remains stable.</p>

No	Question	CFM Response
	<p>Can the RC provide clarity on how the current remuneration framework aligns with shareholders' interests and the group's long-term performance and value creation (Principle 7 of the Code of Corporate Governance 2018)?</p>	<p>The RC is cognizant of the need of and has adopted a remuneration framework that strikes a balance in motivating these top management personnel and aligning with the long term interests of all shareholders and sustainable for the company. The Company motivates the Executive Directors and key management personnel through tagging their profit sharing to their key performance indexes on the Group's performance.</p>
iv)	<p>Looking ahead, how does the group plan to deploy capital to drive future growth?</p>	<p>Any feasible and sustainable opportunities will be seriously considered.</p>
2	<p>The company announced on 27 August 2024 that the resignation of Mr Stephen Poh Yong Meng¹, with the effective date of cessation as 28 October 2024. Mr Stephen Poh Yong Meng was appointed on 13 January 2023.</p> <p>Mr Teo Kian Huat² will retire as a director of the company pursuant to Article 117 of the company's constitution and will not seek re-election. Mr Teo Kian Huat joined the board on 29 October 2021.</p> <p>Both independent directors will leave the board after relatively short tenures of 1 year 9 months and 3 years respectively. The cessation will leave the audit committee short of the three members required by SGX rules.</p>	
i)	<p>Has the board, especially the nominating committee (NC), examined the relatively high attrition rate of independent directors?</p> <p>Are there any underlying reasons contributing to this turnover, and how does the board plan to ensure greater board stability moving forward?</p>	<p>Yes, it has been an on-going process for the NC and Board to review the high attrition rate of independent directors in 2024.</p> <p>As announced on 27 August 2024 and 10 October 2024, the 2 former independent directors are stepping down due to their personal reasons and do not have any unresolved differences in opinion on material matters with the Board. As mentioned above, the Board is in the midst of reviewing the high attrition rate of independent directors so as to ensure greater board stability moving forward.</p>

No	Question	CFM Response
ii)	<p>Has the sponsor carried out an exit interview with Mr Stephen Poh Yong Meng?</p> <p>What specific questions did the sponsor ask during the exit interview with Mr Teo Kian Huat?</p>	<p>The Sponsor had conducted an exit interview with Mr. Stephen Poh Yong Meng (“Mr. Poh”).</p> <p>During the exit interview with Mr. Teo Kian Huat (“Mr. Teo”), the Sponsor asked questions which include his reasons for retiring as the independent director of the Company and whether there were any unresolved disagreements in opinion on material matters with the Board.</p>
iii)	<p>Is the sponsor concerned about the high attrition rate of independent directors?</p> <p>How does the sponsor evaluate the company’s ability to attract and retain high-quality independent directors to maintain compliance with SGX regulations and ensure sound governance practices?</p>	<p>As announced by the Company on 27 August 2024 and 10 October 2024, save for the increasing time commitments required for other matters and the need to focus on other work commitments as disclosed by Mr Poh and Mr Teo respectively, nothing has come to the Sponsor’s attention to indicate that there were other material reasons for their cessation as independent directors of the Company. In addition, as announced by the Company on 10 October 2024, the Board has endeavoured to meet the requirements regarding the composition of the Board and Board Committees as soon as possible.</p> <p>The Sponsor will assess the suitability of directors pursuant to, <i>inter alia</i>, Practice Note 2C of the Catalist Rules and the Code of Corporate Governance 2018, and does not conduct evaluations of the Company’s ability to attract and retain independent directors.</p>
iv)	<p>Will the NC be reviewing its search and nomination framework?</p>	<p>Yes, the NC will review its search and nomination framework to see if any improvements to the framework is required.</p>
v)	<p>What progress has been made in identifying and appointing new directors to meet regulatory requirements and uphold board functionality?</p>	<p>The Board has identified potential candidates with the relevant experience and is currently in the midst of conducting interviews with them. The Board will make announcements on the appointment of new directors of the Company in due course.</p>
3	<p>Q3. As noted in the corporate profile, the company was established in 1979, marking its 45th anniversary in 2024. In addition, it has just past its 20 years of listing as it was first listed on 16 January 2004 on the then-SGX SESDAQ.</p>	

No	Question	CFM Response
	Based on SGX StockFacts, the company's total market capitalisation stands at around \$15.7 million. The group generated revenue of \$29.6 million for the financial year ended 30 June 2024 while reporting a loss of \$(2.17) million at the company level, increasing accumulated losses to \$(9.6) million.	
i)	What has been the total shareholder return over the past 5, 10 and 20 years (or since the company's listing)?	Total shareholder's return since IPO is -54% as of 16 October 2024.
ii)	<p>Has the board evaluated whether its current business strategy remains aligned with market trends and technological advancements, particularly given the evolving competitive landscape?</p> <p>What adjustments, if any, have been made to future-proof the company?</p>	<p>The Group did refresh certain of its machines in FY2024 for improved operational efficiencies and will continue to review and replace them with better technological machines to be in line with the current market trends and technological advancements.</p> <p>The economy is evolving, and the Group will remain focused on implementing and adapting to any changes that are necessary in order to ensure a sustainable future.</p>
iii)	How is the board planning for leadership succession and future-proofing management capabilities to steer the company through current challenges?	The Board has been actively encouraging and developing personnel for internal advancement.
iv)	Does the board have plans to bring in fresh perspectives or outside expertise (especially professional management with proven track record) to help drive long-term growth?	The Board does look out for external professional expertise to advise in the strategy of the Group, and such engagement is on an ad-hoc basis; depending on the needs of the Group as and when required.