



CFM HOLDINGS LIMITED

(Incorporated in Singapore under Company Registration No. 200003708R)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE REGULATION REGARDING THE ENTRY INTO A SALE AND PURCHASE AGREEMENT

The Board of Directors (the “**Board**” or the “**Directors**”) of CFM Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 3 June 2021 in relation to the Company’s entry into a sale and purchase agreement in relation to the proposed acquisition of 51% of the issued share capital of SING-SWE MM Biotechnology Pte. Ltd. (the “**Target**”) (the “**SPA Announcement**”). The Board wishes to inform that the Singapore Exchange Regulation Pte. Ltd. (“**SGX RegCo**”) on 3 June 2021 had raised queries regarding the SPA Announcement, and the Company would like to provide its responses herein.

Unless otherwise defined, all capitalised terms shall bear the same meaning as set out in the SPA Announcement.

SGX RegCo Query 1

The Consideration Shares will be issued at a discount of 25.8% to the current traded price, and the maximum number of Consideration Shares to be issued represent approximately 59.5% of the Company’s existing share capital. What did the Board consider when agreeing to such terms, and how are such terms in the best interest of the Company and its shareholders?

Company’s Response

As stated in the SPA Announcement, negotiations and discussions with the Vendors had commenced prior to 28 May 2021 (which was the last trading day prior to the SPA Announcement) and at the material time the Shares had a daily trading range around S\$0.03. The Board also considered that the Issue Price of S\$0.051 represented only a small discount of 2.3% to the Group’s net asset value per Share. In relation to the relative proportion the maximum number of Consideration Shares represents to the Company’s existing share capital, it is clear from the terms and conditions of the Proposed Acquisition that the maximum number of Consideration Shares will be issued only if the Target Business generated a net profit after tax of at least S\$2.0 million, which represents a significant turnaround from a loss-making position as announced by the Company for the half year ended 31 December 2020.

SGX RegCo Query 2

The Target was newly set up in May 2021 and has only recently commenced business. How did the Board arrive at the purchase consideration of S\$6.12m, apart from the price earnings ratio as mentioned in paragraph 3.1 of the Announcement? What is the average price earnings ratio for companies comparable to the Target?

Company’s Response

The Board noted that businesses that generated income from activities related to the COVID-19 global pandemic has generally done well since early 2020, including the manufacture and sale of personal protective equipment such as masks and gloves, and the manufacture and sale of biopharmaceutical products developed for use against COVID-19 such as testing kits and vaccines. The Board believes that there are no companies directly comparable to the Target that are listed on the SGX-ST. However, the Board notes that the share price of a personal protective equipment manufacturer such as Top Glove Corporation Bhd has more than tripled in value since January 2020 (and was six times that in October 2020) and continues to trade at a trailing price earnings ratio of more than 6 times (based on publicly available information obtained from SGXNET). The Board also notes that Hyphens Pharma International Limited (which core business also includes the distribution and sale of pharmaceutical products) trades at a trailing price earnings ratio of almost 15 times (based on publicly available information obtained from SGXNET). The Board also understands that Biolidics Limited has publicly announced the entry into the distribution and sales of COVID-19 antigen rapid test kits, however it is unable to make any meaningful comparison from publicly available information from SGXNET in this regard as it is unclear what scale it has.

SGX RegCo Query 3

Was there any independent valuation conducted on the Target? If not, why not?

Company's Response

The Board considered that as the Target had only commenced business recently it was more of a startup notwithstanding that the Target Business is in an area that is currently well established. As such, the Proposed Acquisition was structured to be on an earn-out basis in order to reduce the risk to the Company and its shareholders. Accordingly, the Vendors would only receive the contracted Consideration if the Target performed.

SGX RegCo Query 4

It was mentioned in paragraph 2 of the Announcement that the Company will conduct due diligence on the Target. What due diligence has been conducted prior to the Company entering into the SPA?

Company's Response

No formal due diligence has been conducted on the Target as this forms a fundamental condition precedent to the Proposed Acquisition. The results of the due diligence on the Target must be satisfactory to the Company before the Proposed Acquisition can be completed. Nevertheless, the Company had commenced reviewing preliminary information regarding the Target Business including information related to the Test Kits and the distribution arrangements that the Target has in place. Searches on shareholding and company information have also been conducted on NEIS and the Target. However, the Company would like to stress that such review is at a preliminary stage and formal due diligence is uncompleted.

SGX RegCo Query 5

What is the background, experience and track record of the Vendors?

Company's Response

The following information has been provided by the Vendors, and in respect of such information, the Company and its Directors have not independently verified the accuracy and correctness of the same and the Company's responsibility is limited to the proper extraction and reproduction herein.

NEIS, a company established in Sweden, is a 70% shareholder of the Target and had originally been appointed as the exclusive international distributor for the Test Kits. It has since transferred these rights to the Target.

Professor Fang Huasheng is an 83% shareholder of NEIS and a director of the Target. He was a former law professor with Zhongnan University of Economics and Law (a reputable university in the People's Republic of China (the "PRC") for political science and law) for more than 16 years, and also participated in the founding of one of the PRC's largest law firm, Grandall Law Firm. Prof Fang is also the founder of Shengang Securities Co, (the first fully licensed company under the Qualified Foreign Institutional Investor program launched by the PRC central government) and served as its first chairman of the board. Prof Fang continues to be a director till date. Prof Fang also co-founded Changsha Sanji together with Mr Wang Xinmeng, prior to its acquisition by Boai NKY Medical Holdings Ltd. He is also currently an executive director of Hu An Cable Holdings Ltd. (a company listed on the Main Board of the SGX-ST).

Mr Xu Xiaojun is a 2% shareholder of NEIS and a director of the Target. Mr Xu is a Swedish citizen born in 1964 in Beijing, China. He currently works at the Karolinska Institutet, Department of Pharmacology and Physiology. Mr Xu graduated from Beijing Medical University (Peking University) in 1987 and obtained his PhD degree in Medical Science in 1991 at the Karolinska Institutet. From 2000, he was an Associate Professor and from 2007 held a tenured position at the Karolinska Institutet as an Universitetslektor. Mr Xu has guided 12 students for PhD degree, published more than 200 original publications in international journals and more than 40 review articles and book chapters, including in the journal Nature, Nature Biotechnology and PNAS. He was cited more than 10,000 times and has an H-index of 52. He holds several European and Chinese patents. He is a key personnel of the Target Business.

Mr Gao Hong is presently the Executive Chairman of Hu An Cable Holdings Ltd. Prior thereto, Mr Gao has held various position as directors in companies listed on other stock exchanges. Mr. Gao has strong experience in fund management, was awarded the "China Venture Capital 10-year Cutting-Edge Investor" prize jointly issued by Financial Research Institute under the State Council Development Research Centre, Beijing Equity Exchange, the International Research Centre for equity investment and the International Financiers Association in 2008.

Mr Wang Xinmeng is presently the Chief Executive Officer of Changsha Sanji, the manufacturer of the Test Kits. Mr Wang founded Changsha Sanji together with Prof Fang Huasheng. Mr Wang majored in biochemistry and has a wealth of experience in the medical industry having served in the industry for more than 20 years.

SGX RegCo Query 6

Does the Company have the experience and resources to run this new business?

Company's Response

The intention is for the Target to continue running the Target Business with board management and control from the Company. However the Company would like to highlight that the Group had been in the business of the distribution and sales of personal protective equipment in various industries in Singapore including the pharmaceutical and healthcare industries via its subsidiary CFM Infratrade Pte.

Ltd since January 2015. Accordingly, it believes that it has the right experience and network to provide strategic input for the Target Business particularly in Singapore and the region, especially in the countries where it already has a footprint.

SGX RegCo Query 7

Who introduced this deal to the Company?

Company's Response

A mutual business associate had originally introduced Mr Fang Huasheng, the major shareholder of NEIS and a director of the Target, as well as Mr Gao Hong, a Vendor and also a director of the Target, to Ms Lim Fong Li Janet, an Executive Director and Chief Executive Officer for the purposes of the distribution and sale of Test Kits in Singapore. Further to this introduction, the Company commenced discussions and negotiations with the Vendors for a potential collaboration culminating in the execution of the SPA for the Proposed Acquisition. No introducer or finders fees will be paid by the Company for the Proposed Acquisition.

Cautionary Statement

Shareholders and potential investors are advised to exercise caution when trading in the shares of the Company as the Proposed Acquisition is subject to certain conditions. There is no assurance or certainty that the SPA will be completed, being subject to such conditions. In the event of any doubt as to the action they should take, Shareholders and potential investors should consult their stock brokers, bank managers, solicitors or other professional advisors.

The Company will make the necessary announcements as and when there are further material developments on the Proposed Transactions, in compliance with the Catalist Rules.

BY ORDER OF THE BOARD

Lim Fong Li Janet
Executive Director and Chief Executive Officer
4 June 2021

This Announcement has been reviewed by the Company's Sponsor, Asian Corporate Advisors Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange 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.

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