

CFM Holdings Limited

Company Registration No. 200003708R
(Incorporated in the Republic of Singapore)

ENTRY INTO SALE AND PURCHASE AGREEMENT IN RELATION TO THE PROPOSED ACQUISITION OF SUCH NUMBER OF SHARES IN MIDSOUTH CAMCA S.A. DE C.V. (THE "TARGET COMPANY") REPRESENTING 10% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY ("THE PROPOSED ACQUISITION")

1. Introduction

The Board of Directors of CFM Holdings Limited (the "**Company**" and together with its subsidiaries the "**Group**") wishes to announce that the Company has on 1 July 2015 entered into a sale and purchase agreement ("**Agreement**") with Midsouth Technology Pte Ltd (the "**Vendor**") and Midsouth Camca S.A. De. C.V. (the "**Target Company**") in respect of the proposed acquisition of such number of shares in the Target Company ("**Sale Shares**"), representing 10% of the issued share capital of the Target Company (the "**Proposed Acquisition**").

2. Information on the Target Company

The Target Company is a company with limited liability, incorporated in Mexico on 30 June 2006. The Target Company has an issued share capital of 16,382,000 Pesos comprising 100 fully paid shares ("**Shares**"). 94% of the issued share capital of the Target Company is owned by the Vendor, while the remaining 6% of the issued shares capital of the Target Company is owned by an individual, Rafael Robles Nunez. The Target Company is engaged in the business of the assembly of standard parts of home appliances. The net asset value of the Target Company ("**NAV**") was USD\$1.99 million (equivalent to S\$2.68 million based on an exchange rate of US\$1 equivalent to S\$1.3463 as at 1 July 2015) and its net profit before tax ("**PBT**") was USD\$0.29 million (equivalent to S\$0.39 million) based on the full year unaudited financial statements of the Target Company for the financial year ended 31 December 2014. Based on the unaudited financial statements for four-months ended 30 April 2015, the NAV of the Target Company was USD\$1.90 million (equivalent to S\$2.56 million) and its net loss before tax ("**LBT**") was USD\$0.03 million (equivalent to S\$0.04 million).

The Target Company, its directors, the Vendor and Rafael Robles Nunez are not related to the Company, its directors and controlling shareholders.

No open market valuation of the assets of the Target Company was performed. The valuation of the Target Company was based on the net book value of the Target Company.

3. The Proposed Acquisition

The Company shall purchase, and the Vendor shall sell, the Sale Shares, representing 10% of the issued share capital of the Target Company, free from all Encumbrances and with all rights as from the completion of the Proposed Acquisition attaching thereto including the right to all dividends hereafter paid, declared or made in respect thereof.

The consideration ("**Consideration**") for the Sale Shares shall be an aggregate amount of S\$500,000. The Consideration translates into a price to NAV ratio of 2.6 times based on the Target Company's NAV of USD\$1.90 million (equivalent to S\$2.56 million) as at 30 April 2015. The Consideration was arrived at following arm's length negotiations on a willing seller willing buyer basis, taking into account the NAV of the Target Company and the business potential of the Target Company.

There is an amount of S\$500,000 owed by Midsouth Electric Pte. Ltd., a related party of the Target Company and the Vendor, to Cheong Fatt Holdings Pte Ltd, a wholly-owned

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subsidiary of the Company, such amounts owing arising pursuant to certain trade transactions undertaken between Midsouth Electric Pte. Ltd. and Cheong Fatt Holdings Pte Ltd from 1 September 2014 to 31 January 2015. The Board confirms that the trade transaction was not made in contemplation of the Proposed Acquisition and the Proposed Acquisition was not made as a consequence of the trade transactions. Such amount owing shall be assigned or novated by Cheong Fatt Holdings Pte. Ltd. to the Company, and from Midsouth Electric Pte. Ltd. to the Vendor, resulting in the Vendor owing to the Company an amount of S\$500,000. The Consideration shall then be satisfied by the Company offsetting the Consideration against the amount of S\$500,000 owing by the Vendor to the Company, such set off to be effected immediately upon the share certificate of the Target Company being issued to the Company.

4. Conditions precedent attached to the Proposed Acquisition

Completion of the Proposed Acquisition is subject to the following conditions precedent ("**Conditions Precedent**"):

- (a) the results of the due diligence review (including but not limited to legal, financial, contractual, tax, valuation or otherwise) conducted in respect of the Target Company being satisfactory to the Company in its sole discretion. For the avoidance of doubt, the Company shall not be required to provide any reason or basis for determining that the due diligence review of the Target Company is unsatisfactory;
- (b) Midsouth Electric Pte. Ltd. having assigned the S\$500,000 payables to Cheong Fatt Holdings Pte. Ltd. to the Vendor, and Cheong Fatt Holdings Pte. Ltd. having assigned the S\$500,000 receivables from Midsouth Electric Pte. Ltd. to the Company;
- (c) the Target Company having no liabilities or obligations (whether actual, contingent, deferred or potential) other than in the ordinary course of trade, save as disclosed in writing to the Company prior to execution of the Agreement and such additional liabilities incurred between execution of the Agreement and Completion (as defined below) as are permitted under this Agreement;
- (d) there being no governmental or court act, decree or order of any applicable jurisdiction has been issued or enacted which in the Company's reasonable view may materially hinder, limit or restrict the Completion, the transfer of the Shares by the Company or the performance by the parties of their obligations under the Agreement;
- (e) there has been no material adverse change in the prospects, operations, assets, business, liabilities or financial or operating conditions of the Target Company occurring on or before the Completion Date (as defined below) and there has been no event occurring on or before the Completion Date which would be likely to result in such material adverse change after the Completion Date;
- (f) the approval by the board and the shareholders (if required) of the Company having been obtained in relation to the Proposed Acquisition;
- (g) there not being at any time prior to Completion any restriction, limitation, prohibition or directive, whether written or verbal, from the Singapore Exchange Securities Trading

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Limited ("**SGX-ST**") limiting prohibiting the entry into or performance the Company of its obligations under the Agreement; and

- (h) all necessary third party, governmental and regulatory consents, approvals and waivers where required for the transactions contemplated hereunder having been obtained, and such consents, approvals and waivers not having been amended or revoked before Completion Date.

Saved as disclosed above, there are no other material conditions attached to the Proposed Acquisition.

5. Completion of Proposed Acquisition

Completion of the Proposed Acquisition ("**Completion**") shall take place on such date as notified by the Company to the Vendor, such date being a date set by the Company within 14 days of the satisfaction of the Conditions Precedent ("**Completion Date**"). Upon Completion, the Company, the Target Company and the shareholders of the Target Company shall enter into a shareholders' agreement to regulate their respective rights and responsibilities as shareholders of the Target Company and the Target Company will be the associated company of the Company.

6. Option to Purchase and Right of First Refusal

Option to Purchase

The Target Company and the Vendor had in the Agreement granted to the Company the option to subscribe for such number of new Shares or purchase from the Vendor (at the option of the Company) such number of Shares (the "**Option**"), that will, together with the Sale Shares, comprise in aggregate 51% of the enlarged total issued share capital of the Target Company (the "**Option Shares**"), free from all encumbrances and with all rights attaching thereto as at the date of completion of the subscription or sale of the Option Shares.

Subject to the Minimum NAV Requirement (as defined below), the Option may be exercised by the Company from time to time within a period of three (3) years from the Completion Date, and the parties are able to extend such period to five (5) years upon written mutual agreement (the "**Option Period**"). The Company, subject to, where applicable, shareholders' approval, is entitled to exercise the Option at any time in its sole discretion during the Option Period, provided that where the net asset value of the Target Company is less than US\$1.9 million, the Company shall not exercise the Option without the written consent of the Vendor (the "**Minimum NAV Requirement**").

Save as disclosed above, there is no other material conditions attached to the Proposed Acquisition and the Option.

The Option may be exercised by the Company at any time over such part of the Option Shares as the Company determines, provided that upon each exercise of the Option, the

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number of Option Shares shall constitute at least 10% of the Shares in the existing share capital of the Target Company at the time of such exercise.

The consideration (the "**Option Consideration**") for the sale of the Option Shares shall be determined based on the net asset value of the Target Company at the time of the exercise of the Option, as follows:

Consideration for the Option Shares	=	Percentage of share capital in the Target Company constituted by the Option Shares on a post enlarged basis	x	2 times of the net asset value of the Target Company
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The net asset value of the Target Company shall be determined based on the management accounts of the Target Company of the month just ended immediately prior to the exercise of the Option ("**Latest Management Accounts**"). The Company is entitled to, at its own costs, appoint the auditors of the Target Company (who shall act as an expert and not as arbitrator) to determine the net asset value of the Target Company, and such net asset value as determined by the auditors of the Target Company shall be used to calculate the Option Consideration. Nevertheless, the Company is entitled to waive the requirement to appoint the auditors.

The Vendor has undertaken that from the date of the Agreement to the date of completion of the sale of all Option Shares, the Vendor shall, inter alia, not create any encumbrance, sell, dispose of, transfer into any negotiation arrangement, agreement, memorandum of understanding or other relationship with any third party in relation to or in connection with the sale, transfer, disposal or encumbering of any of the Shares in the possession of the Vendor. Prior to the exercise of the Option (whether in part or in full), the Company may be subjected to the approval of the Company's shareholders in a general meeting as required by Rule 1018 of Chapter 10 of the Listing Manual, Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited. The Company undertakes to comply with the relevant Catalist Rules when exercising the Options.

Right of First Refusal

Pursuant to the Agreement, the Vendor had granted to the Company a right of first refusal over all the Shares held by the Vendor in the Target Company ("**Remaining Shares**"), and has undertaken not to sell, assign, transfer, charge, mortgage, encumber, grant over or otherwise dispose of the Remaining Shares without first making an offer in writing to sell the Remaining Shares to the Company.

The Vendor had also undertaken that for so long as the Company is a holder of Shares, it shall procure that no new Shares or other securities, including instruments convertible into securities, or option over any of the preceding, shall be issued by the Target Company without the consent of the Company.

For avoidance of doubt, the Vendor has no rights to require the Company to exercise the Option or to purchase the Remaining Shares.

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7. Source of funds

The Proposed Acquisition will be funded by the offsetting of amounts outstanding and owing to the Company's wholly-owned subsidiary, Cheong Fatt Holdings Pte Ltd.

8. Rationale of the Proposed Acquisition

The Target Company is one of the Group's customers. The Proposed Acquisition would allow the Group to take a stake in the equity of the Group's customers, and ensure that the Target Company retains the Group as one of its principal suppliers. In addition, with the recent news on large international motor car companies expanding into Mexico, this investment will provide an entry point for the Company to expand its core business (metal stamping) operations into new territory.

As this Proposed Acquisition is an investment of only 10%, the Board is of the view that it will not result in a fundamental change for the Group and will not change the risk profile of the Group.

9. Financial Effects Proposed Acquisition

The financial effects of the Proposed Acquisition on the Group set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the completion of the Proposed Acquisition.

The financial effects have been prepared on a proforma basis using the latest audited consolidated financial statements of the Group for the financial year ended 30 June 2014 ("FY2014") and using the unaudited financial for Target Company for 12 months from 1 July 2013 to 30 June 2014, (converted into Singapore Dollar based on the exchange rate of S\$1.3464 as at 1 July 2015).

Effect of Proposed Acquisition on Net Tangible Asset ("NTA") per Share

Assuming that the Proposed Acquisition had been completed on 30 June 2014 and based on the Group's latest audited consolidated financial statements for FY2014, the effects on the NTA per share of the Group are as follows:

As at 30 June 2014	Before Completion of the Proposed Acquisition	After Completion of the Proposed Acquisition
NTA (S\$'000)	18,283	17,842
Number of issued shares	108,518,995	108,518,995
NTA per share (Singapore cents)	16.85	16.44

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Effect of Proposed Acquisition on Earning/(Loss) per Share

Assuming that the Proposed Acquisition has taken place on 1 July 2013 and based on the Group's latest audited consolidated financial statements for FY2014, the Proposed Acquisition would have the following effects on the Group's earnings per share as presented in the following table:

As at 30 June 2014	Before Completion of the Proposed Acquisition	After Completion of the Proposed Acquisition
Consolidated net profit attributable to shareholders (S\$'000)	400	459
Weighted average number of shares	108,518,995	108,518,995
EPS (Singapore Cents)	0.37	0.42

Effect of Proposed Acquisition on Company's Share Capital

The Proposed Acquisition would have no effects on the issued share capital of the Company.

10. Relative Figures under Rule 1006

Based on the unaudited consolidated financial statements of the Group for the six months ended 31 December 2014, the relative figures in respect of the Proposed Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

(a) Rule 1006(a)	
Net asset value of the asset to be disposed of (S\$'000)	Not applicable
Net asset value of the Group as at FY2014 (S\$'000)	Not applicable
Size of relative figure	Not applicable

(b) Rule 1006(b)	
Net profits attributable to the assets to be acquired (S\$'000) ⁽¹⁾	22
Net profits of the Company (S\$'000) ⁽¹⁾	23
Size of relative figure	95.65%

(c) Rule 1006(c)	
Aggregate value of the consideration given (S\$'000)	500

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The Company's market capitalization as at 29 June 2015 based on the total number of issued shares, excluding treasury shares (S\$'000) ⁽²⁾	7,665
Size of relative figure	6.52%

(d) Rule 1006(d)	
Number of equity securities issued by the Company as consideration for the Proposed Acquisition	Not applicable
Number of equity securities of the Company previously in issue	Not applicable
Size of relative figure	Not applicable

(e) Rule 1006(e)	
The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves. This basis is not applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable

Note:

- (1) "net profits" means profit or loss before income tax, minority interests and extraordinary items. For "Net profit attributable to the assets to be acquired", the period was from 1 July 2014 to 31 December 2014; while for the Company, it was from 1 July 2014 to 31 December 2014.
- (2) The Company's market capitalisation of approximately S\$7.67 million based on its total number of issued Shares of 108,518,995 Shares and the weighted average price of S\$0.0706 per Share on 29 June 2015, being the last trading day for the Shares prior to the signing of the SPA.

The Board notes that the relative figure computed under Catalist Rules 1006(b) exceed 75% but is less than 100%. Accordingly, the Proposed Acquisition constitutes a "Major Transaction" as defined under Chapter 10 of the Catalist Rules. Pursuant to Rules 1014(2), no Shareholders' approval is needed for the Proposed Acquisition as the only limit breached is Rules 1006(b).

11. Interests of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company have any direct or indirect interest in the Agreement or the Proposed Acquisition, other than through their respective shareholdings in the Company.

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No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Acquisition. Accordingly, no service contract will be entered into in connection with the Proposed Acquisition.

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 Agreement, 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 or obtained from a named source, 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. Documents for Inspection

Shareholders should note that a copy of the Agreement will be available for inspection during normal business hours at the Company's registered office at 4 Ang Mo Kio Avenue 12 CFM Building Singapore 569498 for three (3) months from the date hereof.

BY ORDER OF THE BOARD

Janet Lim Fong Li
Executive Director & Chief Executive Officer
1 July 2015

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Asian Corporate Advisors Pte. Ltd. (the "Sponsors"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.

This announcement has not been examined or approved by 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.

*The contact person for the Sponsor is Ms Foo Quee Yin.
Telephone number: 6221 0271*