



**Securities Investors Association (Singapore)**

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: [admin@sias.org.sg](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** CFM Holdings Limited

**Security:** CFM Holdings Limited

**Meeting details:**

Date: 26 October 2018

Time: 10.00 a.m.

Venue: 4 Shenton Way, #17-01 SGX Centre 2, Singapore 068807

**Company Description**

CFM Holdings Limited, an investment holding company, designs, fabricates, and sells tools-and-dies used for the manufacture of stamped metal components. The company operates through Metal Stamping, Tooling, Components and Parts, and Cleanroom Products segments. The Metal Stamping segment is involved in manufacturing metal plates and metal stampings. The Tooling segment engages in the manufacture and fabrication of engineering tools and dies. The Components and Parts segment is involved in trading other components and parts. The Cleanroom Products segment engages in trading disposables and wearables for use in cleanroom, bio-medical, laboratories, and hospitals. The company serves electronics, automotive, telecommunications, technology, M&E, and pharmaceutical industries. It operates in Singapore, Malaysia, Japan, the United States, the Slovak Republic, the Czech Republic, the Netherlands, and internationally. CFM Holdings Limited was founded in 1979 and is based in Singapore. (Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=5EB](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5EB))

1. Would the board/management provide shareholders with better clarity on the following matters?

- (i) **Long term strategy:** With the loss of \$(808,000) for the financial year ended 30 June 2018, the group has now reported 5 years of losses in the past 6 years. Profits/(losses) attributable to equity holders of the company were \$(2.10) million in FY2017, \$(3.99) million in FY2016, \$(0.58) million in FY2015, \$0.40 million in FY2014 and \$(3.30) million in FY2013. The results of its core metal stamping segment have been mixed, reporting a segment profit of just \$81,000 in FY2018, an improvement from the \$(440,000) loss in FY2017. The cash flow from operating activities in the past two years adds up to just \$608,000. With total borrowings of more than \$7 million as at 30 June 2018, and cash and cash equivalents of \$4.46 million, the performance of the group has to greatly improve to ensure its viability. **Would the board, especially the independent directors, like to comment if the group has a viable business worth sustaining altogether?**
- (ii) **Revenue and gross profit:** The group reported increases in revenue and gross profit in the financial year ended 30 June 2018. The increase was attributed mainly to higher demand of metal stamping and fabrication and higher contributions from the trading of clean room products. **Can management provide a breakdown of the \$18.5 million in revenue generated from metal stamping to show the distribution by industries and/or by product type/range? How much of the revenue was derived from new customers that the group has acquired in the past 1-2 years?**
- (iii) **Order book:** **Would the group disclose the order book to provide shareholders with better visibility of its operations?**
- (iv) **Cleanroom products:** The segment result of the cleanroom products segment improved from \$137,000 to \$545,000 as revenue increased from \$2.28 million to \$2.78 million. **What were the main reasons for the better performance of the cleanroom products segment? Can the company sustain the growth momentum in revenue and profit?**
- (v) **Independent joint assessor:** **What is the expected timeline for the appointment of an independent joint assessor in the settlement agreement that the group has with the main contractor?**

2. On 5 June 2018, the company announced the proposed disposal of indirectly-owned subsidiaries, CFM Precision Tooling Sdn Bhd ("CFM Precision") and PT Hantong Precision Manufacturing Batam ("PT Hantong"), to Ms Lim Fong Li Janet for a consideration of S\$1.00. Ms Lim Fong Li Janet is the executive director and chief executive officer of the company.

It was stated that the company has had the intention to liquidate and/or strike-off CFM Precision and PT Hantong. CFM Precision has been a dormant company since March 2016

while the current liabilities of PT Hantong exceed its assets and there are no prospects of recovery for PT Hantong.

In order to facilitate the liquidation and for the company to save on the cost of liquidation, the purchaser has “*offered to acquire the Sale Shares on, inter alia, the basis that she will commence liquidation of CFM Precision within 180 days of completion of sale and purchase of the Sale Shares, and shall commence liquidation of PT Hantong within 1 year of completion of sale and purchase of the Sale Shares*”.

The company has also stated the following:

*The Company also wishes to update that as part of rationalising the balance sheet of PT Hantong and to maintain relationships with the suppliers to PT Hantong, some of whom are suppliers to other companies in the Group, PT Hantong will be assigning the receivables (which currently have been impaired/written off) from its customers to its suppliers. This will reduce the effort on the part of PT Hantong to collect such receivables.*

- (i) Can the board help shareholders understand the amount of receivables that will be/has been assigned to its suppliers?**

The company has disclosed that (emphasis added):

*“the nominal Consideration of S\$1.00 was arrived at on a willing buyer willing seller basis after arm’s length negotiations, and taking into account, inter alia, the aggregate audited negative net tangible asset (“NTA”) value of the Subsidiaries of S\$714,000 as at 30 June 2017 and the aggregate amount of losses attributable to the Subsidiaries of S\$290,000 for the financial year ended 30 June 2017... .. The Board and Audit Committee are of the view that the SPA entered into by the Company’s wholly-owned subsidiary, Cheong Fatt Holdings with the Purchaser **is on normal commercial terms** and is not prejudicial to the interests of the Company and its minority shareholders, for the following reasons...”*

- (ii) Without disputing the merits of the disposal, would the board and the audit committee (AC) help shareholders understand and justify why this transaction is said to be “on normal commercial terms”? What does the board mean by “on normal commercial terms”?**

On 8 June 2018, the company announced that the information found in Section 7 of the announcement dated 5 June 2018, were “*inadvertently not updated to reflect the final draft*”.

- (iii) Can the board, especially the AC members, help shareholders understand their involvement in the preparation of company’s announcements, especially one that involves the disposal of interest in subsidiaries to the executive director and CEO, who is considered an interested person?**
- (iv) No doubt the company had consulted with the Singapore Exchange Securities Trading Limited (“SGX-ST”) on the application of Chapter 10 of**

**the Catalist Rules for the Proposed Disposal, can the AC and the sponsor clarify why the relative figure in the calculation of Rule 1006(b) was based on the unaudited consolidated financial statements of the group for the half year, and not on a 12-month/full year basis? While the outcome/decision is not being questioned, shareholders would like to know if rule 1006(b) has been correctly applied.**

3. As disclosed in the Corporate Governance report, Mr Ip Jowa Andrew (Ye Zuhua), the son of Mr Ip Kwok Wing and Mdm Lim Fong Li Janet, was employed by a subsidiary of the group as sales manager.

Total remuneration paid to Mr Andrew Ip during the FY2018 was within the range of \$50,000 to \$100,000.

In the section on Interested Person Transactions (IPTs) (page 28), the company disclosed that Andrew Ip Jowa, son of Mr Ip Kwok Wing and Mdm Lim Fong Li Janet, is the director and shareholder of CFM Solutions Pte Ltd. The group has had transactions with CFM Solutions Pte Ltd. that were below the disclosure threshold of \$100,000 as stipulated by Chapter 9 of the SGX-ST's Catalist Rules on Interested Person Transactions.

- (i) Can the board/nominating committee (NC) help shareholders understand if Mr Andrew Ip Jowa's appointment as sales manager is on a full-time basis?**
- (ii) Can the board, especially the independent directors, provide better clarity on the role of Mr Andrew Ip Jowa in (a) CFM Solutions Pte Ltd and as (b) sales manager in the company's subsidiary?**
- (iii) An online search reveals that CFM Solutions has a registered address of "4 Ang Mo Kio Avenue 12, #05-05, CFM Building, Singapore 569498". It is in the business of surveillance and security systems. Can the audit committee help shareholders understand the extent of the business relations of CFM Solutions with the group, including provision of services, rental of premises, if any?**
- (iv) In addition, as CFM Solutions share the same name as the company, and is hosted at the group's registered office, would it be likely to be mistaken as part of the group? Any customer of CFM Solutions may be under the impression that it is part of CFM Holdings Limited, a listed company.**
- (v) Were there any formal agreement between CFM Solutions and the company to regulate, formalise and demarcate any business activities and relationship to safeguard the interests of the minority shareholders?**
- (vi) To raise the level of transparency, can the board/management clarify if any of the significant related party transactions shown in the table below are carried out with CFM Solutions? If so, would the company also provide clarity on the nature of the services/payments.**



## 28. Significant related party transactions

- (a) Other than as disclosed elsewhere in the financial statements, the following significant related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

	Group	
	2018 \$'000	2017 \$'000
Sales	24	3
Purchases	1	-
Service fees charged to a related party	21	-
Service fees charged by a related party	-	32
Payment of expenses on behalf by a related party	1	1
Payment of expenses on behalf of a related party	23	-
Services rendered by a firm which an Independent Director has interest	8	38

Related party refers to a company in which the son of the directors of the Company has significant interest.

(Source: Company annual report)

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=CFM%20Holdings%20Ltd>

The company's response could be found here:

[https://sias.org.sg/media/qareport/1509582430\\_CFM-SIAS-Queries\\_final.pdf](https://sias.org.sg/media/qareport/1509582430_CFM-SIAS-Queries_final.pdf)