AMPLEFIELD LIMITED
(Company Registration Number 198900188N)
(Incorporated in the Republic of Singapore)

ACQUISITION OF 40% EQUITY INTEREST IN CAM MECHATRONIC (PHILS.) INC.

The Board of Directors ("**Board**") of Amplefield Limited (the "**Company**" or "**Purchaser**" and together with its subsidiaries the "**Group**") wishes to announce that it, has on 14 July 2020 entered into a sale and purchase agreement ("**Agreement**") with CMP Mechatronics Inc. (the "**Vendor**" or "**CMP Mechatronics**"), pursuant to which the Purchaser has agreed to buy and the Vendor has agreed to sell 19,200,000 ordinary shares ("**Sale Shares**") of par value Peso 1 each, representing 40% of the total equity interest in CAM Mechatronic (Philippines) Inc. ("**CAM**") as at the date of this announcement, for a purchase consideration of S$2,000,000 ("**Consideration**"), free from all encumbrances and together with all the rights, dividends, benefits and entitlements attaching therefrom as from the date of completion (the "**Proposed Share Acquisition**").

Upon completion of the Proposed Share Acquisition, CAM will become a 40%-owned associated company of the Company.

Information on the Vendor.

The Vendor is the beneficial owner of 47,999,995 ordinary shares in the capital of CAM, representing approximately 99.99% of the total equity interest in CAM as at the date of this announcement.

The remaining five (5) ordinary shares in the capital of CAM are held as to one share each by Dato' Sri Yap Teiong Choon ("**Dato' Sri Yap**"), Woon Ooi Jin ("**OJ**"), Yap Chee Horng, Nina Rose Arcega and Antonio Que respectively. The Board of Directors of CAM, as at the date of this announcement, comprise of Dato' Sri Yap, OJ, Yap Chee Horng, Nina Rose Arcega, Antonio Que and Agnes C. Arguilles. Dato' Sri Yap is a controlling shareholder of the Company and Yap Chee Horng is the nephew of Dato' Sri Yap, while OJ is an Executive Director of the Company.

Following the disposal of CAM by the Company to CMP Mechatronics in 2016 as further elaborated below ("**2016 Disposal**"), Dato' Sri Yap and OJ continued to be directors of, and to hold one share each in CAM at the request of CMP Mechatronics and CAM, *inter alia*, to assist CMP Mechatronics and CAM to comply with certain legal requirements on minimum number of shareholders and directors in the Philippines. Dato' Sri Yap and OJ hold such directorships and shareholding interests as representatives of/or for the benefit of the Company and not in their personal capacity or for their personal benefit. At the time of the 2016 Disposal, there were certain intercompany debts then owing by CAM to the Group which were later assumed by the Vendor (as further elaborated below), and Dato' Sri Yap and OJ's continued directorship in CAM enabled the Company to have better visibility and understanding of CAM's affairs, *inter alia*, to ensure a smooth recovery of such indebtedness.

Notwithstanding the foregoing, as the majority of the Board of Directors of CAM comprises representatives of the Vendor following the 2016 Disposal, the Company has ceased to have management or control over CAM since the 2016 Disposal. Save as aforesaid, the Vendor and its ultimate beneficial shareholders are independent third parties from the Company, as well as each of the directors, the controlling shareholders and their respective associates.

Information on CAM

CAM is a company incorporated in the Republic of the Philippines and has a total issued and paid up share capital of 48 million ordinary shares of par value Peso 1 each as at the date of this announcement.

CAM and its subsidiaries ("**CAM Group**") is principally engaged in manufacturing activities in the Philippines, and is presently a one-stop manufacturing centre with advanced plant and equipment and facilities for mould and tool making, electroplating, precision machining, wet-painting, powder coating as well as assembly ("**Manufacturing Business**").

CAM operates from five main industrial buildings and related facilities located within a PEZA economic zone known as The Light Industry and Science Park II, Calamba City, Laguna, Philippines, with a total built-up area of about 9,000 square meters, which are being leased from CAM Ventures Development Inc. ("**CAM VD**"). CAM VD is a 40%-owned associated company of the Company.

The audited profit before tax of CAM for the financial year ended 30 September 2019 ("**FY2019**") was Peso 6.4 million (approximately S$171,000) while the audited net asset value of CAM as at 30 September 2019 was Peso 123.5 million (approximately S$3.29 million).

Consideration of the Proposed Share Acquisition

The Consideration of S$2 million was arrived at on a willing buyer willing seller basis after arm's length negotiations and after taking into account, *inter alia*, the audited net asset value attributable to the Sale Shares as at 30 September 2019 of approximately S$1.32 million ***and*** the earnings before interest, tax, depreciation and amortization expenses ("**EBITDA**") attributable to the Sale Shares (based on the average EBIDTA of CAM over the past two years of approximately S$1.0 million) of approximately S$0.40 million, and other salient considerations including those set out below:

(i) while the Consideration represents a premium over the audited net asset value attributable the Sale Shares as at 30 September 2019, it is within commercial practice for the Company to agree to pay a premium for the goodwill attributable to the Manufacturing Business, given that it has an established track record in its industry and has been profitable for the past 4 years since the 2016 Disposal, and further, the absolute amount of such goodwill premium, at approximately S$0.68 million, is not too high; and

(ii) it is also within commercial practice for the Company to agree to pay a consideration which is at a multiple of the relevant earnings attributable to the Sale Shares for acquiring a profitable business, particularly if there is potential for growth and/or projected returns from such business.

No independent valuation was carried out for the Sale Shares, inter alia, as the Proposed Share Acquisition does not involve an acquisition of real properties or assets and the Company is sufficiently familiar with the Manufacturing Business to be able to assess the valuation of such business internally and after taking into consideration the relative cost of the valuation compared to the quantum of the transaction.

Offset Arrangement

Under the terms of the Agreement, the Company has agreed with the Vendor that the outstanding amount of approximately S$1,753,000 owing by the Vendor to the Company ("**CMP Mechatronics Outstanding Amounts**") shall be set off against the Consideration, in partial settlement and satisfaction of the Consideration payable by the Company (the "**Offset Arrangement**"). The balance of the Consideration of approximately S$247,000 will be payable in cash on such date or dates to be mutually agreed.

The CMP Mechatronics Outstanding Amounts arose from intercompany debts of about S$11 million owing by CAM to the Group prior to the 2016 Disposal which were assumed by the Vendor following the 2016 Disposal, and subsequently, reduced to the outstanding amount of about S$1,753,000 following the disposal by the Vendor to the Company of 40% equity interest in CAM VD and the disposal by CAM to CAM VD of 5 factory buildings.

The Board is of the reasonable opinion that agreeing to the Offset Arrangement will allow the Company to acquire the Sale Shares without having to pay significant cash consideration for them, which would help to preserve the Company's cash and at the same time, resolve the settlement of the CMP Mechatronics Outstanding Amounts and, taking into consideration the rationale for the Proposed Share Acquisition as further elaborated below, is in the best interests of the Company and the Shareholders. The Audit Committee ("**AC**") concurs with the views of the Board as aforesaid.

Other Salient Terms of the Agreement.

Under the terms of the Agreement, the Vendor has agreed to give a discount to the Company should the NTA of CAM as at Completion Date after FY2020 audit are found to be less than the audited NTA of CAM based on the FY2019 Audited Accounts (the amount of the difference being the "**Shortfall Amount**"), and the Shortfall Amount exceeds 10% of the amount of the audited NTA of CAM as at 30 September 2019.

Under the terms of the Agreement, the Vendor has agreed with the Company that in the event a third party offers to buy the Vendor's remaining shares in CAM after completion of the Proposed Share Acquisition ("**Vendor Shares**"), the Company shall be given the right of first refusal to acquire all (and not some only of) the Vendor Shares from the Vendor at the same consideration and on the same terms and conditions as that offered by the third party, and, as a reciprocal undertaking, the Company has likewise given a similar right of first refusal to the Vendor, in the event that the Company wishes to sell, transfer or otherwise dispose of the Sale Shares or part thereof to a third party.

In addition, the Company has a right to ask for dividends to be declared and paid by CAM, to have Board representation and to have its approval sought on certain reserved matters or veto rights.

Rationale for the Proposed Share Acquisition

The Group's existing businesses consist principally of property development, construction and construction-related activities as well as holding of investments, and the Company has been seeking new core businesses and/or new business opportunities that could result in greater profitability for the Group in the mid to long term.

The Manufacturing Business is not unfamiliar to the Company since it used to run the Manufacturing Business under CAM before the management buyout of the manufacturing operations in 2014 and the 2016 Disposal.

The manufacturing sector in the Philippines has been growing rapidly in the past few years as a result of the diversification of the global supply chain, with many MNCs diversifying their production sites to reduce risks. The trade war between the United States and China seems to be intensifying and will likely be a permanent feature going forward. This should benefit countries such as Philippines and Vietnam, since the manufacturing sectors in such countries may be well-placed, given their cost structures, availability of labour and other factors, to step in to replace some of the manufacturing activities or trade currently conducted between China and the United States.

Since the 2016 Disposal, CAM has turned from a loss-making position to being profitable for the past 4 years, and the Board is of the reasonable opinion that the Manufacturing Business has prospects for growth due, *inter alia,* to recent trends and developments in trade diversification as elaborated above, and also because CAM has recently increased its capacity in CNC machining and casting, ventured into the assembly business, and expanded its product offerings to include mould-making and tooling, which complements its existing casting and machining capabilities.

The COVID-19 outbreak and global pandemic has affected countries and economies worldwide, including the Philippines, since the coronavirus first emerged in the city of Wuhan in the PRC. The CAM Group's financial performance for FY2020 has likewise been adversely affected by the weakened global demand, disruptions to global logistics (including cargo and freight) and supply chains due, inter alia, to travel and transportation curbs and restrictions, lockdown of workplaces and operation of businesses, other events resulting from or arising in connection with the COVID-19 outbreak.

Notwithstanding this, the Board is of the reasonable opinion that although there may be short-term fluctuations due, *inter alia*, to the current COVID-19 situation, the financial performance of the CAM Group should be able to stabilise and recover from the negative impact of the COVID-19 outbreak and global pandemic in the coming months ahead, *inter alia*, as most countries are lifting lockdowns and allowing businesses to resume operations, and accordingly, the CAM Group should be able to resume its business and operations largely in the same manner and scale as it was prior to the COVID-19 outbreak and global pandemic and, barring unforeseen circumstances, the Board does not expect the financial position of the CAM Group as at the end of FY2020 to be materially impaired. The Audit Committee ("**AC**") concurs with the views of the Board as aforesaid.

In addition, under the terms of the Agreement, the Vendor has agreed to give a discount to the Company in the event, the NTA of CAM is materially impaired as at Completion Date. Please refer to the section titled "Other Salient Terms of the Agreement" above for further details.

The Board is of the reasonable opinion that the Proposed Share Acquisition is in the best interests of the Company and Shareholders in view of the foregoing and after taking into consideration, *inter alia*, the following:

(i) the basis of arriving at the Consideration as further elaborated above;

(ii) the Proposed Share Acquisition allows the Company to acquire a share in a business which should, in the mid to long term, be earnings accretive to the Group without the need for a substantive cash outlay to pay for such acquisition; and

(iii) acquiring a 40% interest rather than a majority/controlling interest in CAM will enable the Company (through equity accounting for its share of profits of an associated company) to enjoy a share of the profits of CAM, but at the same time, reduce its risk and exposure by taking more time to assess the sustainability and prospects of the Manufacturing Business.

The Company may consider acquiring a majority or controlling interest in CAM in the future, *inter alia,* in the event the Company decides to further pursue the Manufacturing Business as part of its core businesses or can secure the necessary funds to do so.

The AC concurs with the views of the Board as aforesaid.

Relative figures computed on the bases set out in Rule 1006 of the Catalist Rules

The relative figures for the Proposed Share Acquisition, computed on the bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**") are as follows:

Rule 1006	Bases	Relative Figures
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net profit attributable to the Sale Shares of approximately S$39,000 compared with the Group's net profits of approximately S$451,000(1)(2)	8.6%
(c)	Aggregate value of the consideration given of S$2 million compared with the Company's market capitalisation of approximately S$30.5 million as at 13 July 2020 based on the total number of issued shares excluding treasury shares(3)	6.6%
(d)	Number of equity securities issued as consideration for an acquisition, compared with the number of securities previously in issue	Not applicable
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is 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

<u>Notes:</u>

(1) Net profit refers to profit before income tax, minority interests and exceptional items

(2) Computed based on the unaudited net profit attributable to the Sale Shares for the half year ended 31 March 2020 and the Group's latest announced unaudited net profit for the half year ended 31 March 2020.

(3) Computed based on the Consideration of S$2.0 million and the market capitalization of the Company of approximately S$30.5 million, which is determined by multiplying the issued share capital of the Company of 898,117,536 shares (excluding treasury shares) with the volume weighted average price of such shares transacted on 13 July 2020 of S$0.034 per share, being the Company's share price transacted on the market day preceding the date of Agreement.

As the relative figure computed under Catalist Rules 1006(c) exceeds 5% but does not exceed 75%, the Proposed Share Acquisition is a "disclosable transaction" pursuant to the Catalist Rules which does not require the approval of shareholders of the Company ("**Shareholders**") to be obtained in connection therewith.

Financial Effects of the Proposed Share Acquisition

The Proposed Share Acquisition is not expected to have any material impact on the earnings per share of the Company and Group for FY2020, assuming that the transaction had been effected at the beginning of that financial year.

The Proposed Share Acquisition is not expected to have any material impact on the net tangible assets per share of the Company for FY2020, assuming that the transaction had been effected at the end of FY2020.

Other salient considerations

The Board is of the reasonable opinion that the Proposed Share Acquisition is not expected to have a material impact on or materially change the risk profile of the Group, *inter alia*, as the value of the consideration given comprised only 3% of the net assets of S$67 million of the Group as at 31 March 2020.

Following the completion of the Proposed Share Acquisition, the Board will continue to review and monitor its investment, and may, if necessary or appropriate, consider obtaining Shareholders' approval for an expansion or diversification of its core businesses to include, inter alia, the Manufacturing Business inter alia, where there may be any significant change or impending change in the existing core businesses and/or risk profile of the Group.

Interest of Directors and controlling shareholders

Save as disclosed in this announcement, none of the directors or controlling shareholders of the Company, and/or their respective associates has any interest, direct or indirect (other than through their shareholdings in the Company), in the Proposed Share Acquisition.

As mentioned above, Dato' Sri Yap, a controlling shareholder of the Company, and OJ, our Executive Directors, are directors of, and hold one share each in CAM, for reasons as further elaborated in the section above titled "Information on the Vendor".

In view of the foregoing, OJ has abstained from making any recommendations or voting on any Board and Board committee resolutions relating to the SPA and the Proposed Share Acquisition.

Service Contracts of Proposed Directors

There are no service contracts with any directors proposed to be appointed to the Company in connection with the Proposed Share Acquisition.

Documents for Inspection

A copy of the Agreement is available for inspection at the Company's registered office at 101A, Upper Cross Street #11-16 People's Park Centre, Singapore 058358, for a period of three (3) months from the date of this announcement.

By Order of the Board

Woon Ooi Jin
Executive Director

14 July 2020
