

## **1. INTRODUCTION**

The Board of Directors of Chin Foh Berhad ("CFB" or "the Company") wishes to announce that its wholly-owned subsidiary, Chin Foh Trading Sdn Bhd ("CFT") had on 19 July 2006 entered into a Sale and Purchase Agreement ("the SPA") with Incomid Trading Sdn Bhd ("Incomid") for the proposed disposal of the entire equity interest of CFT in Perfect Aluminium Sdn Bhd ("PASB") comprising 255,000 ordinary shares of RM1.00 each representing 51% of the total issued and paid-up capital of PASB ("the Sale Shares") for a cash consideration of RM244,800.00 ("the Proposed Disposal").

In view of the interest of a director of CFB in the Proposed Disposal as disclosed in Section 8 of this announcement, the Proposed Disposal is deemed to be a related party transaction. Accordingly, CFB is making this announcement in compliance with Chapter 10 of the Listing Requirements of Bursa Malaysia Securities Berhad for related party transactions.

## **2. DETAILS OF THE PROPOSED DISPOSAL**

### **2.1 Particulars**

The Proposed Disposal involves the disposal of the entire equity interest of CFT, a wholly-owned subsidiary company of CFB, in PASB comprising 255,000 ordinary shares of RM1.00 each representing 51% of the total issued and paid-up capital of PASB for a cash consideration of RM244,800.00 ("the Sale Consideration").

Upon completion of the Proposed Disposal, PASB is no longer a sub-subsidiary of CFB.

### **2.2 Basis of arriving at the Sale Consideration**

The Sale Consideration was arrived at based on a willing-buyer-willing-seller basis. The basis for the Sale Consideration of RM244,800.00 was arrived at after taking into consideration the net tangible asset of PASB based on the interim unaudited financial statements of PASB for the three (3) months period ended 30 April 2006 amounting to RM527,551.

### **2.3 Salient features of the SPA**

The salient features of the SPA are set out below:-

#### **2.3.1 Approvals**

- (i) The SPA is conditional upon the following approvals being obtained -

- (A) upon execution of the SPA, namely:-

- (a) the approval of the Board of Directors and shareholders of CFT to the disposal of the Sale Shares upon the terms and conditions as set out in the SPA; and
  - (b) the approval of the Board of Directors of PASB approving the transfer of the Sale Shares from CFT to Incomid upon the terms and conditions as set out in the SPA;
- (B) within one (1) month from the date of the SPA, namely:-
  - (a) the approval of the Board of Directors and sole shareholder of CFT to the disposal of the Sale Shares upon the terms and conditions as set out in the SPA (“the Condition Precedent”); and
  - (b) the approval(s) of any other relevant authority(ies) if so required.
- (ii) In the event the Condition Precedent as per item 2.3.1(i)(B)(a) above is not obtained by the expiration of one (1) month from the date of the SPA, in the absence of a written mutual agreement to such extended period or periods to obtain the Condition Precedent, either party may terminate the SPA by giving the other party a written notice and that the SPA shall become null and void.

### **2.3.2 Sale of the Sale Shares**

Subject to the fulfillment of the conditions set out in item 2.3.1 above, CFT shall sell and Incomid shall purchase the Sale Shares free from all claims, liens, pledges, charges, encumbrances and any equity whatsoever together with all rights attached and all dividends, rights and distributions declared, paid or made in respect of the same as at the completion date being thirty (30) days from the date of the SPA (“Completion Date”), at the Sale Consideration upon the terms and conditions as set out in the SPA.

### **2.3.3 Payment of Sale Consideration**

Incomid shall pay the Sale Consideration for the Sale Shares to CFT upon execution of the SPA.

#### **2.3.4 Completion of the SPA**

The completion of the SPA will take place on the day when the Sale Shares are duly transferred and registered in the name of Incomid which in any event should not exceed thirty (30) days from the date of execution of the SPA.

#### **2.4 Particulars of Liabilities to be assumed by Incomid**

Upon completion of the SPA, Incomid will become the registered holder of the Sale Shares free from all claims, charges, liens, pledge, options, encumbrances and equities whatsoever together with all rights attached thereto and all dividends, rights and distributions declared, paid or made in respect thereof.

#### **2.5 Cost of Investment**

CFT originally acquired PASB on 8 March 2000 at a cost of investment of RM102,000.00.

### **3. DETAILS ON PASB**

#### **3.1 Background Information**

PASB was incorporated in Malaysia as a private company limited by shares on 8 March 2000 under the Malaysian Companies Act, 1965 (“the Act”). The principal activities of PASB are mainly of the nature as general merchant, importer, exporter, agent and manufacturer of hardware.

#### **3.2 Financial Information**

Please refer to *Appendix I* on the historical audited financial information of PASB for the past five (5) financial years.

### **4. BACKGROUND INFORMATION ON THE PURCHASER – INCOMID**

Incomid was incorporated in Malaysia as a private company limited by shares on 13 February 2006 under the Act with an authorized share capital of RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM2.00 divided into 2 ordinary shares of RM1.00 each. The principal activity of Incomid is mainly of general trading nature.

## **5. RATIONALE FOR THE PROPOSED DISPOSAL**

The CFB and its subsidiary companies (“the CFB Group”) are involved in activities as general merchant, importer, exporter, agent and manufacturer of hardware. The CFB Group has been providing discounted rates for inter-company sales. With the completion of the Proposed Disposal, all the CFB Group’s sale transactions could then be carried out at market value.

## **6. EFFECTS OF THE PROPOSED DISPOSAL**

### **6.1 Issued and paid-up share capital**

The Proposed Disposal will not have any effect on the issued and paid-up share capital of CFB.

### **6.2 Shareholding structure**

The Proposed Disposal will not have any effect on the shareholding structure of CFB.

### **6.3 Net Asset (“NA”)**

The Proposed Disposal will not have any material effect on the NA of the CFB Group.

### **6.4 Earnings**

The Proposed Disposal will not have any immediate material effect on the earnings of the CFB Group.

## **7. APPROVALS REQUIRED**

The Proposed Disposal is not subject to the approval of the shareholders of CFB at an Extraordinary General Meeting and the relevant government authorities.

## **8. DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTEREST**

Save as disclosed below, the Company is not aware of any other directors and/or major shareholders of CFB and/or persons connected to them, who has any interest, whether direct or indirect, in the Proposed Disposal:-

- Mr Kwan Pek Wong (“Mr Kwan”) is deemed interested in the Proposed Disposal by virtue of his common directorship and his direct shareholdings in CFB and PASB. Mr Kwan is an Executive Director of CFB. As such, he is deemed interested in the Proposed Disposal. Mr Kwan is hereinafter referred to as the “Interested Director”.

Accordingly, the Interested Director has abstained and will continue to abstain from deliberation and voting on the Proposed Disposal at all Board Meetings of CFB, CFT and PASB.

The direct and/or indirect shareholding of the Interested Director in CFB and PASB are set out in *Appendix II* herein.

## **9. STATEMENT BY DIRECTORS**

The Board of Directors of CFB (except for the Interested Director), having taken into consideration all aspects of the Proposed Disposal, is of the opinion that the terms and conditions of the Proposed Disposal are fair and reasonable and the Proposed Disposal is in the best interests of the Company and shareholders of the Company.

## **10. CIRCULAR TO SHAREHOLDERS**

As no one percentage ratio in relation to the Proposed Disposal exceeds 5%, a circular to the shareholders of CFB is not required.

## **11. INDEPENDENT ADVISER**

As no one percentage ratio in relation to the Proposed Disposal exceeds 5%, CFB is not required to appoint an Independent Adviser to the Independent Directors and the minority shareholders of CFB on matters pertaining to the Proposed Disposal.

## **12. DEPARTURE FROM SECURITIES COMMISSION’S POLICIES AND GUIDELINES ON ISSUE/OFFER OF SECURITIES**

The issue of compliance with the Securities Commission’s Policies and Guidelines on Issue/Offer of Securities does not arise in the Proposed Disposal.

## **13. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances and subject to all required approvals, the Proposed Disposal is expected to be completed by 18 August 2006.

#### **14. DOCUMENTS FOR INSPECTION**

The SPA dated 19 July 2006 in respect of the Proposed Disposal is available for inspection at the registered office of CFB at Level 17, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) from the date hereof.

## Appendix I

The following table summarizes the key audited historical financial information of PASB for the past five (5) financial years:-

<b>Financial Year Ended</b>	<b>31 January 2002 (RM'000)</b>	<b>31 January 2003 (RM'000)</b>	<b>31 January 2004 (RM'000)</b>	<b>31 January 2005 (RM'000)</b>	<b>31 January 2006 (RM'000)</b>
Turnover	8,205	6,540	5,957	6,090	6,699
Profit/(loss) before taxation	471	121	168	(20)	(326)
Taxation	(138)	(37)	(40)	(4)	4
Profit/(loss) after taxation	333	84	128	(24)	(322)
NTA	611	695	824	800	478
No. of shares in issue ('000)	200	200	200	200	500
NTA per share (RM)	3.06	3.48	4.12	4.00	0.96

## Appendix II

The direct and indirect shareholding of the Interested Director in CFB and PASB based on the Register of Depository and Register of Members as at 30 June 2006 are as set out below:-

	CFB				PASB			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Interested Director</b>								
Mr Kwan	4,000	0.01	-	-	122,500	24.50	-	-