



CSC HOLDINGS LIMITED

Co Registration No. 199707845E

PROPOSED ACQUISITION OF A 70% INTEREST IN ICE FAR EAST PTE LTD

1. INTRODUCTION

The Board of Directors (the “Board”) of CSC Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) wishes to announce that THL Foundation Equipment Pte Ltd (“THLFE”), a 55% owned subsidiary of the Company has entered into a conditional sale and purchase agreement (the “SPA”) with Lim Thian Fatt (“Vendor 1”), Hah Hen Khean (“Vendor 2”), Choy Shun Yeong Johnny (“Vendor 3”) and International Construction Equipment Inc (“Vendor 4”) (collectively, the “Vendors”) relating to 4,900,000 shares (the “Sale Shares”) representing 70% of the issued and paid-up share capital of Ice Far East Pte Ltd (ICEFE) on 16 May 2011 (the “Acquisition”).

Upon completion of Acquisition, ICEFE will be a subsidiary of the Company. After completion of the Acquisition, Vendor 1 and Vendor 2 will continue to hold 15% each of the issued and paid-up capital of ICEFE.

2. INFORMATION ON ICEFE

ICEFE is a limited private company incorporated in Singapore on 8 January 1988.

ICEFE and its 100% owned subsidiary ICE Far East Sdn Bhd is principally engaged in the trading and rental of foundation engineering equipment. ICEFE has offices in Singapore and Malaysia and supplies foundation engineering equipments to the South East Asian region, Hong Kong and India.

3. THE ACQUISITION

3.1 Principal Terms and Salient Features of the Acquisition

3.1.1 Sale and Purchase

Under the SPA, THLFE has agreed to purchase from the Vendors the Sale Shares, held by the Vendors in the following proportions:

- (a) 1,960,000 Shares, representing 28% of the issued and paid-up share capital of ICEFE, by Vendor 1;
- (b) 1,890,000 Shares, representing 27% of the issued and paid-up share capital of the Company, by Vendor 2;

- (c) 350,000 Shares, representing 5% of the issued and paid-up share capital of the Company, held by Vendor 3; and
- (d) 700,000 Shares, representing 10% of the issued and paid-up share capital of the Company, held by Vendor 4.

3.1.2 Consideration

The consideration was negotiated on an arms' length basis taking into consideration the audited net tangible assets ("NTA") value of S\$9,773,000 and the audited consolidated net profit of S\$1,291,000 of ICEFE for the financial year ended 31 December 2009 and the unaudited NTA of S\$11,774,000 and the unaudited consolidated net profit of S\$2,005,000 for the financial year ended 31 December 2010.

THLFE and the Vendors have agreed that the consideration payable by THLFE for the Sale Shares shall be the aggregate sum of S\$7,700,000 (the "Consideration"), which shall be paid to the Vendors' respective holding of the Sale Shares in two separate tranches as follow:

- (a) S\$1,925,000 on the date of the SPA to a stakeholder pending completion; and
- (b) S\$5,775,000 after the completion.

3.1.3 Adjustment to the Consideration

In the event where the net profit of ICEFE, based on the audited accounts for the financial period of 1 January 2011 to 31 December 2011 ("FP2011 Net Profit"), is less than S\$2,100,000, Vendor 1 and Vendor 2 shall make good the difference between the amount of S\$2,100,000 and the FP2011 Net Profit (the "Shortfall") by way of a cash compensation to THLFE of an amount to be calculated as follows, provided that such compensation shall not exceed S\$770,000:

$$\text{Cash Compensation} = Z\% \times \text{Consideration}$$

Where:

- (a) "*Cash Compensation*" means the amount of cash payable by Vendor 1 and Vendor 2 to make good the Shortfall; and
- (b) "*Z%*" being the Shortfall expressed in percentage terms and not more than 10%.

3.1.4 Completion

Completion of the sale and purchase of the Sale Shares is subject to the fulfilment of all the conditions precedent, which include, *inter alia*, the Purchaser having undertaken and completed all financial, operational and legal due diligence exercises with respect to ICEFE and its subsidiary.

3.1.5 Service Agreements

Vendor 1 and Vendor 2 will each be entering into a service agreement with the Group. They will continue to be the key management staff of ICEFE.

3.1.6 Put Options

In connection with the Acquisition and concurrent with completion, THLFE will enter into a Shareholders' Agreement with Vendor 1 and Vendor 2 (the "SHA").

Under the SHA, THLFE will grant to Vendor 1 and Vendor 2 an option ("Put Option", collectively, "Put Options") to sell his shareholding to THLFE if he ceases to be an employee and a director of ICEFE subject to certain terms or conditions and based on the valuation at the time of exercise.

3.1.7 Value and profit attributable to ICEFE

Based on the audited accounts of ICEFE for financial year ended 31 December 2009, the NTA value and the consolidated net profits (before income tax) of ICEFE is S\$9,773,000 and S\$1,291,000 respectively. The unaudited NTA and net profits of ICEFE for 31 December 2010 is S\$11,774,000 and S\$2,005,000 respectively.

No valuation on ICEFE or the Sale Shares has been carried out by an independent valuer.

4. RATIONALE FOR THE PROPOSED ACQUISITION

4.1 Strengthen and Complement Existing Foundation Engineering Equipment Business of the Group

ICEFE and its subsidiary are principally engaged in the business of trading and rental foundation engineering equipment in the South East Asia Region, Hong Kong and India. In terms of equipment supply, ICEFE's specialization is geared towards the distribution of vibro hammers and hydraulic piling hammers.

ICEFE has established an extensive network in the South East Asian Region and is recognized as the leading distributor of such specialized foundation engineering equipment.

The Acquisition will therefore strengthen and complement the Group's existing foundation engineering equipment business which is currently more concentrated on the distribution of hydraulic boring rigs. This will enable the Group to enhance its competitiveness and provide a one stop shop for foundation engineering equipment.

4.2 Expansion of geographic presence to regional markets in a timely manner

As one of the region's leading distributor of foundation engineering equipment, the Group continually strives to grow its business whenever the opportunity presents itself. To-date the Group's foundation engineering equipment business has been predominantly based in Singapore.

The Acquisition therefore represents an opportunity for the Group to further expand its geographic presence and capitalize on increased business opportunities in the

regional construction sector in a timely manner. In this connection, the Group believes that there are good growth prospects for cross selling of products between the existing business to a wider customer base in Malaysia, Hong Kong and India.

4.3 Acquisition of a company with a profitable track record

Based on the audited accounts provided by Vendors, ICEFE has been profitable for the past three financial years. The Acquisition is expected to enhance the Group's income and returns to shareholders.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

For the sake of calculating the relative figures below, it is assumed that both Vendor 1 and Vendor 2 has exercised the Put Options at the same valuation as the Sale Shares. The audited consolidated net profit of ICEFE is used for the computation below.

(a) Rule 1006(a) - the net asset value of the assets to be disposed of, compared with the group's net asset value.

Net asset value of the assets to be disposed of	:	Not applicable
Net asset value of the Group	:	Not applicable.
Size of relative figure	:	Not applicable

(b) Rule 1006(b) – the net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.

Net profits attributable to the Acquisition	:	S\$1,291,000
Net profit of the Group for the nine months ended 31 December 2010	:	S\$15,084,000
Size of relative figure (Compared over annualised net profits)	:	6.4% ¹

(c) Rule 1006(c) – the aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.

		S\$
Aggregate value of consideration to be given	:	S\$11,000,000
Company's market capitalisation as at 13 May 2011	:	S\$171,272,000
Size of relative figure	:	6.4%

(d) Rule 1006(d) – the number of equity securities issued by the Company as consideration for the Acquisition, compared with the number of equity securities previously in issue.

Number of equity securities to be issued by the Company as consideration for the Acquisition : Not applicable.

Number of equity securities in issue : Not applicable.

Size of relative figure : Not applicable.

Note 1: If the unaudited consolidated net profit of ICEFE is used for computation, the relative figure will be 10.0%.

As the relative figure set out in Rules 1006(b) and 1006(c) exceeds 5% but does not exceed 20%, the Acquisition is classified as a discloseable transaction as defined in Chapter 10 of the Listing Rules.

6. PROFORMA FINANCIAL EFFECTS OF THE ACQUISITION

The pro forma financial effects of the Acquisition on the Group's NTA per share, earnings per share ("EPS") and the gearing of the Group have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2010 and on the audited accounts of ICEFE for financial year ended 31 December 2009. For the purpose of illustrating the financial effects of the Acquisition, the following assumptions have been made:

- (a) The financial impact on the Group's consolidated earnings and EPS is computed assuming that the Acquisition was completed on 1 April 2009 and in relation to the Company's share capital, consolidated NTA per share and gearing, computed assuming that the Acquisition was completed on 31 March 2010.
- (b) For the sake of calculating the financial effects of the Acquisition below, it is assumed that both Vendor 1 and Vendor 2 have exercised the Put Options at the same time as the date the Acquisition is assumed to be completed at the same valuation as the Sale Shares and hence the Consideration is assumed to be S\$11,000,000 in aggregate.
- (c) No adjustment has been made to account for the non co-terminous financial year ends of the Group and ICEFE.

As the pro forma financial effects presented are pro forma in nature and for illustrative purposes, no representations are made to the actual financial position and/or results of the Group immediately after the Completion of the Acquisition.

6.1.1 The pro forma effect of the Acquisition on the NTA per share of the Group

	Before the Acquisition	After the Acquisition
NTA (S\$ million)	186.8	185.6
Number of Shares as at 31 March 2010 (Million Shares)	1,223.5	1,223.5
NTA per share (cents)	15.3	15.2

6.1.2 The pro forma effect of the Acquisition on the earnings per share of the Group

	Before the Acquisition	After the Acquisition
Net Profit After Tax for FY2010 attributable to shareholders (S\$ million)	24.1	24.8
Weighted average number of shares for FY 2010 (Million Shares)	1,223.9	1,223.9
EPS (cents)	2.0	2.0

6.1.3 The pro forma effect of the Acquisition on the gearing (Total Borrowing over Shareholders' Fund) of the Group

	Before the Acquisition	After the Acquisition
Shareholders' Fund as at 31 March 2010 (S\$ million)	189.8	189.8
Total Borrowings as at 31 March 2010 (S\$ million)	72.3	78.8
Gearing (times)	0.4	0.4

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement and the interest of Tat Hong Holdings Limited ("THH") in the Acquisition, none of the directors (other than in his capacity as a director or shareholder of the Company or THH) or controlling shareholders of the Company has an interest, direct or indirect, in the Acquisition. THH holds 40% equity in THLFE.

Mr See Yen Tarn, the Group Chief Executive Officer has been proposed to be appointed to the Board of ICEFE and its subsidiary upon the completion of the Acquisition.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be made available for inspection during normal business hours from 9 a.m. to 5 p.m. at the registered office of the Company for a period of three (3) months from the date of this Announcement.

By the Order of the Board of Directors
CSC HOLDINGS LIMITED

Lee Quang Loong
Company Secretary

16 May 2011