

28 August 2018

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR")

CSF Group plc
(“CSF”, the “Company” or the “Group”)

**Proposed cancellation of admission of the Company’s ordinary shares to trading on AIM
and
Proposed extraordinary general meeting**

The Board of CSF announces that the Company intends to seek Shareholders’ approval to cancel the admission of the Company’s ordinary shares of 10p each (“Ordinary Shares”) to trading on AIM (the “Proposal” or the “Cancellation”).

Under the AIM Rules for Companies (the “AIM Rules”), it is a requirement that the cancellation of admission to trading on AIM must be approved by not less than 75 per cent. of Shareholders voting in general meeting. Under the AIM Rules, the Cancellation also requires a notice period of not less than 20 business days from the date on which notice of the intended Cancellation is notified via a Regulatory Information Service and is given to the London Stock Exchange.

The Company intends to send a circular (the “EGM Circular”) to Shareholders, which will also contain a notice of an extraordinary general meeting (the “Extraordinary General Meeting”), which is intended to take place at 9:30 a.m. British Summer Time (“BST”) / 4:30 p.m. Malaysia Time (“MYT”) on 24 September 2018 at the offices of Allenby Capital Limited (“Allenby Capital”), 5 St Helen’s Place, London EC3A 6AB.

The Extraordinary General Meeting is to be held for the purpose of considering, and if thought fit, passing the following resolution (the “Resolution”), to take effect as a resolution of the Company requiring 75 per cent. of the votes cast (in person or by proxy) to be in favour: *THAT, the admission of the ordinary shares of 10p each in the capital of the Company to trading on AIM, a market operated by the London Stock Exchange plc, be cancelled and that the directors of the Company be authorised to take all steps which they consider to be necessary or desirable in order to effect such cancellation.*

Certain of the Directors, and members of the Company’s senior management team whose shareholdings in aggregate represent 7.47 per cent. of the issued share ordinary capital of the Company, have given irrevocable undertakings to vote in favour of the Resolution.

Subject to the passing of the Resolution at the proposed Extraordinary General Meeting on 24 September 2018, Cancellation will occur no earlier than 5 business days after the proposed Extraordinary General Meeting and it is therefore expected that trading in the Ordinary Shares on AIM will cease at the close of business on 1 October 2018, with Cancellation expected to take effect at 7:00 a.m. (BST) / 2.00 p.m. (MYT) on 2 October 2018.

Pursuant to Rule 41 of the AIM Rules, the Directors have notified the London Stock Exchange of the date of the proposed Cancellation.

The EGM Circular will set out the following, details of which can also be found further below within this announcement:

- the background to the Proposal;
- why the Board has decided to proceed with the Proposal, subject to Shareholders' approval; and
- why the Directors believe that the Proposal is in the best interests of the Company and Shareholders as a whole and why the Board recommends that Shareholders vote in favour of the Resolution at the forthcoming Extraordinary General Meeting.

Should Cancellation be approved by Shareholders at the Extraordinary General Meeting, the Company intends to put in place a matched bargain settlement facility with BritDAQ Limited which should facilitate Shareholders buying and selling Ordinary Shares on a matched bargain basis following Cancellation.

It is anticipated that the EGM Circular, the notice of the Extraordinary General Meeting and a form of proxy will be posted to Shareholders on 3 September 2018 and the Company will make a further announcement once these documents have been posted and are available to view and download from the Company's website at www.csf-group.com, in accordance with Rule 26 of the AIM Rules.

Background to, and reasons for, the Proposal

The current size of the Group and the cost of the Company's listing

On 28 September 2017, the Company announced the conditional disposal (the "Disposal") of CSF CX Sdn Bhd ("CSF CX"), a direct wholly-owned subsidiary of the Group. As at 31 March 2016, being the last audited financial position before the execution of the conditional sale and purchase agreement in respect of the Disposal, CSF CX had total assets of RM88.3 million (approximately £15.5 million) and total liabilities (excluding amounts owing to Group companies) of RM144.3 million (approximately £25.4 million), representing approximately 57.9% and 83.6%, respectively, of the total assets and total liabilities of the Group as at the same date.

The Disposal was completed on 8 May 2018 and following its completion the Group is now a substantially smaller company. In Financial Year ("FY") 2018, the Group recorded revenues from continuing operations of RM23.9 million (approximately £4.4 million) without the inclusion of revenues generated by CSF CX, whereas total Group revenues for FY 2017 including revenues generated by CSF CX were RM82.4 million (approximately £15.2 million). The Board therefore believes that the Group is now of a size where it is no longer practical or cost effective for it to have its Ordinary Shares quoted on AIM.

It is estimated by the Board that the total costs directly related to the maintenance of the admission of the Ordinary Shares to trading on AIM are over RM1.1 million (approximately £200,000) per annum. This includes fees payable to the London Stock Exchange, Nominated Adviser and Broker fees, non-executive directors' fees, shareholder communication time and costs, and other professional fees (including increased audit fees). Given that the Company's operations are principally based in Malaysia, a country currently experiencing slowdown in economic growth, the fact that a significant number of these expenses are payable in currencies other than the Malaysian Ringgit exacerbates the costs to the Company of maintaining the admission to trading on AIM of the Ordinary Shares.

The Directors therefore believe that the Cancellation will, accordingly, reduce the Company's recurring administrative costs, allowing the funds currently spent on such expenses to be better spent in running the business in a private capacity which would be more appropriate given the Group's recently reduced size. These measures to reduce costs are also in line with the Board's objective of preserving the Group's financial resources as highlighted in the Company's Statement of Annual Results released on 27 July 2018.

Inability to raise capital

Since the point of the Company's IPO on AIM in 2010, the Company has only been able to secure very limited amounts of additional capital by way of equity financing. The Company's main reason for having its Ordinary Shares admitted to trading on AIM in 2010 was to access capital. However, the Board is of the view that it is no longer possible for the Company to raise equity capital on AIM.

Conclusion

Mr Phil Cartmell has been a director of the Company since its flotation on AIM in March 2010 and was appointed Interim Chairman in July 2013 and Chairman in July 2015. He has worked closely with the Company's management team as they have successfully addressed the challenges facing the Company over the last five years, culminating in the Disposal. As set out above, the Company is now much smaller as a result of the Disposal and Mr Cartmell considers that this reduced size means that it is no longer realistically feasible for the Company to raise material quantum of funds from the public markets and it is no longer cost effective to have the Company's shares traded on AIM. The costs associated with being on AIM are also significant in the context of the Company's expected future trading performance. On this basis, Mr Cartmell believes that the Cancellation is the most appropriate next step for the Company and he has informed the Board of his intention to resign as both Chairman and as a director of the Company whether or not the Resolution is approved by Shareholders.

Shareholders should also be aware that if the Resolution is not approved by Shareholders and Cancellation does not proceed, Mr Cartmell's resignation (and the factors set out above) may have implications for Allenby Capital who will need to consider the commercial rationale for their continuing to act as the Company's Nominated Adviser and Broker (having had consideration for Allenby Capital's notice period for any such potential resignation). Should Allenby Capital decide to resign as the Company's Nominated Adviser, in the absence of the appointment of a new Nominated Adviser, trading in the Company's Ordinary Shares on AIM will be suspended immediately once such resignation becomes effective. If the Company cannot appoint a replacement Nominated Adviser within one month of such suspension, the admission of the Company's Ordinary Shares to trading on AIM will be cancelled.

After careful consideration of the matters laid out above, the Directors have therefore concluded that the commercial disadvantages and costs of maintaining the admission to trading on AIM of the Ordinary Shares outweigh the potential benefits and that it is no longer in the Company's or its Shareholders' best interests to maintain the admission to trading on AIM of the Ordinary Shares. Particular consideration has been given by the Directors to the significantly reduced current size of the Group, the relative expense of the Company's quotation on AIM and the lack of equity financing opportunities available to the Company.

Cancellation of admission of ordinary shares to trading on AIM

Cancellation

Under the AIM Rules, it is a requirement that the cancellation of admission to trading on AIM must be approved by not less than 75 per cent. of Shareholders voting in general meeting. Under the AIM

Rules, the Cancellation also requires a notice period of not less than 20 Business Days from the date on which notice of the intended Cancellation is notified via a Regulatory Information Service and is given to the London Stock Exchange. Pursuant to Rule 41 of the AIM Rules, the Directors have notified the London Stock Exchange of the date of the proposed Cancellation.

Subject to the passing of the Resolution at the Extraordinary General Meeting on 24 September 2018, Cancellation will occur no earlier than 5 Business Days after the Extraordinary General Meeting and it is therefore expected that trading in the Ordinary Shares on AIM will cease at the close of business on 1 October 2018, with Cancellation expected to take effect at 7:00 a.m. (BST) / 2.00 p.m. (MYT) on 2 October 2018.

Trading in the Ordinary Shares after Cancellation

Whilst the Board believes that the Cancellation is in the interests of Shareholders as a whole, it recognises that the Cancellation will make it more difficult for Shareholders to buy and sell Ordinary Shares should they wish to do so. Following the Cancellation, although the Ordinary Shares will remain transferable they will no longer be tradable on AIM.

Accordingly, the Board intends, following the Cancellation, to put in place a matched bargain settlement facility with BritDAQ Limited (the “**BritDAQ Facility**”), which should facilitate Shareholders buying and selling Ordinary Shares on a matched bargain basis following Cancellation. It cannot be guaranteed that the BritDAQ Facility will offer a comparable degree of liquidity and share prices that are as attractive as those which are currently available via the Company’s quotation on AIM.

The key terms of the BritDAQ Facility are as set out below:

- the BritDAQ Facility will be made available through BritDAQ Limited, who will provide a platform to buy or sell Ordinary Shares through the BritDAQ website (www.britdaq.com);
- BritDAQ Limited is authorised and regulated by the Financial Conduct Authority;
- ‘gold’ BritDAQ membership is required to buy or sell Ordinary Shares through the BritDAQ website;
- if Ordinary Shares are held through a nominee company, then a Shareholder should request that their Ordinary Shares be transferred (using a Share Transfer Form) into their own name, in order to be ready to trade;
- when a Shareholder wishes to trade on BritDAQ, the Shareholder enters a buy or sell quantity and an associated price. Other BritDAQ members will then be able to match that offer or propose a counter-bid or counter-offer. Once agreed, BritDAQ will deal with the administration of the transaction and arrange for the associated transfer of funds between the parties, at which point a fee for the service will become due and payable by the Shareholder; and
- further information can be found on www.britdaq.com or via admin@britdaq.com.

Following Cancellation, it is intended that the Company’s CREST facility will be ceased, and it is likely that Shareholders will therefore be issued share certificates in respect of their Ordinary Shares. Following the implementation of the BritDAQ Facility, the Board intends to monitor its popularity amongst Shareholders and will review it at regular intervals to consider whether it remains cost effective.

Effects of Cancellation on shareholders

Market for the Company's Ordinary Shares

The principal effect of the proposed Cancellation is that there would no longer be a formal market mechanism enabling Shareholders to trade their Ordinary Shares on AIM or any other recognised market or trading exchange. As described above, the Company intends to, shortly following Cancellation, put in place the BritDAQ Facility to serve as a limited platform for Shareholders and other persons to seek to buy or sell Ordinary Shares. However, the BritDAQ Facility is likely to offer a substantially lesser degree of liquidity and potentially less attractive share prices than are currently available via the Company's quotation on AIM.

Taxation

Shareholders who are in any doubt about their tax position should consult with their own independent professional adviser as soon as possible.

Loss of shareholder protections

Shareholders should also be aware that the Company will no longer be bound by the AIM Rules following Cancellation. As a consequence, investors will not be able to benefit from certain of the protections provided by the AIM Rules. For example, the Company will no longer be required to announce material events, interim or final results or transactions (including related party transactions) and certain previously prescribed corporate governance procedures may not be adhered to by the Company in the future. Shareholders' approval will also not be required for reverse takeovers and/or fundamental changes in the Company's business. The Company will no longer be bound to comply with the corporate governance requirements applicable to UK-quoted companies and the Company would also no longer be required to have a Nominated Adviser, nor be required to retain a Broker.

The Directors intend to keep Shareholders informed of the Company's progress from time to time and remain committed to high standards of corporate governance. Accordingly, following Cancellation, the Directors intend to:

- hold an annual general meeting and, when required, other general meetings, in accordance with applicable statutory requirements and the Articles;
- make available to all Shareholders an annual report and the Company's annual financial statements;
- maintain an 'investors' section on the Company's website at www.csf-group.com providing information on any significant events or developments in which Shareholders may be interested. Shareholders should, however, be aware that there will be no obligation on the Company to update this section of the website as is presently required under the AIM Rules and other currently applicable regulation; and
- comply with corporate governance standards appropriate for a company with the number of Shareholders it has.

Takeover Code

The City Code on Takeovers and Mergers (the "Takeover Code") currently applies to the Company and as such the Shareholders currently benefit from a number of protections contained in the Takeover Code. Following Cancellation, the Company's place of central management and control will not be in the United Kingdom, the Channel Islands or the Isle of Man and, pursuant to paragraph

3(a)(ii) to the Introduction to the Takeover Code, the Company will no longer be subject to the Takeover Code.

Shareholders should note that, if the Cancellation becomes effective, they will not receive the protections afforded by the Takeover Code in the event that there is a subsequent offer to acquire their Ordinary Shares.

Brief details of the Takeover Code and the protections given by the Takeover Code are described below. **Before giving your consent to the Cancellation, you may want to take independent professional advice from an appropriate financial adviser.**

The Takeover Code

The Takeover Code is issued and administered by the Panel on Takeovers and Mergers of the United Kingdom (the "Panel"). The Company is presently a company to which the Takeover Code applies and its Shareholders are accordingly entitled to the protections afforded by the Takeover Code.

The Takeover Code and the Panel operate principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The Takeover Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

The General Principles and Rules of the Takeover Code

The Takeover Code is based upon a number of general principles ("**General Principles**") which are essentially statements of standards of commercial behaviour. The General Principles apply to all transactions with which the Takeover Code is concerned. They are expressed in broad general terms and the Takeover Code does not define the precise extent of, or the limitations on, their application. They are applied by the Panel in accordance with their spirit to achieve their underlying purpose.

In addition to the General Principles, the Takeover Code contains a series of rules ("**Rules**"), of which some are effectively expansions of the General Principles and examples of their application and others are provisions governing specific aspects of takeover procedure. Although most of the Rules are expressed in more detailed language than the General Principles, they are not framed in technical language and, like the General Principles, are to be interpreted to achieve their underlying purpose. Therefore, their spirit must be observed as well as their letter. The Panel may derogate or grant a waiver to a person from the application of a Rule in certain circumstances.

Giving up the protection of the Takeover Code

Shareholders will be giving up certain important protections upon Cancellation. Your attention is drawn in particular to the following protections under the Takeover Code:

- (i) all holders of Ordinary Shares must be afforded equivalent treatment and, moreover, if a person acquires 30 per cent. or more of the Ordinary Shares in the Company (other than in the context of a voluntary offer to all Shareholders) such person would be required to make a mandatory offer to all of the other Shareholders;
- (ii) the holders of Ordinary Shares must have sufficient time and information to enable them to reach a properly informed decision on any bid; where it advises the holders of Ordinary Shares, the Board must give its views on the effects of implementation of the bid on employment, conditions of employment and the locations of the Company's place of business;

- (iii) the Board would be required to act in the interests of the Company as a whole and must not deny any holders of Ordinary Shares the opportunity to decide on the merits of a bid for the Company; and
- (iv) if a bid for the Company were to be made, the Board would be required to obtain competent independent advice as to whether the financial terms of any offer (including any alternative offers) are fair and reasonable and the substance of such advice must be made known to Shareholders.

The Jersey framework for takeovers following Cancellation

Certain brief details of the Jersey legal framework for takeovers, which following Cancellation will be applicable to the Company, as appropriate, are described below.

Acquisitions

A Jersey public limited company may be acquired in a number of ways, including by means of a "scheme of arrangement" between the company and its shareholders or by means of a takeover offer.

Scheme of arrangement

A "scheme of arrangement" is a statutory procedure under the Act pursuant to which the Royal Court of Jersey may approve an arrangement between a Jersey company and some or all of its shareholders. In a "scheme of arrangement," the company would make an initial application to the Royal Court of Jersey to convene a meeting or meetings of its shareholders at which a majority in number of shareholders representing 3/4ths of the voting rights of the shareholders present and voting either in person or by proxy at the meeting must agree to the arrangement by which they will sell their shares in exchange for the consideration being offered by the bidder. If the shareholders so agree, the company will return to the Royal Court of Jersey to request the court to sanction the arrangement. Upon such a scheme of arrangement becoming effective in accordance with its terms and the Act, it will bind the company and such shareholders.

Takeover offer

A takeover offer is an offer to acquire all of the outstanding shares of a company (other than shares which at the date of the offer are already held by the offeror). The offer must be made on identical terms to all holders of shares to which the offer relates. If the offeror, by virtue of acceptances of the offer, acquires or contracts to acquire not less than 90 per cent. in nominal value of the shares to which the offer relates, the Act allows the offeror to give notice to any non-accepting shareholder that the offeror intends to acquire his or her shares through a compulsory acquisition (also referred to as a "squeeze out"), and the shares of such non-accepting shareholders will be acquired by the offeror six weeks later on the same terms as the offer, unless the shareholder objects to the Royal Court of Jersey and the court enters an order that the offeror is not entitled to acquire the shares or specifying terms of the acquisition different from those of the offer.

The Act permits a scheme of arrangement or takeover offer to be made relating only to a particular class or classes of a company's shares.

Further information

Current trading and prospects

On 27 July 2018, the Company announced its audited full year results for the year ended 31 March 2018. In FY 2018, the Group recorded revenue from continuing operations of RM23.9 million

(approximately £4.4 million) (FY2017: RM26.4 million (approximately £4.9 million)) and a profit for the financial year, including gain on disposal of subsidiary, of RM113.0 million (approximately £20.9 million) compared to the loss before tax of RM34.6 million (approximately £6.4 million) in FY 2017.

Following the completion of the Disposal, the Group has been able to focus on improving the operational efficiency of its remaining data centre (CX1), whilst identifying additional sources of revenue from CX1 and other business divisions. CX1 is a commercial data centre facility located in the Selangor state of Malaysia, which has been in operation since 2003 with a total net floor area of approximately 37,500 square feet and approximately 1 MW of IT power capacity.

During FY 2018, the Group successfully renegotiated a contract with an existing tenant at CX1. The Group continues to actively pursue new customers directly and is in discussion with various potential resellers and/or business partners to identify additional sources of revenue from CX1 and other business divisions. The Group's management has also implemented cross-connect charges for the utilisation of network connectivity within the CX1 data centre.

However, in spite of the progress set out above, the Group's monthly revenues are still insufficient to cover its monthly operating overheads, and this has been exacerbated by the intense competition and pricing pressure experienced by the maintenance and the design and development segments of the business. The Board also notes that significant capital expenditure will be required for the replacement of ageing equipment at the CX1 data centre and will continue to work closely with the Group's management in the careful planning and implementation of the Group's capital expenditure budget.

Certain cash deposits lodged by the Group for rental deposits in connection with the CX2 and CX5 data centres, amounting to RM9.1 million (approximately £1.7 million), were refunded to the Group on 31 May 2018.

Pursuant to the completion of the Disposal, the Board expects for the Group to be able to reduce its operating losses in the next financial year although on significantly decreased revenues.

Future strategy of the Company

The Group's strategy involves focusing on achieving growth in sustainable revenues, while carefully implementing its capital expenditure plans to ensure that the Group's financial position is preserved. The Group aims to continue to invest in its employees, in terms of enhancing their technical knowledge and competency and remain focused on improving the quality of service to customers.

The Group continues to pursue a pipeline of potential customers and marketing activities, which include ongoing discussions with several potential customers and enhanced marketing efforts focusing on potential customers and resellers.

Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolution at the Extraordinary General Meeting from certain of the Directors and members of the Company's senior management team in respect of their respective holdings of, in aggregate, 11,957,931 Ordinary Shares, representing approximately 7.47 per cent. of the total current issued ordinary share capital of the Company.

The aforesaid irrevocable undertakings will lapse if the Extraordinary General Meeting is not held or the Resolution is not put to Shareholders or in the event that the Resolution is not approved.

Recommendation

The Board considers the Resolution as set out in the notice of the Extraordinary General Meeting to be in the best interests of the Company and its Shareholders as a whole. **Accordingly, the Directors unanimously recommend Shareholders to vote in favour of the Resolution. The Directors intend to vote their own beneficial holdings in favour of the Resolution, and procure the same from certain members of the senior management team of the Company, which, in aggregate, amounts to 11,957,931 Ordinary Shares, representing approximately 7.47 per cent. of the issued ordinary share capital of the Company as at the date of this announcement.**

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