

Pentamaster International Limited

檳傑科達國際有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1665

Share Offer

Sponsor

ALTUS CAPITAL LIMITED

Joint Bookrunners and Joint Lead Managers



CROSBY

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Pentamaster International Limited

檳傑科達國際有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

**Total number of Offer Shares : 368,000,000 Shares comprising 192,000,000
New Shares and 176,000,000 Sale Shares**
Number of Placing Shares : 331,200,000 Shares (subject to reallocation)
Number of Public Offer Shares : 36,800,000 Shares (subject to reallocation)
**Offer Price : Not more than HK\$1.10 per Offer Share
and expected to be not less than
HK\$0.90 per Offer Share (payable in
full on application in Hong Kong
dollars, subject to refund and plus
brokerage fee of 1.0%, SFC transaction
levy of 0.0027% and Stock Exchange
trading fee of 0.005%)**
Nominal value : HK\$0.01 each
Stock code : 1665

Sponsor

ALTUS CAPITAL LIMITED

Joint Bookrunners and Joint Lead Managers



元大證券(香港)
Yuantu Securities (Hong Kong)

CROSBY

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness of this prospectus and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with the documents specified under the section headed "Documents delivered to the Registrar of Companies and available for public inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The SFC and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

Prior to making investment decisions, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out under the section headed "Risk factors" of this prospectus.

The Offer Price is expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date, which is expected to be on or around Friday, 12 January 2018 and, in any event, not later than 5:00 p.m. on Wednesday, 17 January 2018. The Offer Price will not be more than HK\$1.10 per Offer Share and is currently expected to not be less than HK\$0.90 per Offer Share. Applicants for Public Offer Shares are required to pay, on application, the maximum Offer Price (HK\$1.10 per Offer Share) for each Offer Share together with a brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is lower than the maximum Offer Price (HK\$1.10 per Offer Share).

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of market interest expressed by prospective institutional, individual and other investors during the book-building process and with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of Offer Shares in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$0.90 to HK\$1.10 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of Offer Shares in the Share Offer and/or the indicative Offer Price range will be published on our website www.pentamaster-international-ltd.com and the Stock Exchange's website www.hkexnews.hk, as soon as practicable following the decision to make such reduction and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer. If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) by 5:00 p.m. on Wednesday, 17 January 2018, the Share Offer (including the Public Offer) will not proceed and will lapse. Further details are set out under the sections headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" of this prospectus.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe or procure subscribers to subscribe for the Public Offer Shares, are subject to termination with immediate effect by written notice from the Joint Lead Managers (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the paragraph headed "Grounds for termination" under the section headed "Underwriting" of this prospectus. It is important that prospective investors refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are not being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

29 December 2017

EXPECTED TIMETABLE

Our Company will issue an announcement in Hong Kong on the website of our Company at www.pentamaster-international-ltd.com and the website of the Stock Exchange at www.hkexnews.hk if there is any change in the following expected timetable of the Share Offer.

Date^(Note 1)

2018

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website www.hkeipo.hk^(Note 2) 11:30 a.m. on Friday, 12 January

Application lists of Public Offer open^(Note 3) 11:45 a.m. on Friday, 12 January

Latest time to: (i) lodge **WHITE** and **YELLOW** Application Forms; (ii) complete payment of applications by effecting internet banking transfer(s) or PPS payment transfer(s); and (iii) give **electronic application instructions** to HKSCC^(Note 4) 12:00 noon on Friday, 12 January

Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s). 12:00 noon on Friday, 12 January

Application lists of Public Offer close^(Note 3) 12:00 noon on Friday, 12 January

Expected Price Determination Date^(Note 5) on or around Friday, 12 January

Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares to be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.pentamaster-international-ltd.com on or before Thursday, 18 January

Announcement of results of allocation in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website www.pentamaster-international-ltd.com and the Stock Exchange's website www.hkexnews.hk (for further details, please refer to the paragraph headed "Publication of results" under the section headed "How to apply for Public Offer Shares" of this prospectus on Thursday, 18 January

EXPECTED TIMETABLE

Results of allocation under the Public Offer will be available at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from Thursday, 18 January

Despatch/collection of **HK eIPO White Form e-Auto Refund** payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before^(Notes 6 and 7) Thursday, 18 January

Despatch/collection of Share certificates on or before^(Note 6) Thursday, 18 January

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Friday, 19 January

The application for the Public Offer Shares will commence on Friday, 29 December 2017 through Friday, 12 January 2018, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Thursday, 18 January 2018. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Friday, 19 January 2018.

Notes:

1. All times and dates refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Share Offer, including its conditions and grounds for termination, are set out under the section headed “Structure and conditions of the Share Offer” of this prospectus.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 12 January 2018, the application lists will not open or close on that day. For details, please refer to the paragraph headed “10. Effect of bad weather on the opening of the application lists” under the section headed “How to apply for Public Offer Shares” of this prospectus. If the application lists do not open or close on Friday, 12 January 2018, the dates mentioned under this section may be affected. Announcement will be made by our Company in such event.
4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “6. Applying by giving **electronic application instructions** to HKSCC via CCASS” under the section headed “How to apply for Public Offer Shares” of this prospectus.
5. The Price Determination Date is expected to be on or around Friday, 12 January 2018. If, for any reason, the Offer Price is not agreed by 5:00 p.m. on Wednesday, 17 January 2018 between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer (including the Public Offer) will not proceed and will lapse.
6. Applicants who apply for 1,000,000 Public Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 18 January 2018. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for the personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be

EXPECTED TIMETABLE

deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out under the section headed "How to apply for Public Offer Shares" of this prospectus.

7. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applications, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encasement of your refund cheque or may invalidate your refund cheque. Further information is set out under the section headed "How to apply for Public Offer Shares" of this prospectus.

For details of the structure of the Share Offer (including its conditions) and the procedures for applications for Public Offer Shares, please refer to the sections headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" of this prospectus, respectively.

Share certificates are expected to be issued on or before Thursday, 18 January 2018 but will only become valid certificates of title at 8:00 a.m. on Friday, 19 January 2018 provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of and does not constitute an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

Prospective investors should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Selling Shareholder, the Sponsor, the Joint Lead Managers and the Underwriters have not authorised anyone to provide prospective investors with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not contained in this prospectus must not be relied on by prospective investors as having been authorised by the Company, the Selling Shareholders, the Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Share Offer.

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SUMMARY

This summary aims to give prospective investors an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to prospective investors. Prospective investors should read the entire prospectus before deciding to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks relating to investing in the Offer Shares are set out under the section headed “Risk factors” of this prospectus. Prospective investors should read that particular section carefully before deciding to invest in the Offer Shares. Various expressions used in this summary are defined under the sections headed “Definitions” and “Glossary of technical terms” of this prospectus.

BUSINESS OVERVIEW

The listing of our Group constitutes a spin-off of our Group from PCB. Our Group provides automation technology and solutions to multinational manufacturers in the semiconductor, telecommunications, consumer electronics and automotive sectors spanning APAC, North America and Europe. Headquartered in Penang, Malaysia since 1995, we have grown from a local start-up focusing on software vision automation system in the semiconductor sector to a tech company with over 270 in-house engineers providing a broad range of products and solutions by innovating, designing, manufacturing and installing automated equipment and automated manufacturing solutions.

	Automated equipment	Automated manufacturing solutions
Key features	<ul style="list-style-type: none"> • Standardised and customised standalone automated equipment for (i) semiconductor electronic components testing for smart sensors and ICs (integrated circuits); and (ii) end products testing for consumer electronics, telecommunications products and LEDs • Addresses our customers’ functionality testing requirements during various stages of their manufacturing process • Part of the back-end semiconductor ATE (automated test equipment) market 	<ul style="list-style-type: none"> • Customised integrated manufacturing system consisting of automated assembly and test modules, material handling equipment, robotics technology, auto inspection and MES (manufacturing executive system) • Caters to specific manufacturing needs for automation • Part of the FAS (factory automation solution) market
Main products and solutions	MEMS (microelectromechanical systems) & smart sensor test handler solutions, automated vision inspection handler solutions, intelligent sortation system and end product testing solutions	AMS (automated manufacturing solutions) modules and i-ARMS solutions
Key market trends	IoT (Internet of Things) revolution in end user industries such as telecommunications, automotive and medical devices has presented new applications for semiconductor ICs, especially those embedded with intelligence. Semiconductor ATE is used to verify the DUT (device under test) (e.g. ICs or sensors) functions according to design specifications or to identify and diagnose faults. Such functionality tests are usually an automated process because of the sheer volume of devices to be tested as well as the micro sizes of the test points on each DUT.	Factory automation is typically part of the modern assembly line production where components are integrated or processed with computerisation and automation of the whole manufacturing process. Industry 4.0 has been integrating smart automation solutions and real time data exchange into the manufacturing sector. Accordingly, all manufacturers are potential customers.
Revenue contribution (amount,%)	<ul style="list-style-type: none"> • 2014: MYR55.5 million, 74.0% • 2015: MYR45.4 million, 61.7% • 2016: MYR101.7 million, 71.7% • 1H2017: MYR82.7 million, 85.6% 	<ul style="list-style-type: none"> • 2014: MYR19.5 million, 26.0% • 2015: MYR28.2 million, 38.3% • 2016: MYR40.1 million, 28.3% • 1H2017: MYR13.9 million, 14.4%

SUMMARY

Taking cutting edge technology as our benchmark, our business model focuses on (i) development of core technology with approximately 70.0% of our staff being technical-oriented; (ii) continuous innovation towards customer-centric R&D, as proven by our Pioneer Status (as detailed in the paragraph headed “13. Tax incentives” under the section headed “Business” on page 140 of this prospectus); and (iii) providing high value-add customised technological products and solutions to our customers, as endorsed by the multiple accolades from our customers set out in the paragraph headed “Milestones” under the section headed “History, Reorganisation and corporate structure” starting from page 87 of this prospectus. We believe this customer- and technology-centric approach has enabled us to stay abreast of the latest technology and in turn, meet the ever-demanding changes in our customers’ requirements.

We currently operate through three subsidiaries in our Existing Production Plant with a gross floor area of approximately 90,310 sq.ft.. Our New Production Plant, currently under construction as at the Latest Practicable Date, is expected to commence operations by mid-2018 with an expected gross floor area of approximately 97,033 sq.ft.. As the core of our business model is innovation and customised design, we do not operate or maintain any mass production line and our production capacity is subject to the availability of our in-house engineers, the complexity and size of projects on hand, production space and the type and size of products under production. To overcome the bottleneck presented by space constraint on the production floor brought about by the significant business growth in the first half of 2017, we introduced night shifts for our production staff as a temporary measure to further increase our production capacity. Such practices will cease by mid-2018 when operations are expected to commence at the New Production Plant and with the expansion of the Existing Production Plant (which in aggregate will add 60,700 sq. ft. to our production floor area). As at the Latest Practicable Date, our Group intended to raise our production headcount to 285 by end of 2018. Our stringent quality control process is recognised with the accreditation of ISO9001:2015.

Competitive landscape and our strengths

According to the Frost & Sullivan Report, our Group ranked second in terms of revenue from 2014 to 2016 amongst listed companies on Bursa Malaysia in the back-end semiconductor ATE market. We believe that our competitive strengths lie with (i) our ability to innovate and deliver high value-add integrated products and solutions at competitive price; (ii) our established reputation and close business relationship with customers; and (iii) our strong and stable management team with extensive technology expertise and industry experience. Moreover, Frost & Sullivan is of the view that our Group has a good reputation domestically and abroad. Furthermore, our Group ranked in the top 200 in the recent Forbes “2017 Best Under a Billion” list of companies that are publicly listed in APAC. All of these, when combined with our business strategies as further elaborated below, place us in good stead to capture opportunities arising from the (i) IoT revolution, the phenomenon on the integration of physical devices into a communication network for collection and transmission of real-time data; and (ii) Industry 4.0 initiatives, the automation of industrial manufacturing utilising IoT technology together with real time critical data. Please refer to the paragraph headed “2. Competitive strengths” under the section headed “Business” starting from page 100 of this prospectus for details.

Business strategies

We intend to further strengthen our market position and expand our business by (i) keeping abreast of the latest technological changes relevant to our industry; (ii) increasing our presence in key geographical markets such as the Greater China region and the U.S. as well as diversifying into other high growth potential industries such as automotive, healthcare equipment, medical devices and energy to broaden our customer base; and (iii) expanding and enhancing our production capacity and capability. Please refer to the paragraph headed “3. Business strategies” under the section headed “Business” starting from page 101 of this prospectus for details.

SUMMARY

Future plans and use of proceeds

Our Directors believe the Listing would enable us to (i) increase our exposure and raise our profile in the Greater China region market covering the largest semiconductor market, the PRC, as well as key semiconductor markets such as Taiwan; and (ii) leverage on the enhanced prestige offered by an overseas listing status in an international financial center to attract new talents, the ongoing cultivation and retention of which is paramount to the future of our Group, as innovation and customised design form the pillar of our business model.

Our future plans are set out under the section headed “Future plans and use of proceeds” starting from page 229 of this prospectus. Assuming an Offer Price of HK\$1.00 per Offer Share, being the mid-point of the indicative Offer Price range, the net proceeds of the Share Offer to be received by our Company, after deducting (i) the gross proceeds from the sale of the Sale Shares by PCB in the Share Offer; and (ii) the underwriting fees and estimate expenses borne by us in relation to the Share Offer, are estimated to be approximately HK\$171.3 million (equivalent to approximately MYR92.6 million). In the first half of 2017, we incurred Listing expenses of approximately MYR0.2 million. By completion of the Share Offer, we expect to incur the remaining Listing expenses of approximately MYR11.0 million, of which an estimated amount of approximately MYR7.1 million is to be recognised as expenses and the balance is expected to be accounted for as a deduction of equity. Our Group will not receive any proceeds raised from the Sale Shares. Assuming that the Offer Price is HK\$1.00 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we estimate that PCB will receive net proceeds of approximately HK\$166.7 million (equivalent to approximately MYR90.1 million) after deducting the underwriting fees and estimate expenses to be borne by PCB in relation to the Share Offer and any applicable stamp duty in connection with the sale of Sale Shares in the Share Offer. We intend to apply the net proceeds as follows:

Use of proceeds	Amount of net proceeds allocated		% of total net proceeds
	HK\$' million	MYR' million	
Capital investment and costs in relation to the New Production Plant and the expansion of the Existing Production Plant	84.8	45.8	49.5%
Business expansion into the Greater China region	38.1	20.6	22.2%
Establishment of an office in California, U.S.	28.2	15.3	16.5%
Marketing, branding and promotional activities	3.1	1.7	1.8%
Working capital	17.1	9.2	10.0%
Total	171.3	92.6	100.0%

Sales and customers

As our business includes products and solutions that are customised, knowledge of which is highly commercially sensitive, our customer relationship management is anchored by our technological know-how, mutual trust as well as tacit understanding with customers, which can only be cultivated over time with track record. Customers of our automated equipment and automated manufacturing solutions are generally manufacturers or suppliers from various sectors, including semiconductor, telecommunications, consumer electronics, automotive, food and beverage as well as medical devices. Our scope also covers various parties along the value chain of an industry sector. For instance, our customers along the electronics and semiconductor value chain ranges from IC manufacturers to smart sensor producers and end product manufacturers.

Given the nature of the automation industry, reputation and word of mouth recommendation are crucial to us and we had benefitted from customer referrals during the Track Record Period. We encourage direct communication between our technical staff and our customers. The direct involvement of technical staff across all levels in customer relationship management enables us to showcase our technological strengths whilst encouraging technological collaboration with our customers. Our R&D activities are customer-centric and

SUMMARY

are generally carried out after understanding our customers' requirements. Nevertheless, during the Track Record Period, we had initiated R&D activities voluntarily. We have consistently maintained our quotation success rate (whereby our conceptual proposals are accepted by customers) at above 45.0% throughout the Track Record Period. We generally determine the prices of our products and solutions based on estimated cost plus the expected profit margin determined by our management team.

The table below sets forth the outstanding value of purchase orders already secured from our customers as at 30 June 2017 and up to the Latest Practicable Date and the timeframe within which such revenue is expected to be recognised for the six months ending 31 December 2017 and the year ending 31 December 2018 respectively.

	For the six months ending 31 December 2017 MYR'000	For the year ending 31 December 2018 MYR'000	Total MYR'000
Automated equipment	138,682	239,148	377,830
Automated manufacturing solutions	26,025	6,834	32,859
Total	164,707	245,982	410,689

Note: The above information is according to the latest timetables agreed with our customers, which are subject to change.

Top customers during the Track Record Period

For the three years ended 31 December 2016 and the six months ended 30 June 2017, our top five customers during each of the year/period accounted for approximately 56.2%, 52.7%, 77.8% and 86.7% of our total revenue respectively and for the respective periods, the largest customer accounted for approximately 17.7%, 17.2%, 40.5% and 61.3% of our total revenue respectively. In particular, the largest customer for the two years ended 31 December 2016 is a former subsidiary of PCB. This company was disposed of in July 2015 as part of the Pentamaster Group's effort to rationalise its financial and capital resources. As at the Latest Practicable Date, this customer is an Independent Third Party.

The high customer concentration for the first half of 2017 was primarily due to a substantial increase in demand from the Singapore office of a multinational corporation, being an Independent Third Party, which provides micro optic and sensing solutions mainly to the telecommunications industry, in particular, the smart mobile device sector. Such demand stemmed from our long term efforts in customer relationship management and commitment to keep abreast of the latest technological advancement, which paved the way to the invitation from this customer to quote for projects involving highly commercially sensitive technology from 2014 onwards. Our track record in 2015 substantiated our technical ability and induced additional opportunities in 2016 and 2017, leading to the substantial revenue growth from this customer in the first half of 2017. Despite such high concentration, our Directors believe our business is sustainable given that (i) based on the Frost & Sullivan Report, the market size of the smart mobile device sector is vast with worldwide smartphone units shipment estimated at 1.5 billion units in 2017 and expected to reach 1.8 billion units in 2021; and (ii) we have continued to serve our other customers in various sectors other than telecommunications in the first half of 2017 with notable increase in revenue generated from the consumer electronics sector. Notwithstanding the above, as aforementioned, we intend to expand and/or diversify our presence into other high growth potential industries such as automotive, healthcare equipment, medical devices and energy to broaden our customer base.

Supply chain

In general, our major suppliers are manufacturers, agents and distributors for (i) fabricated parts made of metal or plastic; (ii) sheet metal parts for machine structure; and (iii) standard components such as pneumatics, motors, sensors, switches and power supply, whilst other suppliers include subcontractors to whom we outsource the wiring and assembly tasks involved in our manufacturing process.

SUMMARY

Our Group is dependent on reliable sources of materials to maintain the quality and timely delivery of our products and solutions. As such we have implemented a stringent supplier selection process as well as inventory management policy, details of which are set out on pages 138 and 139 under the section headed “Business” of this prospectus respectively. Nevertheless, since 2016, our management has observed an increasingly prolonged lead time required for certain components commonly used in our products and solutions. In this regard, we have strengthened our supply chain by expanding our supplier network in preparation for our business expansion. Particularly, in early 2017, we invested in Penang Automation Cluster together with two Independent Third Parties, which was established to build and manage the local supply chain ecosystem and fund its development.

For the three years ended 31 December 2016 and six months ended 30 June 2017, our top five suppliers accounted for approximately 24.6%, 24.0%, 26.5% and 51.2% of our total purchase respectively and for the respective periods, the largest supplier of each period accounted for approximately 7.4%, 6.4%, 14.7% and 16.6% of our total purchase respectively.

Risk factors

There are risks associated with any investment and the material risks pertaining to our business are (i) our success being dependent on the continuous efforts of our key personnel and our ability to retain and recruit competent personnel; (ii) our technology being subject to obsolescence risk; (iii) our reliance on major customers who have no long term commitment with us; (iv) inability to secure stable and adequate supply of materials on commercially acceptable terms in satisfactory quality and in a timely manner; and (v) our land titles being subject to certain conditions, the non-fulfilment of which may lead to our Existing Production Plant being liable for forfeiture. For further details, please refer to the section headed “Risk factors” starting from page 28 of this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the combined statements of profit or loss and other financial information during the Track Record Period as derived from the Accountants’ Report, the full text of which is set out in Appendix I to this prospectus. This summary should be read in conjunction with the aforesaid Accountants’ Report and the section headed “Financial information” starting from page 176 of this prospectus.

Summary of combined statements of profit or loss and other comprehensive income

	Year ended 31 December		Six months ended 30 June		
	2014 MYR'000 (audited)	2015 MYR'000 (audited)	2016 MYR'000 (audited)	2016 MYR'000 (unaudited)	2017 MYR'000 (audited)
Revenue	75,072	73,683	141,820	63,014	96,631
<i>Automated equipment</i>	55,546	45,434	101,695	50,653	82,687
<i>Automated manufacturing solutions</i>	19,526	28,249	40,125	12,361	13,944
Gross profit	21,687	20,674	45,138	18,583	29,261
Operating profit	12,789	11,822	32,803	13,080	21,064
Profit for the year/period	10,567	9,943	33,831	11,571	18,818

Summary of financial position

	As at 31 December			As at 30 June 2017
	2014 MYR'000 (audited)	2015 MYR'000 (audited)	2016 MYR'000 (audited)	MYR'000 (audited)
Non-current assets	44,428	44,221	44,494	47,399
Current assets	35,079	32,399	81,984	174,423
<i>Inventories</i>	7,519	6,543	17,554	113,490
Current liabilities	31,540	19,131	39,169	115,729
<i>Other payables, accruals and provision</i>	8,631	4,539	14,898	81,287
Net current assets	3,539	13,268	42,815	58,694
Net asset value	43,910	53,853	86,684	105,502

SUMMARY

Key financial ratios

	As at 31 December			As at 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000	2017 MYR'000
Gross profit margin	28.9%	28.1%	31.8%	29.5%	30.3%
Automated equipment	31.1%	29.1%	37.0%	31.9%	32.3%
Automated manufacturing solutions	22.6%	26.4%	18.6%	19.5%	18.6%
Net profit margin	14.1%	13.5%	23.9%	18.4%	19.5%
Return on equity (Note 1)	24.1%	18.5%	39.0%	N/A	35.7%
Return on total assets (Note 1)	13.3%	13.0%	26.7%	N/A	17.0%
Current ratio	1.1 times	1.7 times	2.1 times	N/A	1.5 times
Quick ratio	0.9 times	1.4 times	1.6 times	N/A	0.5 times
Inventory turnover days	46.2 days	48.4 days	45.5 days	N/A	177.5 days
Debtors' turnover days	84.7 days	75.2 days	57.7 days	N/A	44.7 days
Creditors' turnover days	91.2 days	78.1 days	35.5 days	N/A	23.4 days
Gearing ratio	30.4%	17.0%	12.3%	N/A	6.2%
Debt to equity ratio	14.6%	N/A	N/A	N/A	N/A
Interest coverage	49.6 times	1,688.9 times	2,186.9 times	2,616.0 times	3,006.9 times

Notes:

1. This was calculated based on annualised profit after tax for the first half of 2017.
2. Please refer to the paragraph headed "8. Key financial ratios" under the section headed "Financial information" on page 216 of this prospectus for details regarding the calculation basis for the above ratios.

Revenue

Automated equipment segment was our Group's main revenue source during the Track Record Period. From 2014 to 2015, this segment was affected by (i) a reduction in sales of our automated vision inspection handlers solutions primarily due to a reduction in demand from a PRC customer in the semiconductor sector; and (ii) a fall in demand for one of our solutions for the LED industry, which was the subject of an intellectual property infringement case initiated by our Group which has since been settled. This was offset by an increase in market demand for our AMS modules under our automated manufacturing solutions segment, leading to an overall nominal decrease in our total revenue from 2014 to 2015. The automated equipment segment recovered subsequently and recorded substantial revenue growth of approximately 124.0% from 2015 to 2016 and approximately 63.2% in the first half of 2017 compared to the corresponding period in the prior year with strong demand from the telecommunications sector being the primary growth driver. Such demand is underpinned by the proliferation of sensors in smartphones as features such as fingerprint/facial recognition and depth of field photographic functions became more prevalent. Please refer to the paragraph headed "Rise in demand from customer E" under the section headed "Business" on page 126 of this prospectus for further details. The automated manufacturing solutions on the other hand recorded revenue growth from 2014 to 2016, augmented by the launch of our i-ARMS solutions in 2016. For the first half of 2017, whilst there was a twofold growth in i-ARMS solutions, the revenue of the automated manufacturing solutions segment was partially offset by the decrease in demand for AMS modules, leading to only a slight growth compared to the corresponding period in 2016.

SUMMARY

Set out below are the revenue breakdown by customers' segment and geographical locations during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2014	2015		2016		2016	2017			
	MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	%	
Semiconductor	37,922	50.5	35,913	48.7	89,959	63.4	49,282	78.2	17,915	18.5
Telecommunications	18,255	24.3	16,956	23.0	32,554	23.0	6,321	10.0	67,097	69.4
Automotive	7,171	9.6	7,679	10.4	2,303	1.6	987	1.5	1,421	1.5
Consumer electronics	1,933	2.6	11,202	15.2	15,572	11.0	5,093	8.1	9,236	9.6
LED	8,506	11.3	639	0.9	285	0.2	285	0.5	-	-
Medical devices	447	0.6	582	0.8	131	0.1	50	0.1	1	-
Others	838	1.1	712	1.0	1,016	0.7	996	1.6	961	1.0
Total	75,072	100.0	73,683	100.0	141,820	100.0	63,014	100.0	96,631	100.0

	Year ended 31 December						Six months ended 30 June			
	2014	2015		2016		2016	2017			
	MYR'000 (audited)	% MYR'000 (audited)	% MYR'000 (audited)	% MYR'000 (audited)	% MYR'000 (audited)	% MYR'000 (unaudited)	% MYR'000 (audited)	% MYR'000 (audited)	%	
Malaysia	28,187	37.6	37,216	50.5	82,906	58.5	43,850	69.6	14,946	15.4
PRC	19,448	25.9	11,427	15.5	14,491	10.2	7,472	11.9	3,957	4.1
Japan	5,811	7.8	6,315	8.6	1,418	1.0	958	1.5	860	0.9
Singapore	4,453	5.9	5,252	7.1	21,598	15.2	1,077	1.7	60,376	62.5
Republic of Ireland	7,380	9.8	3,713	5.0	5,552	3.9	5,252	8.3	5,470	5.7
U.S.	1,145	1.5	5,040	6.8	8,006	5.7	1,940	3.1	2,411	2.5
Others	8,648	11.5	4,720	6.5	7,849	5.5	2,465	3.9	8,611	8.9
Total	75,072	100.0	73,683	100.0	141,820	100.0	63,014	100.0	96,631	100.0

The significant increase in our Group's revenue derived from Malaysia in 2016 was mainly due to the strong demand from one of our customers in the semiconductor sector following the operational expansion of its end user which is itself in the value chain of the smart mobile device sector during the year. Our Group's revenue derived from Singapore increased substantially in the first half of 2017 compared to the first half of 2016, mainly resulted from the strong growth in demand from one of our Singapore-based customers engaging in the provision of optics and sensing solutions to the smart mobile device sector, which are fundamental components to enable features such as facial recognition and depth of field photographic functions in smartphones.

Gross and net profit

Similar to our revenue, gross profit margin recorded a nominal decrease in 2014 to 2015 as our Group continued to expand our headcount in preparation for business expansion despite the revenue fall experienced by the automated equipment sector in 2015 mentioned above. Gross profit margin subsequently improved in 2016 as a result of our Group achieving economies of scale with revenue growth substantially outstripping the increase in fixed cost. Gross profit margin in the first half of 2017 remained stable compared to that recorded in the first half of 2016.

SUMMARY

Our net profit movement generally tracked those of gross profit throughout the Track Record Period. The marked growth from 2015 to 2016 was augmented by our Group recording a tax credit of approximately MYR1.0 million in 2016 compared to tax expense of approximately MYR1.9 million in 2015. The positive tax rate in 2016 was primarily attributable to (i) tax savings and reversal of deferred tax liabilities from the Group's Pioneer Status obtained during 2016, which reduced the Group's tax liability on the production for certain products and solutions (please refer to the paragraph headed "5.8 Taxation" under the section headed "Financial information" on page 195 of this prospectus for further details); and (ii) utilisation of unabsorbed tax losses and capital allowances which resulted in further tax savings of approximately MYR1.3 million.

Net asset

Both our Group's net current asset and net asset value increased over the Track Record Period in line with our overall business expansion. More notably, our inventory balance recorded substantial increase from 31 December 2015 to 31 December 2016 and 30 June 2017. As a result, our inventory turnover days also recorded a substantial increase from 2015 to the first half of 2017. Such increases in inventory balance and inventory turnover days were in line with customers' orders on hand as at the respective reporting dates and should be considered in conjunction with our deposits received (under other payables, accruals and provision), the balance of which also experienced comparable increases as at the corresponding reporting dates. These movements also reflected our Group's growth trajectory since 2016 in respect of project scale as well as complexity of our products and solutions albeit resulting in a substantial increase in our inventory turnover days for the first half of 2017. In particular, products and solutions entailing more sophisticated technology, such as MEMS & smart sensor test handler solutions, generally (i) employ materials of higher value; and (ii) add to the time required for production and testing after delivery but prior to customer buy-off. In addition, following our Group's increasing exposure to the smart mobile device sector, delivery of our products and solutions may be scheduled to accommodate retail peak periods in the second half of the year as well as product launches, thus contributing to the substantial balance of inventory recorded as at 30 June 2017. Up to the Latest Practicable Date, approximately 57.2% of the balance of work-in-progress as at 30 June 2017 had been utilised. Out of the remaining balance of work-in-progress of approximately MYR47.2 million, approximately 90.0% had been delivered to customer's site pending buy-off as at the Latest Practicable Date and the remaining 10.0% were in production. For further details, please refer to the paragraph headed "Inventories" under the section headed "Financial information" starting from page 204 of this prospectus.

Accumulated losses/retained profits

It should be noted that as at 1 January 2014, our Group recorded accumulated losses of approximately MYR6.1 million, primarily resulted from the net losses incurred prior to the Track Record Period, in particular, during the global financial crisis in 2007 and 2008 which entailed cancellation and deferment of planned customers' projects. As further elaborated in the paragraph headed "Our history and development" under the section headed "History, Reorganisation and corporate structure" of this prospectus, our Group had from 2011 onwards implemented a series of initiatives, including consolidation of certain business operations and focuses on core technology, while outsourcing less technologically intense production process to streamline our workforce and operations. Such initiatives had since developed into our current business model as elaborated under the section headed "Business" of this prospectus and had been proven to be valid through our encouraging financial performances during the Track Record Period, which eventually led to our Group achieving a retained profits of approximately MYR61.0 million as at 30 June 2017.

Sensitivity analysis on foreign currency fluctuation risks

Our business transactions, besides those denominated in MYR (our reporting and functional currency), include other currencies. In particular, approximately 59.3%, 61.8%, 80.4% and 83.1% of our revenue and approximately 15.3%, 10.8%, 34.9% and 41.6% of our total purchases were denominated in US\$ during the three years ended 31 December 2016 and six months ended 30 June 2017 respectively. As such, we have carried out a sensitivity analysis on the sensitivity of our Group's post tax profit to fluctuations in US\$, which is set out in the paragraph headed "(i) Fluctuations in foreign currency exchange rate" under the section headed "Financial information" starting from page 177 of this prospectus.

SUMMARY

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had secured purchase orders with the value of approximately MYR197.4 million and MYR23.8 million for automated equipment and automated manufacturing solutions respectively. Whilst revenue growth had continued to be encouraging, amounted to approximately MYR80.3 million for the three months ended 30 September 2017 (representing an increase of approximately 107.5% compared to revenue of approximately MYR38.7 million for the three months ended 30 September 2016), our gross profit margin had been affected by our limited ability to mark up on materials sourced from designated suppliers of one of our major customers. Based on the latest information available to our Group, such requirement from this customer is expected to continue and exert downward pressure on our overall gross profit margin in 2017. Such downward pressure is expected to ease in 2018 as based on the latest purchase order secured and latest indications of our customers, the revenue contribution from this customer is expected to decrease. For further details, please refer to the paragraph headed “We may be reliant on major customers who have no long term commitment with us” under the section headed “Risk factors” on page 29 of this prospectus.

Subsequent to 31 October 2017, being the latest practicable date for the purpose of indebtedness statement and up to the Latest Practicable Date, our Group had obtained an additional MYR126.6 million of foreign exchange contract facility on top of the original facility amount of MYR130.0 million, with a corporate guarantee provided by Pentamaster Equipment of MYR4.0 million. In addition, at our request, the foreign exchange contract with facility amount of MYR100.0 million, being the contract entered into by PCB for which one of our subsidiaries provided corporate guarantee, had been cancelled as at 4 December 2017. As at the Latest Practicable Date, our Group had utilised (i) approximately MYR24.5 million of the foreign exchange contract facility portion under our combined trade lines facility and foreign exchange contract facility; (ii) MYR4.0 million of the MYR12.0 million term loans; and (iii) foreign exchange contracts facilities of approximately MYR86.1 million out of the enlarged facility limit of MYR156.6 million. For further details, please refer to the paragraph headed “9.3 Bank facilities” under the section headed “Financial information” on page 221 of this prospectus.

Further, our Directors expect our remuneration expenses would increase in 2018 following (i) the increase in headcount resulted from the expansion of Existing Production Plant, the construction of New Production Plant and the setting up of new office in the U.S.; and (ii) the re-designation of certain personnel from PCB to our Group (for further details, please refer to the paragraph headed “5.6 Administrative expenses” under the section headed “Financial information” on page 193 of this prospectus). At the same time, as disclosed in the paragraph headed “There is no assurance that the implementation of our future plans will be successful” under the section headed “Risk factors” of this prospectus, the New Production Plant and expanded space at the Existing Production Plant will take time to ramp up to full operation. As such, our Group’s overall financial performance in 2018 may be adversely affected. Moreover, in view of the non-recurring Listing expenses incurred in 2017, our Group’s net profit for the year ending 31 December 2017 may show a decline as compared to that of the previous financial year. Our Directors have confirmed that, since 30 June 2017 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our combined audited financial statements set out in the Accountants’ Report included in Appendix I starting from page I-1 of this prospectus.

The aforementioned financial information for the three months ended 30 September 2017 is based on our unaudited consolidated financial statements prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and reviewed by the Reporting Accountants in accordance with International Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board for such relevant period.

SUMMARY

OFFER STATISTICS

	Based on the minimum indicative Offer Price of HK\$0.90 per Share	Based on the maximum indicative Offer Price of HK\$1.10 per Share
Market capitalisation (Note 1)	HK\$1,440,000,000	HK\$1,760,000,000
Unaudited pro forma adjusted combined net tangible assets per Share (Note 2)	HK\$0.22 or MYR0.12	HK\$0.24 or MYR0.13

Notes:

1. The calculation of the market capitalisation of our Company is based on 1,600,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue.
2. The unaudited pro forma adjusted combined net tangible assets per Share as at 30 June 2017 is arrived after the adjustments set out in Appendix II to this prospectus and on the basis that 1,600,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 30 June 2017.

DIVIDEND

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. Future declaration of dividends will be subject to our Directors' discretion and will depend on, amongst other things, our earnings, financial conditions, cash requirements and availability and any other factors our Directors may consider relevant. Currently, our Group does not have any dividend policy and predetermined dividend distribution ratio. Prospective investors should note that the historical dividend trends may not be indicative of future dividend trends.

SHAREHOLDERS INFORMATION

Immediately upon Listing, our Controlling Shareholder, PCB, a company listed on Bursa Malaysia will be holding approximately 63.10% of the total issued share capital of our Company. To avoid potential competition between our Company and our Controlling Shareholder, our Controlling Shareholder has entered into the Deed of Non-Competition wherein our Controlling Shareholder has undertaken not to carry on business which competes or is likely to compete directly or indirectly with the business engaged by our Group from time to time subject to exceptions. The PCB Group provides project management services and smart home solutions and operates independently from our Group in respect of managerial, operational, administrative and financial matters. Please refer to the section headed "Relationship with our Controlling Shareholder" starting from page 164 of this prospectus for further details.

Pre-IPO Investment

In July 2017, GEMS pursuant to the Pre-IPO Investment acquired 7.39% of the then issued share capital of our Company from PCB. Immediately upon Listing, the Shares held by GEMS is expected to form approximately 6.51% of the total issued share capital of our Company which will be counted as part of the public float. The Shares held by GEMS will be subject to a lock-up for a period of twelve months after the Listing Date, during which it shall not dispose of any of the Shares it holds. GEMS is a private equity limited partnership fund focusing on investments in unlisted private companies during the pre-initial public offering and/or initial public offering placement investment stages and the trading of listed securities in Asian stock exchanges. Please refer to the paragraph headed "Pre-IPO Investment" under the section headed "History, Reorganisation and corporate structure" on page 92 of this prospectus for further details.

PROPERTY VALUATION

Cushman & Wakefield Limited, our independent Property Valuer, has valued our properties in Malaysia as at 30 November 2017 at approximately MYR42.8 million in aggregate, with the entire value attributable to us. Please refer to Appendix III on page III-1 of this prospectus for further details.

DEFINITIONS

Unless the content otherwise requires, the following expressions shall have the following meanings in this prospectus.

“Altus” or the “Sponsor”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the sponsor for the Listing
“APAC”	the Asia Pacific region
“Application Form(s)”	WHITE, YELLOW and GREEN application form(s) or where the context so requires, any of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 19 December 2017 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“ATS”	approved trader scheme, a scheme allowing suspension on goods and services tax payable on imported goods at the point of importation, granted by the Royal Malaysian Customs Department
“Board”	the board of Directors
“Bumiputera”	(a) for Peninsular Malaysia – Malay individual or aborigine of Malay Peninsular; (b) for Sarawak – a person who is a citizen and either belongs to one of these races (Bukitans, Bisayahs, Dusuns, Sea Dayaks, Land Dayaks, Kadayans, Kalabits, Kayans, Kenyahs (including Sabups and Sipengs), Kajangs (including Sekapans, Kejamans, Lahanans, Punans, Tanjongs and Kanowits), Lugats, Lisums, Malays, Melanos, Muruts, Penans, Sians, Tagals, Tabuns and Ukits) as indigenous to the State of Sarawak or is of mixed blood deriving exclusively from those races; and

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	(c) for Sabah – a person who is a citizen, is the child or grandchild of a person of a race indigenous to Sabah and was born (whether on or after Malaysia Day or not) either in Sabah or to a father domiciled in Sabah at the time of the birth
“Bursa Malaysia”	Bursa Malaysia Securities Berhad
“Business Day(s)” or “business day(s)”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Capitalisation Issue”	the issue of 1,407,761,904 Shares (including 176,000,000 Sale Shares) to be made upon capitalisation of the sum of HK\$14,077,619.04 standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Group 3. Resolutions in writing of our Shareholders passed on 19 December 2017” in Appendix V to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as a direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as a custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individual(s) or corporation(s)
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force

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“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies (Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Pentamaster International Limited 檳傑科達國際有限公司 (formerly known as Pentamaster International Limited 騰達國際有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 12 June 2017
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed thereto in the Listing Rules and, in the context of this prospectus, means PCB
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Crosby”	Crosby Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Deed of Indemnity”	the deed of indemnity dated 20 December 2017 and executed by our Controlling Shareholder as indemnifier in favour of our Company (for itself and as trustee for each of our present subsidiaries), particulars of which are set out in the paragraph headed “D. Other information 2. Tax and other indemnities” in Appendix V to this prospectus

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“Deed of Non-Competition”	the deed of non-competition dated 20 December 2017 and executed by our Controlling Shareholder in favour of our Company (for itself and on behalf of its subsidiaries), particulars of which are set out in the paragraph headed “Non-competition undertakings” under the section headed “Relationship with our Controlling Shareholder” of this prospectus
“Director(s)”	the director(s) of our Company
“electronic application instruction(s)”	instruction(s) given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares
“Employee Shareholders”	the 232 employees of our Group who will be interested in approximately 7.39% in aggregate of the issued share capital of the Company upon completion of the Share Offer and the Capitalisation Issue
“Executive Director(s)”	the executive Director(s)
“Existing Production Plant”	our production plant located at Plot 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang, Malaysia
“Frost & Sullivan”	Frost & Sullivan GIC Malaysia Sdn. Bhd., an independent market research expert and an Independent Third Party
“Frost & Sullivan Report”	the independent industry report prepared by Frost & Sullivan and commissioned by our Company, the summary of which is set out under the section headed “Industry overview” of this prospectus
“GEMS”	GEMS Opportunities Limited Partnership, a private equity limited partnership fund incorporated in Singapore on 1 August 2013 with the Accounting and Corporate Regulatory Authority and managed by GEMS Capital Pte Ltd, a Registered Fund Management Company in Singapore, being the strategic investor of the Pre-IPO Investment
“Greater China”	the region comprising the PRC, Hong Kong, Macau Special Administrative Region and Taiwan

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“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group” “our Group”, “we”, “us” or “our”	our Company together with our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“ HK eIPO White Form ”	the application form(s) for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form Service Provider at <i>www.hkeipo.hk</i>
“ HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by our Company, as specified on the designed website at <i>www.hkeipo.hk</i>
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the share registrar of our Company in Hong Kong
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) independent of and not connected with any of the Directors, chief executive, controlling shareholders or substantial Shareholders of our Company or our subsidiaries or any of our respective associates within the meaning of the Listing Rules
“ISO 9001:2015”	a quality management system standard that is based on a number of quality management principles including a strong customer focus, the motivation and implication of top managements, the process approach and continued improvement

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“Joint Bookrunners” or “Joint Lead Managers”	Crosby and Yuanta
“Latest Practicable Date”	19 December 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about 19 January 2018, on which our Shares are first listed and from which dealings thereof are permitted to commence on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“LMW”	licensed manufacturing warehouse, is a premise licensed under section 65A of the Customs Act 1967 in Malaysia, a facility provided for export oriented companies whereby raw materials and components used directly in the manufacturing process are exempted from customs duties
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, conditionally adopted on 19 December 2017 with effect from the Listing Date and as amended from time to time
“MIDA”	the Malaysian Investment Development Authority, which is the Malaysian government’s principal agency for the promotion of the manufacturing and service sectors in Malaysia

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“MITI”	the Ministry of International Trade and Industry of Malaysia
“Mr. Chuah” or “Chairman”	Mr. Chuah Choon Bin, our chairman, an Executive Director and a substantial shareholder of PCB
“Ms. Gan”	Ms. Gan Pei Joo, an Executive Director and our chief financial officer
“New Production Plant”	the new production plant to be constructed at Plot 316(b) Batu Kawan Industrial Park, Mukim 13, Daerah Seberang Perai Selatan, Penang, Malaysia, with land area measuring approximately 140,739 sq.ft.
“New Shares”	the 192,000,000 new Shares to be offered for subscription at the Offer Price under the Share Offer
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.10 per Offer Share and is expected to be not less than HK\$0.90, which will be determined by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or around the Price Determination Date
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“PCB”	Pentamaster Corporation Berhad, a public limited liability company incorporated under the laws of Malaysia with limited liability on 26 February 2002 and the shares of which are listed on the Main Market of Bursa Malaysia, which is a Controlling Shareholder and a connected person of our Company
“PCB Group”	PCB and its subsidiaries excluding our Group
“Penang Automation Cluster”	Penang Automation Cluster Sdn. Bhd., a company incorporated under the laws of Malaysia with limited liability on 24 June 2016, which is 35.0% owned by Pentamaster Technology and 65.0% by Independent Third Parties

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“Pentamaster Equipment”	Pentamaster Equipment Manufacturing Sdn. Bhd., a company incorporated under the laws of Malaysia with limited liability on 2 October 2006 and a direct wholly-owned subsidiary of our Company
“Pentamaster Group”	PCB and its subsidiaries including our Group
“Pentamaster Instrumentation”	Pentamaster Instrumentation Sdn. Bhd., a company incorporated under the laws of Malaysia with limited liability on 18 December 2003 and a direct wholly-owned subsidiary of our Company
“Pentamaster Technology”	Pentamaster Technology (M) Sdn. Bhd., a company incorporated under the laws of Malaysia with limited liability on 18 March 1995 and a direct wholly-owned subsidiary of our Company
“Pioneer Status”	the respective pioneer status granted to members of our Group under the Promotion of Investments Act, 1986 by MIDA, being a tax relief on their respective statutory income for a number of years from the day of production level reaching a certain percentage of its capacity for certain products
“Placing”	the conditional placing of the Placing Shares at the Offer Price to institutional, professional and private investors, subject to the terms and conditions described in this prospectus and the Placing Underwriting Agreement
“Placing Shares”	the 331,200,000 Shares (comprising 155,200,000 new Shares being initially offered by our Company for subscription and 176,000,000 Sale Shares being initially offered by the Selling Shareholder) at the Offer Price under the Placing (subject to reallocation as described under the section headed “Structure and conditions of the Share Offer” of this prospectus)
“Placing Underwriter(s)”	the underwriter(s) who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing

DEFINITIONS

“Placing Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date, by amongst others, our Company, the Selling Shareholder, our Executive Directors, the Sponsor, the Joint Lead Managers and the Placing Underwriters as further described under the section headed “Underwriting” of this prospectus
“PRC”	the People’s Republic of China, but for the purposes of this prospectus and unless otherwise indicated, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Pre-IPO Investment”	the investment in our Company by GEMS as a strategic investor, details of which are set out under the section headed “History, Reorganisation and corporate structure” of this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price will be determined under the Price Determination Agreement, which is expected to be on or about Friday, 12 January 2018 or such other date as may be agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters)
“Principal Share Registrar”	Maples Fund Services (Cayman) Limited
“Property Valuer”	Cushman & Wakefield Limited, our independent property valuer
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage, SFC transaction levy and Stock Exchange trading fees) (subject to the terms and conditions described in this prospectus and the Application Forms)

DEFINITIONS

“Public Offer Shares”	the 36,800,000 New Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer (subject to reallocation as described under the section headed “Structure and conditions of the Share Offer” of this prospectus)
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer named in the paragraph headed “Public Offer Underwriters” under the section headed “Underwriting” of this prospectus
“Public Offer Underwriting Agreement”	the conditional Public Offer Underwriting Agreement dated 28 December 2017 relating to the Public Offer entered into, amongst others, by our Company, our Selling Shareholder, our Executive Directors, the Sponsor, the Joint Lead Managers and the Public Offer Underwriter(s), as further described under the section headed “Underwriting” of this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the restructuring of our Group in preparation for the Listing, details of which are set out in the paragraph headed “Reorganisation” under the section headed “History, Reorganisation and corporate structure” of this prospectus
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 July 2017, entered between GEMS and PCB in relation to the Pre-IPO Investment, details of which are set out in the paragraph headed “Pre-IPO Investment” under the section headed “History, Reorganisation and corporate structure” of this prospectus
“Sale Shares”	the 176,000,000 Offer Shares to be offered for sale by the Selling Shareholder at the Offer Price under the Share Offer
“Selling Shareholder”	PCB, which legally and beneficially owns the Sale Shares, particulars of which are set out under the paragraph headed “D. Other information 12. Particulars of the Selling Shareholder” in Appendix V to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of our Company
“Share Award Scheme”	the share award scheme adopted by PCB, details of which are set out in the paragraph headed “Share Award Scheme” under the section headed “History, Reorganisation and corporate structure” of this prospectus
“Share Offer”	the Public Offer and the Placing
“Shareholder(s)”	holder(s) of Share(s) from time to time
“Stamp Duty Ordinance”	Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“State Authority”	the ruler or governor of the State of Penang, Malaysia, being the Penang state government’s principal agency to deal with land issues in Penang
“State Council”	the State Council of the PRC, which is the central government and chief administrative authority of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules, specifically referring to Pentamaster Equipment, Pentamaster Technology and Pentamaster Instrumentation
“substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended 31 December 2016 and the six months ended 30 June 2017

DEFINITIONS

“Trading Day”	a day on which trading of the Shares takes place on the Stock Exchange
“U.S. Securities Act”	the United States Securities Act of 1933 and the rules and regulations promulgated thereunder, as amended, supplemented or otherwise modified from time to time
“Underwriter(s)”	the Public Offer Underwriter(s) and the Placing Underwriter(s)
“Underwriting Agreement(s)”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“Yuanta”	Yuanta Securities (Hong Kong) Company Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“AUD”	Australian dollars, the lawful currency of Australia
“CAD”	Canadian dollars, the lawful currency of Canada
“CHF”	Swiss franc, the lawful currency of Switzerland
“Euro”	the lawful currency of the European Union
“HK\$”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“JPY”	Japanese yen, the lawful currency of Japan
“MYR”	Ringgit Malaysia, the lawful currency of Malaysia

DEFINITIONS

“NTD”	New Taiwan dollars, the lawful currency of Taiwan
“RMB” and “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“S\$”	Singaporean dollars, the lawful currency of Singapore
“sq.ft.”	square feet
“sq.m.”	square metre
“US\$”	United States dollars, the lawful currency of the United States
“£”	British pound, the lawful currency of the United Kingdom
“%”	per cent.

Certain amounts and percentage figures have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless the context requires otherwise, translation of US\$ to MYR and MYR into HK\$ and vice versa are made in this prospectus, for illustration purposes only, at the rate of US\$1.00 to MYR4.20 and MYR1.00 to HK\$1.85 respectively. Such conversions shall not be construed as representations that any amount in US\$, HK\$ and MYR were or may have been or may be converted into those currencies or vice versa at the above rates or at any other rates.

GLOSSARY OF TECHNICAL TERMS

This section sets out the glossary list of certain terms and definitions used in this prospectus in connection to our Group’s business and operations. The terms and their meanings may not correspond to the standard industry meanings, calculations or usage of those terms.

“4G LTE”	fourth generation long term evolution, a mobile communication standard
“AMS”	automated manufacturing solutions
“ATE”	automated test equipment
“burn-in”	subjecting the semiconductor component to extreme electrical and thermal conditions for a set time in order to detect faults
“buy-off”	a quality check process conducted by the customers accompanied by representative(s) of our project team prior to the final acceptance by the customers
“CAGR”	compound annual growth rate
“disruptive innovation”	a process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually replacing established competitors
“DUT”	device under test, which is a term used in the electronics industry that described a device that is undergoing testing
“E&E”	electrical and electronics
“ERP”	enterprise resource planning, business process management software, that enables integrated applications to manage multiple back office functions
“FAS”	factory automation solutions
“FMEA”	failure mode and effects analysis, a design tool used to systematically analyse postulated component failures and identify the resultant effects on system operations
“i-ARMS”	intelligent automated robotic manufacturing system, a solution offered by our Group under our automated manufacturing solutions segment

GLOSSARY OF TECHNICAL TERMS

“IC(s)”	integrated circuits are electronic circuits consisting of discrete components such as transistors, resistors and capacitors. These components are connected together through conductive tracks and collectively perform a particular function or several functions in more complex circuits
“ICT”	information communication technology
“Industry 4.0”	the fourth industrial revolution, refers specifically to the current trend of incorporating smart technology into manufacturing
“IoT”	Internet of Things, the interconnection of physical devices with other embedded electronics, software, sensors for collection and exchange of data
“IT”	information technology
“kWh”	kilowatt hours is a measure of power consumed in units of kilowatts, in one hour
“LED”	light-emitting diode, a semiconductor device that emits visible light when an electric current passes through it
“LTE-A”	long term evolution advanced, a mobile communication standard
“MEMS”	microelectromechanical systems, a technology of microscopic devices that integrate electrical and mechanical elements
“MES”	manufacturing execution system, a control system for managing and monitoring work-in-process on a factory floor
“RFID”	radio-frequency identification
“R&D”	Research and Development
“vision inspection”	vision inspection, an image-based measurement procedure that detects error or deviation in the production of ICs

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “potential”, “project”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “would”, “could”, “estimate”, “target”, “continue”, “going forward”, “predict”, “schedule”, “ought” or similar expressions or the negative of these words or other similar expressions or statements, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future development, trends and conditions in the industry and markets in which we operate;
- expansion, consolidation or other trends in the industries in which we operate;
- policies, regulations and restrictions in Malaysia, Hong Kong or any other countries or territories that may affect the industries in which we operate;
- general political and economic conditions in Malaysia, Hong Kong or any other countries or territories that may affect the industries in which we operate;
- exchange rate fluctuations and the developing legal system, in each case pertaining to Malaysia and the industries and markets in which we operate;
- macroeconomic measures taken by the Malaysian and Hong Kong government to manage economic growth and general economic trends in Malaysia and Hong Kong;
- our business prospects;
- our strategies, plans, objectives and goals;
- competition in our business activities and the actions and development of our competitors;

FORWARD-LOOKING STATEMENTS

- financial conditions and performance of our Group;
- capital market development that includes the interest rate environment;
- our dividend payment, if any;
- changes to our expansion plans and use of capital expenditures;
- other statements in this prospectus that are not historical facts;
- our ability to successfully implement the business plans and strategies; and
- other factors beyond our Group's control.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and we have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted, which would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Selling Shareholder, the Sponsor, the Joint Lead Managers and the Underwriters, any other parties involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to, those discussed under the section headed "Risk factors" of this prospectus and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates and apply only as of the date they are made. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update or revise the forward-looking statements in this prospectus in light of new information, future events or otherwise. The forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and they are not a guarantee of future performance. We caution prospective investors that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. Accordingly, prospective investors should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified with reference to the cautionary statements set forth under this section.

In this prospectus, statements of or references to our intentions or that of any our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Prospective investors should carefully consider all the information in this prospectus including the risks and uncertainties described below, prior to making an investment in the Share Offer. Prospective investors should pay particular attention to the fact that we conduct our operations in Malaysia and are governed by the local legal and regulatory environment which in some respect may differ from that prevailing in other countries. The business, results of operations, financial conditions and prospects of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of the Shares could decline due to any of these risks and uncertainties and prospective investors may lose all or part of their investment.

A. RISKS RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP

Our success is dependent on the continuous efforts of our key personnel

Our success and growth is to a significant extent, attributable to the strategies and vision of our Chairman and the contributions of our Executive Directors and senior management team, who play significant roles in our Group's day-to-day operations as set out under the section headed "Directors, senior management and employees" of this prospectus. Moreover, many of our sales orders originated from the customer relationships built up and maintained by our management.

Whilst we endeavour to provide a competitive remuneration package to our staff and ensure that they are appropriately rewarded, the competition for competent personnel in our industry is intense and we may not be able to attract or retain the services of the necessary key personnel for our business in the future. Should our key personnel cease to be involved in our business in the future and we fail to find suitable replacements in a timely manner, our operations, growth prospects and profitability could be materially and adversely affected. In addition, we may need to incur additional costs to recruit, train and retain these key personnel.

Our technology is subject to obsolescence risk

Technology obsolescence is one of our business's inherent risks. The rapid development of technology prompts swift changes in customers' demand. Our technological products and solutions, including automated equipment and automated manufacturing solutions, may potentially be rendered obsolete due to the rapid evolution and emergence of new and/or substitute technology and/or products.

We cannot guarantee that we will continue to generate attractive technological products and solutions to our customers in terms of price and efficiency, or that we will be able to address the on-going technological evolution in a timely manner or at all. In addition, there is no assurance that our R&D efforts can be fully or partially recovered through the subsequent sales of newly developed technological products and solutions. If we are unable to develop or acquire the technology that addresses market needs, our business, results of operations and financial conditions may be adversely affected.

RISK FACTORS

We may be reliant on major customers who have no long term commitment with us

The largest customer of our Group in each of the financial year/period during the Track Record Period accounted for approximately 17.7%, 17.2%, 40.5% and 61.3% of our revenue for each of the three years ended 31 December 2016 and the six months ended 30 June 2017 respectively. Over the same period, our top five customers in each of the financial year/period, each being an Independent Third Party, have in aggregate accounted for approximately 56.2%, 52.7%, 77.8% and 86.7% of our Group's revenue respectively. Our customers do not have long term commitment with us and our sales are subject to individual purchase orders. As such, customer satisfaction in both our products and solutions offering, together with our after-sales services are critical to the success of our business.

Further, as our scope covers various parties along the value chain of an industry sector, demand for our products and/or solutions stem from the final consumer market. As such, our revenue contribution from customers may fluctuate from period-to-period with larger exposure to certain customers should the relevant final product launch be commercially successful. Moreover, our major customer may require us to source materials from designated suppliers where room of mark-ups may be limited and thereby affecting our profitability. Our results will depend on (i) our ability to secure orders from our customers which is subject to our future-proof ability to keep abreast of technology development as further elaborated in the paragraph headed "Our technology is subject to obsolescence risk" under this section; (ii) the continuous commercial success of our customers as well as the parties along the value chain; (iii) the financial conditions of our customers; and (iv) factors that affect the global economy and in turn the consumer markets, particularly the semiconductor, telecommunications and consumer electronics industries, some of which are beyond our control.

Any delay or decrease in number or contract value of orders obtained from our major customers could have an adverse effect on our operations and profits. In addition, there is no assurance that we could diversify our customer portfolio and reduce our reliance on major customers going forward. Further, if our customers are dissatisfied with the quality of our products and solutions and/or our after-sales services and such dissatisfaction is inadequately addressed, our reputation could be adversely affected and our relationship with existing customers may deteriorate, which may also subsequently impact our business relationship with the potential customers. This may adversely affect our business, results of operations and financial conditions.

We are exposed to risks associated with retention and recruitment of competent personnel

Our Group relies heavily on engineers, in particular, their technological know-how in the course of our business. Our ability to maintain high quality products and solutions as well as after-sales services is also dependent on their continuous service and our ability to attract, train, motivate and retain our skilled workforce. As set out under the section headed "Industry overview" of this prospectus, the back-end semiconductor ATE industry has been growing. Whilst this is encouraging for our business, it has also resulted in intense competition for talents in the industry. There is no assurance that we will be able to offer competitive

RISK FACTORS

remuneration packages for retention and/or recruitment of competent personnel to sustain our operations at commercially reasonable costs. There is also no assurance that we can employ sufficient and competent staff to implement our future plans. As a result, our profitability and future prospects could be adversely affected.

We may not be able to ensure a stable and adequate supply of materials on commercially acceptable terms in satisfactory quality and in a timely manner

We are dependent on reliable sources of materials to maintain the quality of our products and solutions to ensure timely delivery. As our Group does not enter into long term agreements with our suppliers and/or subcontractors, there is no assurance that our suppliers and/or subcontractors will continue to provide and serve us at commercially acceptable terms and if the overall supply chain of materials is substantially reduced, disrupted or the delivery lead time materially extended, be it for only certain components, there may be delays in our production. Additional costs may be incurred to acquire sufficient quantities of such materials to maintain our production schedules and commitments to our customers. Such circumstances may also necessitate changes to our existing procurement and inventory policies. There is no assurance that such material shortages or delays will not occur in the future and if we are unable to find suitable substitutes within a timely manner on commercially acceptable terms, our business and results of operations may be adversely affected.

We are subject to significant foreign exchange risks due to our exposure to overseas markets

Our reporting and functional currency is MYR whilst our business transactions, besides those denominated in MYR, also include other currencies, primarily US\$. This exposed us to risks associated with fluctuations in foreign currencies. During the three years ended 31 December 2016 and six months ended 30 June 2017, approximately 59.3%, 61.8%, 80.4% and 83.1% of our total revenue and approximately 15.3%, 10.8%, 34.9% and 41.6% of our total purchases were denominated in US\$ respectively. In this regard, we had entered into foreign currency forward contracts during the Track Record Period. Going forward, there is no assurance that the exchange rate of MYR will not fluctuate significantly against US\$ (or any other foreign currencies) and foreign exchange rate fluctuations will continue to have an effect on our results of operations. The gain/loss from changes in fair value of foreign currency forward contracts recorded during the Track Record Period should be considered in conjunction with our net gain/loss on foreign exchange, which are summarised below. For further information on our foreign currency risk and the sensitivity analysis, please refer to the paragraph headed “12.1 Foreign currency exchange risk” under the section headed “Financial information” of this prospectus.

RISK FACTORS

	Year ended 31 December			Six months ended	
	2014	2015	2016	30 June	
	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(unaudited)</i>	<i>MYR'000</i> <i>(audited)</i>
(Loss)/Gain from changes in fair value of foreign currency forward contracts	(941)	870	(3,334)	227	3,554
Net gain/(loss) on foreign exchange	747	491	3,332	(33)	(4,560)

Leakage of confidential information could damage our reputation and substantially harm our business and results of operations

During the course of our operations, we are routinely exposed to confidential information which our customers require us to maintain confidentiality, including highly commercially sensitive technological know-how. We rely on the security of our IT system as well as the integrity of our staff and physical security of our premise to preserve confidentiality of these information. Our servers may be vulnerable to hacking, data theft and subsequent leakage of confidential information to unauthorised third parties. Please refer to paragraph headed “22. Risk management and internal control” under the section headed “Business” of this prospectus for details relating to relevant internal control measures. It is our contractual obligations to our customers to preserve confidentiality of information. Our Group may be exposed to liabilities, such as complaints, claims, legal actions initiated by our customers or potential termination of business relationships arising from any leakage or loss of data. Our reputation, business and financial position may be materially and adversely affected as a result.

We are exposed to intellectual property infringement which could adversely impact our business operations and financial results

The rights to use the technology behind the various design and manufacturing processes in our business and industry as well as the protection of proprietary knowledge, technology and processes developed by our Group are crucial to our continuous success and development. If our technology is infringed by way of unauthorised copying, use or imitation, our competitive advantage, sales and reputation may be affected. We may need to spend a substantial amount of resources on litigation to protect our intellectual property rights against unauthorised infringement. All of these may adversely affect our reputation, business operations and profitability.

RISK FACTORS

We cannot be certain that our operations do not or will not infringe any patents, valid copyrights or other intellectual property rights held by third parties

We may, in the future, be subject to legal proceedings and claims from time to time alleging infringement of copyrights, patents or trademarks, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such claims, regardless of merit, may (i) entail time-consuming and costly litigation or investigation; (ii) divert significant management and staff resources; (iii) require us to enter into expensive royalty or licencing arrangements; and (iv) prevent us from using important technology, business methods, content or other intellectual property and/or distributing our products and solutions through the use of injunctions or other legal means or otherwise disrupt our operations. As at the Latest Practicable Date, our Directors were not aware of any claims or imminent claims against us alleging infringement of proprietary intellectual property rights.

Occurrence of significant operational failure may materially disrupt our production and adversely affect our financial results

We currently have one plant in operation, thus, any significant operational disruptions at our sole production facility would have a material impact on our business operations and financial results. Please refer to the section headed “Future plans and use of proceeds” of this prospectus for details relating to our New Production Plant.

Our production plant(s) faces the risk of operational failures caused by accidents, including but not limited to, mechanical breakdowns and/or human errors. Any interruption in, or prolonged suspension of any part of our production, or any damage to or destruction of, our production plant(s) arising from unexpected or catastrophic events may prevent us from supplying products and solutions to our customers within our time commitment. This in turn may result in an adverse effect on our business and operations.

Any operational failure that may impose a risk of injury or damage to persons or the property of others or the environment may lead to considerable financial costs and may also have legal consequences. In particular, if we are to incur a significant liability as a result of insufficient insurance coverage, we might be obliged to divest a significant portion of our cash flow from business operations to finance the amount of uninsured liability. Consequently, our reputation, business, financial conditions and results of operations may be adversely affected.

In addition, any breakdown or suspension of our production or failure to supply our products and solutions to our customers in a timely manner may result in breach of contract and loss of sales, subsequently, exposing us to liability and the requirement to pay compensation under the relevant agreements, resulting in lawsuits and damages to our reputation. This could have an adverse effect on our reputation, business, results of operations and financial conditions.

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We are exposed to credit risk

We extend credit to our customers in the course of our business and our Group's working capital and liquidity positions are subject to our customers' prompt progress payments. For details, please refer to the paragraph headed "8. Customers" under the section headed "Business" of this prospectus. Our Group recorded impairment loss on trade receivables of nil, approximately MYR373,000, MYR469,000 and MYR106,000 during each of the three years ended 31 December 2016 and the six months ended 30 June 2017, representing nil, approximately 2.9%, 1.5% and 0.7% of the trade receivables as at 31 December 2014, 2015, 2016 and 30 June 2017 respectively.

There is no assurance that we will be able to recover all or any part of the amount due from our customers, or we will be able to collect all or any part of the amount within the agreed credit terms. Any delay or difficulty in collecting our trade receivables may negatively affect our cash flows and financial performance.

Any product liability claim could adversely affect our business, reputation, results of operations and financial conditions

We may be subject to product liability claims in the event any of our products or solutions are alleged or found to be defective. Thus, the quality of our products or solutions is critical to the success of our business and depends significantly on the effectiveness of our quality control system, which is elaborated under the section headed "Business" of this prospectus. Malfunctions, if discovered, may require material product rework and/or repair and in turn may consume a substantial amount of time, effort and expenses to resolve. Further, our customer relationships, reputation and future business opportunities would be adversely affected whilst our Group may be exposed to product liability claims, the successful assertion of which would adversely affect our business, reputation, results of operations and financial conditions.

There is no assurance that we will continue to enjoy preferential tax treatments

In 2016, our Group obtained Pioneer Status for smart devices test solutions for the IoT industry and its related modules as well as i-ARMS and its related modules. The Pioneer Status under the Promotion of Investments Act 1986 by MIDA allows reduction in statutory income tax in relation to the production of these qualifying products and solutions. During the Track Record Period, our Group's tax savings arising from our Pioneer Status amounted to approximately MYR1.0 million, MYR0.4 million, MYR6.1 million and MYR2.4 million in 2014, 2015, 2016 and the first half of 2017 respectively. Our Group's effective tax rate during the corresponding periods was approximately 15.7%, 15.8%, (3.2)% and 10.6% respectively. For further details, please refer to the paragraph headed "Analysis on tax savings effect resulted from Pioneer Status" under the section headed "Financial information" of this prospectus. The entitlement for Pioneer Status is subject to the annual compliance review by MIDA and the tax reduction could be suspended if our Group does not fulfill any of the relevant conditions in a given year. For details, please refer to the paragraph headed "Promotion of Investments Act 1986 ("PIA")" under the section headed "Regulatory

RISK FACTORS

overview” of this prospectus. Revocation of such tax benefits would adversely affect our financial performance. There is no assurance that our future innovations will qualify for such preferential tax treatment and in the future, our Group may be subject to effective tax rates higher than those recorded during the Track Record Period. For details, please refer to the paragraph headed “4. Major factors affecting our Group’s results of operations and financial conditions” under the section headed “Financial information” of this prospectus.

Our inventories may become obsolete

The inventory balance of our Group for the three years ended 31 December 2016 and the six months ended 30 June 2017 was approximately MYR7.5 million, MYR6.5 million, MYR17.6 million and MYR113.5 million, respectively. As our products and solutions are customised and manufactured based on customers’ purchase orders, save for some demonstration units of existing products and/or solutions built for target customers or exhibition purposes (which can be reconfigured for future sales to customers), our work-in-progress and finished goods are attributable to designated customers. Given this, should our customers cancel their orders, we may not be able to reconfigure the work-in-progress or finished goods to suit other customers. In such an event, our inventories may become obsolete and thus adversely affect our results of operations and financial conditions.

Adverse changes in our relationships with our agents could adversely affect our business, results of operations and financial conditions

During each of the three years ended 31 December 2016 and the six months ended 30 June 2017, revenue attributable to sales referred by our agents accounted for approximately 20.5%, 15.2%, 5.2% and 5.8% of our total revenue. Whilst these transactions were direct sales to our customers, we rely on our agents’ efforts to promote our technological products and solutions. Moreover, as we do not control such agents, they are free to perform sales and support services for others, including our competitors. If we are unable to find an adequate replacement or develop sufficient capabilities internally in a timely manner, any interruption in our relationships with such agents or lacking in their effectiveness in performing their functions could adversely affect our business, results of operations and financial conditions.

Our financial results for the year ending 31 December 2017 is expected to be affected by Listing expenses

We expect that the total Listing expenses, which is non-recurring in nature, will amount to approximately MYR16.2 million (equivalent to approximately HK\$30.0 million), out of which approximately MYR7.3 million (equivalent to approximately HK\$13.5 million) is expected to be charged to the combined statement of profit or loss of our Group for the year ending 31 December 2017. As such, the financial performance for the year ending 31 December 2017 is expected to be adversely affected by the estimated expenses in relation to the Listing. Such Listing expenses would be current estimate for reference only and the final amount is subject to change.

RISK FACTORS

Personal injuries, property damages or fatal accidents may occur if safety measures are not followed at our production plant(s)

In the course of our operations, we require our employees to adhere to and implement all the safety measures and procedures as stipulated in our safety manual. For details, please refer to the paragraph headed “19. Health, work safety and environmental matters” under the section headed “Business” of this prospectus. We monitor and supervise our employees in the implementation of all such safety measures and procedures at all times.

There is no assurance that our employees or those of our subcontractors will adhere to such protocols at all times or any malfunctions of tools, equipment or machinery would not lead to accidents at our production plant(s). In such an event, we may be held liable for the personal injuries or deaths and be subject to monetary losses, fine or penalties or other forms of legal liability as well as business interruptions as a result of operational suspension, shutdown or investigation, or imposition of safety measures. Accordingly, to the extent not fully recoverable from our insurance policies, the financial position of our Group may be adversely affected. Such accidents, if material, may even result in suspension or revocation of our relevant licences or permits and may have an adverse impact on our business operations and financial performance. There had been no accidents causing death or serious injury in our business operations during the Track Record Period and up to the Latest Practicable Date.

Our insurance may be insufficient to cover all losses associated with our business operations

We procure insurance for our operations against third party liability, transportation risks, property loss or damage and workers’ compensation for injury and death. Our existing insurance coverage may be insufficient to cover all the risks associated with our business and operations. In the case of an uninsured loss or a loss in excess of insured limits, including those caused by natural disasters and other events beyond our control, we may be required to bear such losses, damages and liabilities out of our own funds, which could adversely affect our business, financial conditions and results of operations. Furthermore, any insurance claim records may affect our insurance premiums charged to us subsequently by our respective insurance companies and this may impact our financial conditions.

There is no assurance that the implementation of our future plans will be successful

The future plans of our Group as described under the section headed “Future plans and use of proceeds” of this prospectus is based on current intentions and assumptions. The future plans execution may be subject to capital investment and human resources constraints. Furthermore, our future plans may also be hindered by other factors beyond our control, such as the general market conditions, the economic and political environment in Malaysia and overseas. Therefore, our future plans may not materialise in accordance with the timetable or with the expected benefits or at all.

RISK FACTORS

As set out in further details in the section headed “Future plans and use of proceeds” of this prospectus, we intend to amongst others, use the proceeds to construct and set up the New Production Plant as well as expand the Existing Production Plant. Prospective investors should note that the increase in expenses as a result of such expansion plan, such as higher depreciation charges (which is expected to increase by more than 35.0% from 2016 to 2018) and higher staff cost (which is expected to increase by more than 100.0% from 2016 to 2018), may outweigh the increase in revenue in the short run, as the New Production Plant and expanded space at the Existing Production Plant will take time to ramp up to full operation. In such an event, our financial performance may be adversely affected.

We may fail to obtain, or may experience material delays in obtaining requisite certificates, licences, permits or governmental approvals for our operations and as a result, our business and financial results may be adversely affected

We are required to obtain and maintain various certificates, licences, permits and governmental approvals. There is no assurance that we will be able to adapt to the latest regulatory changes that may come into effect from time to time or that we will not encounter other material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates, licences, permits and governmental approvals for our operations in a timely manner, or at all, in the future. If we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary certificates, licences, permits or governmental approvals, we will not be able to continue with our business and our financial results may be adversely affected.

B. RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

Dependence on the performance of the semiconductor and end user industries which is in turn subject to changes in regional and global consumer behaviour

Our Group provides automation solutions to customers from various industries, including the semiconductor and end user industries, such as telecommunications and consumer electronics, which have embraced automation solutions and have been the key drivers for our industry. Any fluctuations in the above sectors including changes in regional and global consumer behaviour may impact the demand for our Group’s automation solutions and affect our Group’s business, operating results and financial conditions.

We face keen competition in our industry

We face keen competition from many international and local competitors of various business scales. Some of our competitors are more established and are of larger scale. Other competitors are of smaller scale than us but may be able to offer more specialised products and/or solutions. Technology, product quality, pricing, proximity to customers, services and breadth of products and/or solutions offered are the key areas of competition for our business. If we fail to compete effectively or maintain our competitiveness in the market, our results of operations and financial conditions will be adversely affected.

RISK FACTORS

We are required to comply with domestic and foreign health, safety and environmental laws and regulations, the cost of which may increase and adversely affect our financial results

The industry that we operate in is subject to domestic and foreign health, safety and environmental laws and regulations. These laws and regulations not only govern our current operations as well as products and solutions, but may also impose potential liability on us for our past operations. We will continually exercise our best efforts to comply with these stringent compliance requirements and any potential increase in requirements may entail higher compliance costs which may in turn adversely affect our financial results and operations.

C. RISKS RELATING TO CONDUCTING BUSINESS IN MALAYSIA

Changes in the Malaysian economic, political and social conditions, as well as government policies, could materially and adversely affect our business, results of operations, financial conditions and future prospects

Our major assets and business operations are located in Malaysia. Therefore, our business, results of operations, financial conditions and future prospects are significantly exposed to the economic, political and legal developments in Malaysia. In particular, events with adverse impact on investors' confidence and risk appetites, such as general deterioration of the Malaysian economy, mass civil disobedience movements, significant fluctuations in the stock exchange, deterioration of political relations or tightening of foreign investment may lead to a reduction in corporate and/or technological investment/development activities and in turn affect our business performance. The Directors anticipate that Malaysia will continue to be our main region for business operations in the near future.

As an open economy, the domestic economy of Malaysia is affected by many other unpredictable factors such as global, economic, social, legal and political developments and changes in local and international economic and political situations. There is no assurance that any changes in the existing government policies, economic, social, political conditions and the business environment in Malaysia in the future will not have a negative effect on our business operations. Specifically, our business and operating results could be materially and adversely affected by changes in the Malaysian government's regulations concerning production restrictions, price controls (such as price fixing), export controls, taxation, ownership and expropriation of property as well as environmental or health and safety matters.

Our land titles may be subject to certain conditions

Land in Malaysia may be subject to express conditions imposed on the land title. As at the Latest Practicable Date, there is an express condition pertaining to the land title of our Existing Production Plant in Malaysia whereby 30.0% Bumiputera employees is required at every stage of management of Pentamaster Technology. During the Track Record Period, such condition was not fulfilled. Please refer to the paragraph headed "17. Properties" under the section headed "Business" of this prospectus for more details. Any non-fulfilment of title

RISK FACTORS

condition as stated above may cause the property to be liable to forfeiture by the State Authority, unless the land administrator elects to impose a fine (and rectification of the non-fulfilment) or require the non-fulfilment (which is capable of being remedied) to be remedied.

As at the Latest Practicable Date, we had applied and sought the necessary waiver of the express condition on our current land title from the State Authority. In the event that we are unable to obtain the waiver and fail to remedy such non-fulfilment, we may face the risk of our Existing Production Plant being liable for forfeiture, resulting in an adverse impact on our operations and financial conditions.

Any trade or import protection policies may affect our business

Our operations in Malaysia could be subject to the impact of foreign trade regulations or measures taken by the trading countries. The forms of foreign trade regulations include, but not limited to, tariffs, anti-dumping measures, quotas, subsidies from foreign governments to their local businesses and other measures that are intended to discourage export to the trading countries implemented by the foreign governments. Any of the aforesaid foreign trade regulations and measures imposed by the foreign governments on our existing and potential customers would adversely affect our results of operations and financial conditions.

Foreign exchange policies in Malaysia

There are foreign exchange policies in Malaysia which entail the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The foreign exchange policies are administered by the Foreign Exchange Administration, an arm of Bank Negara Malaysia which is the central bank of Malaysia. The foreign exchange policies monitor and regulate activities of both residents and non-residents. Under the current Exchange Control Notices of Malaysia and Foreign Exchange Administration Policies issued by Bank Negara Malaysia, non-residents are free to repatriate any amount of funds in Malaysia at any time, including capital, divestment proceeds, profits, dividends, rental, fees and interests arising from investment in Malaysia, subject to the applicable reporting requirements and any withholding tax. In the event Bank Negara Malaysia is to introduce additional restrictions in the future, it may affect our ability to repatriate dividends or distributions, if any, from our Malaysian subsidiaries.

D. RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the Share Offer, there are no public market for our Shares. Following the completion of the Share Offer, the Stock Exchange will be the only market where our Shares are publicly traded. While we have applied to be listed and deal our Shares on the Stock Exchange, we cannot predict the extent to which prospective investors' interest in our

RISK FACTORS

Company will lead to the development of a trading market on the Stock Exchange or how active and liquid that market may become. If an active and liquid trading market does not develop, prospective investors may have difficulty in selling our Shares. The Offer Price of the Offer Shares was negotiated between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and it may not necessarily be indicative of the market price of our Shares after the Share Offer is completed. A prospective investor who applies for our Shares under the Share Offer may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of their investments in such Shares.

The market price and trading volume for our Shares may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as global and local economic conditions, the foreign currency exchange rate between MYR and HK\$, variations in our operating results, earnings and cash flows and announcements of new investments and strategic alliances and/or acquisitions, could cause the market price of our Shares to change substantially. Any of such factors may result in large and sudden changes in the volume and price at which our Shares will be traded. There is no assurance that these factors will not occur in the future. In addition, it has been observed that shares of other companies listed on the Stock Exchange had experienced substantial price volatility in the past and it is possible that our Shares will be subject to changes in price that may not be directly related to our financial or business performance. As a result, prospective investors may experience volatility in the market price of our Shares and a decrease in the value of our Shares regardless of our operating performance or prospects.

Potential conflict of interests between the Controlling Shareholder and other minority Shareholders

Upon completion of the Share Offer and the Capitalisation Issue our Controlling Shareholder will own, in aggregate, approximately 63.1% of the Shares. The interests of our Controlling Shareholder may differ from the interests of the other Shareholders. There is no assurance that our Controlling Shareholder will act in our best interests and that of the minority Shareholders. In the event of any conflict of interests between our Controlling Shareholder and our minority Shareholders arises, our Controlling Shareholder will have the power to prevent us from proceeding with any proposed transactions at the general meeting which could be beneficial to us and other Shareholders, regardless of the underlying reasons.

There is time lag between pricing and commencement of trading of the Shares and the price of our Shares may fall before trading begins

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to take place about five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price or value of our Shares could fall when trading begins as a result of adverse market conditions or other adverse developments that could occur between the time when the Offer Price is determined and the time when trading begins.

RISK FACTORS

Prospective investors' interest may experience dilution if we issue additional Shares or other securities in the future

We may require additional funds in the future to finance the expansion of the business and operations of our Group. If additional funds are raised through the issue of new Shares or other equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted. Furthermore, such newly issued securities may confer rights, preferences or privileges superior to those of the existing Shares.

Substantial future sales or speculated sales of our Shares in the public market could cause the price of our Shares to decline

Sales of our Shares in the public market after the Share Offer, or speculation that these sales could occur, may cause the market price of our Shares to decline. Upon completion of the Share Offer, we will have 1,600,000,000 Shares in issue. Certain holders of our Shares will be able to sell their Shares upon the expiration of certain lock-up periods. Please refer to the section headed "Underwriting" of this prospectus for details. We cannot predict the effect, if any, on the market price of our Shares resulted from market sales of securities held by our significant Shareholders or any other Shareholders or the availability of these securities for future sale.

Past dividend records should not be treated as indicative of future dividend payments

No dividends had been declared by our Company during the Track Record Period. Historical dividend records should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Company in future. The declaration, payment and amount of any future dividends are subject to the discretion of our Board, having considered factors including our earnings, financial conditions, cash requirements, applicable laws and other relevant factors.

The Share Offer is subject to potential termination of the Underwriting Agreements

Prospective investors of the Offer Shares should note that the Joint Lead Managers (for themselves and on behalf of the Underwriters) are entitled to terminate their obligations under the Underwriting Agreements when the Joint Lead Managers give notice in writing to our Company upon the occurrence of any of the events stated in the paragraph headed "Grounds for termination" under the section headed "Underwriting" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs. Should the Joint Lead Managers exercise their rights (for themselves and on behalf of the Underwriters) and terminate the Underwriting Agreement, the Share Offer will not proceed and will lapse.

RISK FACTORS

Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Cayman Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in Appendix IV to this prospectus.

E. RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Certain statistics, projected industry data and other information relating to the economy contained in this prospectus are derived from third party market research reports or news sources and may not be reliable

This prospectus contains certain facts, forecasts and other statistics that have been extracted from government official sources and publications or other sources which we believe to be reliable and appropriate for such statistics and facts. We have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not been independently verified by us, the Sponsor, the Joint Lead Managers, the Underwriters, any of their respective affiliates or advisers or any other party involved in the Share Offer. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, such statistics and facts may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. We, the Sponsor, the Joint Lead Managers, the Underwriters, any of their respective affiliates or advisers or any other party involved in the Share Offer make no representation as to the accuracy or completeness of these statistics and facts. Potential investors should not place undue reliance on any of such statistics and facts contained in this prospectus.

RISK FACTORS

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “believe”, “expect”, “aim”, “intend”, “potential”, “project”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “would”, “could”, “estimate”, “target”, “continue”, “going forward”, “predict”, “schedule”, “ought”, or similar expressions or the negative thereof. Those statements include, amongst other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources. And they are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements.

Prospective investors should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media, including, in particular, any financial projections, valuations or other forward-looking information

We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of any press articles or other media and that such press articles or other media were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward looking information, or of any assumptions underlying such projections, valuations or other forward looking information, included in or referred to by the media. To the extent that any such statements are inconsistent, or conflict, with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors should not rely on any such information contained in press articles or other media. Prospective investors making a decision as to whether to apply for the Shares under the Share Offer should rely solely on the information contained in this prospectus and the Application Forms and not place any reliance on any other information.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and under normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our core business and operations are primarily located, managed and conducted in Malaysia. In addition, substantially all of our assets are based in Malaysia. As each of our Executive Directors has a vital role in our business and operations, it is of paramount importance for all of them to remain based in Malaysia and physically close to our operations. Relocation of our Executive Directors to Hong Kong will be burdensome and costly for our Company as it will require time to process the application for residency in Hong Kong. Moreover, it may not be in the best interests of our Company and Shareholders as a whole to appoint additional Executive Directors who are ordinarily resident in Hong Kong for the sole purpose of satisfying the management presence requirements as such arrangement will increase our administrative expenses and reduce the effectiveness and responsiveness of our Board in making decisions. Our Company currently does not and in the foreseeable future will not, have Executive Directors who are ordinarily resident in Hong Kong. Therefore, we have applied to the Stock Exchange for and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

- (1) that we appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that we will comply with the Listing Rules at all times. The two authorised representatives appointed are Mr. Chuah and Ms. Tsui Sum Yi. Ms. Tsui Sum Yi is ordinarily resident in Hong Kong. Although Mr. Chuah resides in Malaysia, he possesses valid travel documents and is able to renew such documents when they expire in order to visit Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail (if applicable). Each of the two authorised representatives will be authorised to communicate on our behalf with the Stock Exchange. The Company has been registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance and Ms. Tsui Sum Yi has also been authorised to accept service of legal process and notices in Hong Kong on our behalf;
- (2) that each of the authorised representatives has means to contact all of our Directors (including our independent non-executive Directors) and all of our senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, we will implement a policy that (a) each Director will have to provide his or her mobile telephone number, office telephone number, facsimile number and email address (if applicable) to our authorised representatives; (b) in the event that a Director expects

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

to travel, he or she will endeavour to provide the telephone number of the place of his or her accommodation to the authorised representatives or maintain an open line of communication via his or her mobile telephone; and (c) each of the Directors and authorised representatives will provide his or her mobile telephone numbers, office telephone numbers, facsimile numbers and email addresses (if applicable) to the Stock Exchange;

- (3) that each of our Directors (including our independent non-executive Directors) not being ordinarily resident in Hong Kong has confirmed that he/she possesses or can apply for valid travel documents to visit Hong Kong for business purpose and will be able to come to Hong Kong and meet with the relevant officers of the Stock Exchange within a reasonable period, when required; and
- (4) that in compliance with Rule 3A.19 of the Listing Rules, we appoint a compliance adviser to act as the additional channels of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. Altus has been appointed as our compliance adviser. The contact person of the compliance adviser will be fully available to answer enquiries from the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Each of our Directors, having made all reasonable enquiries, confirm that to the best of their respective knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there is no other matter, the omission of which would make any statement herein or in this prospectus misleading.

Copies of this prospectus required by the Listing Rules and the Companies (Miscellaneous Provisions) Ordinance are available, for information purpose only, at the respective offices of the Joint Lead Managers and the Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from Friday, 29 December 2017 to Friday, 12 January 2018 (both dates inclusive).

SELLING SHAREHOLDER

The Placing Shares consists of 176,000,000 Sale Shares being sold by the Selling Shareholder. We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Placing) and assuming an Offer Price of HK\$1.00 per Offer Share, being the mid-point of the proposed Offer Price range of HK\$0.90 to HK\$1.10, will be approximately HK\$166.7 million. We will not receive any of the proceeds from the sale of the Sale Shares. Please refer to the details in the paragraph headed "12. Particulars of the Selling Shareholder" in Appendix V to this prospectus.

ALL OFFER SHARES ARE UNDERWRITTEN

The Share Offer comprises the Placing and the Public Offer. The Share Offer is an offer of 36,800,000 New Shares under the Public Offer (subject to reallocation) and 155,200,000 New Shares and 176,000,000 Sale Shares under the Placing (subject to reallocation), in each case at the Offer Price. Details of the structure of the Share Offer are set out under the section headed "Structure and conditions of the Share Offer" of this prospectus. This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Listing is sponsored by Altus. All the Offer Shares will be underwritten by the Underwriters pursuant to the Underwriting Agreements and is subject to the agreement to the Offer Price between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters). The Share Offer is managed by the Joint Lead Managers. For further information about the Underwriters and the Share Offer and underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or around Friday, 12 January 2018 (Hong Kong time) or such later date as may be agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (ourselves and on behalf of the Selling Shareholder), but in any event no later than 5:00 p.m., Wednesday, 17 January 2018 (Hong Kong time). The Offer Price will be not more than HK\$1.10 per Offer Share and is currently expected to be not less than HK\$0.90 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.10 per Offer Share, together with brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.10 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published on our Company's website at www.pentamaster-international-ltd.com and the website of the Stock Exchange at www.hkexnews.hk, not later than the morning of the last day for lodging applications under the Public Offer. If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn.

If, for any reason, the Offer Price is not agreed among our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Wednesday, 17 January 2018, the Share Offer will not proceed and will lapse.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees or advisers or any other party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

RESTRICTIONS ON SUBSCRIPTION OF THE OFFER SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to and is deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the Application Forms and that he is not acquiring and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Public Offer Shares or the distribution of this prospectus and the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and the Application Forms may not be used for the purpose of and does not constitute, an offer or invitation, nor are they calculated to invite or solicit offers (i) in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised, or (ii) to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus, the Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made, except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or an exemption therefrom.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

The following information is provided for guidance only. Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdictions. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Malaysia

No approval has been obtained from the Securities Commission Malaysia (“SC”) pursuant to the Capital Markets and Services Act 2007 (“CMSA”) to make available, offer for subscription to purchase, or issue an invitation to subscribe for or purchase Shares in Malaysia.

Hence, the Shares may not be made available, offered for subscription or purchase, or be made subject to an invitation for subscription, unless the Share Offer comes within the classes or categories of transactions or securities exempted from the requirement to obtain such approval set out in Schedule 5 of the CMSA, among others, if the Share Offer is made to:

- (a) a holder of Capital Markets Services Licence;
- (b) a closed-end fund approved by SC;
- (c) a person who acquires shares, as principal, for a consideration of not less than RM250,000 or its equivalent in foreign currencies, excluding the value of the primary residence of the individual;
- (d) an individual whose total net personal assets, or total net joint assets with his or her spouse, exceeds RM3,000,000 or its equivalent in foreign currencies, excluding the value of the primary residence of the individual;
- (e) an individual who has a gross annual income exceeding RM300,000 or its equivalent in foreign currencies per annum in the preceding 12 months;
- (f) an individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 or its equivalent in foreign currencies per annum in the preceding 12 months; or
- (g) a corporation with total net assets exceeding RM10,000,000 or its equivalent in foreign currencies based on the last audited accounts,

provided that the foreign exchange is specified by the SC and the distribution of the Shares is made by a holder of a Capital Market Service Licence who carries on the business of dealing in securities.

This prospectus is not a prospectus within the meaning of the CMSA and this prospectus has not been approved by, registered nor lodged within the SC or any authority in Malaysia. Hence, this prospectus or any other offering document or material relating to the Shares may not be circulated or distributed, directly or indirectly, in Malaysia and no issues of, offer for subscription or purchase of, or invitation to subscribe for or purchase of any of the Shares to which this prospectus relates shall be made available in Malaysia pursuant to this prospectus, unless the offers, invitations or issues are “excluded offers”, “excluded invitations” or “excluded issues” made to “accredited investors”, “high net worth entity” or “high net worth individual” stipulated in Schedule 6 and Schedule 7 of the CMSA in accordance with the conditions specified in sections 229 and 230 of the CMSA.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Singapore

This prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”); (ii) to an accredited investor or other a relevant person pursuant to and in accordance with the conditions specified in section 275(1) of the SFA, or a person who acquires the securities as principal pursuant to and in accordance with the conditions specified in section 275(1A), and in accordance with the conditions specified in section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable exemption under Subdivision (4) of Division 1 of Part XIII provision of the SFA.

Where the Offer Shares are initially subscribed or purchased in reliance on an exemption under sections 274 or 275 of the SFA, the Offer Shares shall not be sold within the period of six months from the date of the initial acquisition of the Offer Shares, except to any of the following persons:

- (a) an institutional investor as defined in section 4A of the SFA;
- (b) a relevant person as defined in section 275(2) of the SFA; or
- (c) any person pursuant to an offer referred to in section 275(1A) of the SFA,

unless expressly specified otherwise in section 276(7) of the SFA or regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulation 2005 of Singapore (“SFR”) applies.

Where the Offer Shares are subscribed or purchased pursuant to an offer made in reliance on an exemption under section 275 of the SFA by a relevant person which is:

- (1) a corporation (which is not an accredited investor as defined in section 4A of the SFA) the sole business of which is to hold investments and the entire issued share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (2) a trustee (where the trustee who is not an accredited investor) of a trust the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

corporation or that trust has acquired the Offer Shares pursuant to an offer made under section 275 of the SFA except:

- (a) to institutional investors or to relevant persons defined in section 275(2) of the SFA, or arises from an offer referred to in section 275(1A) of the SFA, or to any person pursuant to an offer that is made on terms that such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in section 276(7) of the SFA; or
- (e) as specified in regulation 32 of the SFR.

Where the Offer Shares are subscribed or purchased in reliance on an exemption under section 275 of the SFA to a “relevant person” or “a person who acquires the securities as principal”:

- (a) the offer must not be accompanied by an advertisement making an offer; and
- (b) there must be no selling or promotional expenses paid or incurred in connection with the offer other than those incurred for administrative or professional services, or by way of commission or fee for services rendered by (i) the holder of a capital markets services licence to deal in securities, (ii) an exempt person in respect of dealing in securities, or (iii) a person who is licensed, approved, authorised or otherwise regulated under the laws, codes or other requirements of any foreign jurisdiction in respect of dealing in securities, or who is exempted therefrom in respect of such dealing.

For purposes of the above:

“advertisement” means:

- (a) a written or printed communication;
- (b) a communication by radio, television or other medium of communication; or
- (c) a communication by means of a recorded telephone message,

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

that is published in connection with an offer in respect of securities, but does not include: (i) an information memorandum; (ii) a publication which consists solely of a disclosure, notice or report required under this Act, or any listing rules or other requirements of a securities exchange, futures exchange or overseas securities exchange, which is made by any person; or (iii) a publication which consists solely of a notice or report of a general meeting or proposed general meeting of the person making the offer, the issuer, the underlying entity or any entity, or a presentation of oral or written material on matters so contained in the notice or report at the general meeting.

“information memorandum” means a document:

- (a) purporting to describe the securities being offered, or the business and affairs of the person making the offer, the issuer or, where applicable, the underlying entity; and
- (b) purporting to have been prepared for delivery to and review by relevant persons and persons to whom an offer referred to in section 275(1A) of the SFA is to be made so as to assist them in making an investment decision in respect of the securities being offered.

PRC

This prospectus has not been and will not be circulated or distributed in the PRC, and the Offer Shares may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Taiwan

The Offer Shares have not been and will not be registered with the Securities and Futures Bureau of Taiwan Financial Supervisory Commission and will not be publicly offered or sold, directly or indirectly, in Taiwan or to or for the benefit of, any resident of Taiwan, except (a) pursuant to the requirements of the securities related laws and regulations in Taiwan, and (b) in compliance with any other applicable requirements of Taiwanese laws and regulations.

Any person acquiring the Offer Shares will be required to confirm, or be deemed by his/her acquisition of the Offer Shares to have confirmed, that he/she is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

ELIGIBILITY FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in, our Shares on the Stock Exchange and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Prospective investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and the permission to deal in, our Shares in issue as at the date of this prospectus and to be issued pursuant to the Share Offer.

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal on any other stock exchange is being or proposed to be sought in the near future.

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25.0% of the total issued share capital of our Company must at all times be held by the public. A total of 368,000,000 Offer Shares, which represent 23.0% of the enlarged issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be made available under the Share Offer. Together with the 104,192,000 Shares held by GEMS, the public float of our Company will be at least 25.0% of the total issued share capital of our Company upon Listing.

Under Section 44B(1) of the Companies (Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

SHARE REGISTRAR AND STAMP DUTY

All the Offer Shares will be registered on our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Only securities registered on the register of members of our Company kept in Hong Kong may be traded on the Stock Exchange, unless the Stock Exchange otherwise agrees.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Our Shares will be considered as Hong Kong stock for the purpose of the Stamp Duty Ordinance. Dealings in our Shares registered on our Hong Kong share register will be subject to stamp duty in Hong Kong. Unless our Company determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

PROFESSIONAL TAX ADVICE RECOMMENDED

Prospective investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of and dealing in the Offer Shares. None of our Company, the Selling Shareholder, the Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers or agents or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposal of, or dealing in the Offer Shares.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out under the section headed "How to apply for Public Offer Shares" of this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further information on the structure and conditions of the Share Offer, including its grounds for termination, is set out under the section headed "Structure and conditions of the Share Offer" of this prospectus.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of that version of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities, for which an English equivalent has been provided or that have been translated into English and included in this prospectus and for which no official English translation exists, are unofficial translations for your reference only.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on or about Friday, 19 January 2018. Shares will be traded in board lots of 4,000 Shares each.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Chuah Choon Bin	119-5-2 Putra Marine Persiaran Bayan Indah 11900 Bayan Lepas Penang Malaysia	Malaysian
Ms. Gan Pei Joo	52, Jalan BU12/5 Bandar Utama Damansara 47800 Petaling Jaya Selangor Malaysia	Malaysian
<i>Non-executive Director</i>		
Mr. Leng Kean Yong	13A-08, Level 13A Mont Kiara Laman Suria Jalan Kiara 3 50480 Kuala Lumpur Malaysia	Malaysian
<i>Independent Non-executive Directors</i>		
Mr. Sim Seng Loong @ Tai Seng	A68 Jalan 24/42 Taman Kok Doh 51200 Kuala Lumpur Malaysia	Malaysian
Dr. Chuah Jin Chong (蔡仁鐘)	Room A, Block 25, 8/F Ocean Vista Laguna Verde Hung Hom, Kowloon Hong Kong	Malaysian
Ms. Chan May May	R-3-C Tiara Damansara Jalan 17/1 46400 Petaling Jaya Selangor Malaysia	Malaysian

Further information regarding our Directors can be found under the section headed “Directors, senior management and employees” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor

Altus Capital Limited

A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

21 Wing Wo Street
Central
Hong Kong

Joint Bookrunners and Joint Lead Managers (in alphabetical order)

Crosby Securities Limited

5F Capital Centre
151 Gloucester Road
Wanchai
Hong Kong

Yuanta Securities (Hong Kong) Company Limited

23/F Tower 1 Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Public Offer Underwriters (in alphabetical order)

Crosby Securities Limited

5F Capital Centre
151 Gloucester Road
Wanchai
Hong Kong

Yuanta Securities (Hong Kong) Company Limited

23/F Tower 1 Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

**Placing Underwriters
(in alphabetical order)**

Crosby Securities Limited

5F Capital Centre
151 Gloucester Road
Wanchai
Hong Kong

**Yuanta Securities (Hong Kong) Company
Limited**

23/F Tower 1 Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Legal advisers to our Company

As to Hong Kong law

Sidley Austin

39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to Malaysian law

Messrs Chris Koh & Chew

Advocates and solicitors, Malaysia
22nd Floor Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

As to PRC Law

Grandway Law Offices

PRC attorneys
12th Floor, Block C
Skyworth Building
Nanshan District
Shenzhen
PRC

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP

Cayman Islands, attorneys-at-laws
53rd Floor
The Center
99 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal adviser to the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters	<i>As to Hong Kong law</i> Howse Williams Bowers <i>Solicitors, Hong Kong</i> 27th Floor, Alexandra House 18 Chater Road Central Hong Kong
Joint reporting accountants	Grant Thornton Hong Kong Limited <i>Certified Public Accountants</i> 12th Floor 28 Hennessy Road Wanchai Hong Kong Grant Thornton (AF: 0042) <i>Chartered Accountants</i> 51-8-A Menara BHL Bank Jalan Sultan Ahmad Shah 10050 Penang Malaysia
Auditors after Listing	Grant Thornton Hong Kong Limited <i>Certified Public Accountants</i> 12th Floor 28 Hennessy Road Wanchai Hong Kong
Independent Property Valuer	Cushman & Wakefield Limited 16th Floor Jardine House 1 Connaught Place Central Hong Kong
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered office	Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Headquarters and principal place of business in Malaysia	Plot 18 & 19, Technoplex Medan Bayan Lepas Taman Perindustrian Bayan Lepas Phase IV, 11900 Penang Malaysia
Principal place of business in Hong Kong	Room 1901, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
Company secretary	Ms. Tsui Sum Yi (<i>ICSA, HKICS</i>) Room 1901, 19th Floor, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
Compliance adviser	Altus Capital Limited <i>A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO</i> 21 Wing Wo Street Central Hong Kong
Company website	<i>www.pentamaster-international-ltd.com</i> <i>(information contained in this website does not form part of this prospectus)</i>
Audit committee	Mr. Sim Seng Loong @ Tai Seng (chairman) Ms. Chan May May Mr. Leng Kean Yong
Remuneration committee	Mr. Sim Seng Loong @ Tai Seng (chairman) Dr. Chuah Jin Chong Mr. Leng Kean Yong
Nomination committee	Dr. Chuah Jin Chong (chairman) Mr. Sim Seng Loong @ Tai Seng Ms. Chan May May

CORPORATE INFORMATION

Authorised representatives (for the purpose of the Listing Rules)

Ms. Tsui Sum Yi (徐心兒)
Rm 1901 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Mr. Chuah Choon Bin
119-5-2
Putra Marine
Persiaran Bayan Indah
11900 Bayan Lepas
Penang
Malaysia

Principal share registrar and transfer office

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

Hong Kong Branch Share Registrar and transfer office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

HSBC Bank Malaysia Berhad
2nd Floor
No. 1, Downing Street
10300 Penang
Malaysia

Malaysia Banking Berhad
Penang Business Centre
2nd Floor, 9 Union Street
10200 Penang
Malaysia

Public Bank Berhad
Nos. 5, 7, 9 and 11, Lorong Kampung Jawa
Bandar Bayan Baru
11900 Penang
Malaysia

United Overseas Bank (Malaysia) Berhad
1st Floor
64-E-H, Lebuh Bishop
Georgetown
10200 Penang
Malaysia

INDUSTRY OVERVIEW

The information presented under this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sponsor or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer nor is any representation given as to its accuracy or completeness. The information and statistics contained under this section may not be consistent with other information and statistics compiled within or outside of Malaysia.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of and to prepare a report on the semiconductor ATE and the FAS markets. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. A total fee of MYR285,000 (equivalent to approximately HK\$527,250) was paid to Frost & Sullivan for the preparation of the report, which we believe reflects market rates for this type of report.

Frost & Sullivan is a global growth consulting company founded in 1961 in New York which has over 43 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists.

RESEARCH METHODOLOGY

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report include primary and secondary research. Primary research interviews were conducted with industry participants across the industry chain and relevant institutions to obtain objective and factual data and prospective predictions. Secondary research involves information integration of data and publication from publicly available sources, including official data and announcements from government agencies and market research on the industry in general and on leading industry participants. This approach of using both primary and secondary research allowed Frost & Sullivan to obtain and cross check back-end semiconductor ATE and FAS industries information from various sources.

Basis and assumptions

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has assumed that Malaysia's social, economic and political environment is likely to remain stable and key industry trends are likely to continue to remain the same over the forecasted period.

1. OVERVIEW OF THE SEMICONDUCTOR ATE & FAS MARKETS

1.1. Market trends

Our Group supplies back-end ATE to the semiconductor industry. ATEs are an essential component in the semiconductor manufacturing process because it verifies the functionality of the fabricated devices and also identifies faults. Our Group also supplies automated manufacturing solutions which provides customised automation and digitisation solutions to enhance manufacturing floor productivity and flexibility for the manufacturing sector.

The ATE and FAS markets are strongly correlated with the telecommunications, automotive and medical devices industries, whose fundamental components are semiconductors ICs. An IC is akin to the brains of the component that can receive, analyse and transmit data to and from other electronic components. If a product analyses digital data, which is highly probable nowadays, it is likely to have some form of a semiconductor IC. Semiconductor devices are at the forefront of technology innovation and have been a fundamental driver for economic growth. Consumer electronics is a massive market that

INDUSTRY OVERVIEW

strongly relies on semiconductor ICs. As new and innovative applications materialise, semiconductors need to evolve synchronously. The digitisation of our world has spearheaded the requirements for advancements in the semiconductor value chain. In today's digital age, computing platforms have become a necessity that has found widespread applications across end user industries. Semiconductor ICs may be the core of a smartphone, but it is also a crucial component in the machines that fabricate the aforementioned ICs. As such, the market for ICs with embedded intelligence has expanded tremendously across end user industries.

Globalisation and the need to be interconnected have led to positive growth in data traffic and device utilisation. Central to the increasing flow of data is the pervasiveness of smartphones as well as other mobile devices and their ever rising uptake since their introduction about a decade ago. Given that smartphones typically have at least five sensor modules, the pervasiveness of electronic sensors is compounded by worldwide smartphone unit shipment, which is estimated at 1.5 billion units in 2017 and is expected to reach 1.8 billion units in 2021.¹ This implies a rising demand for ATEs to verify their functionality.

1.2. Industry outlook

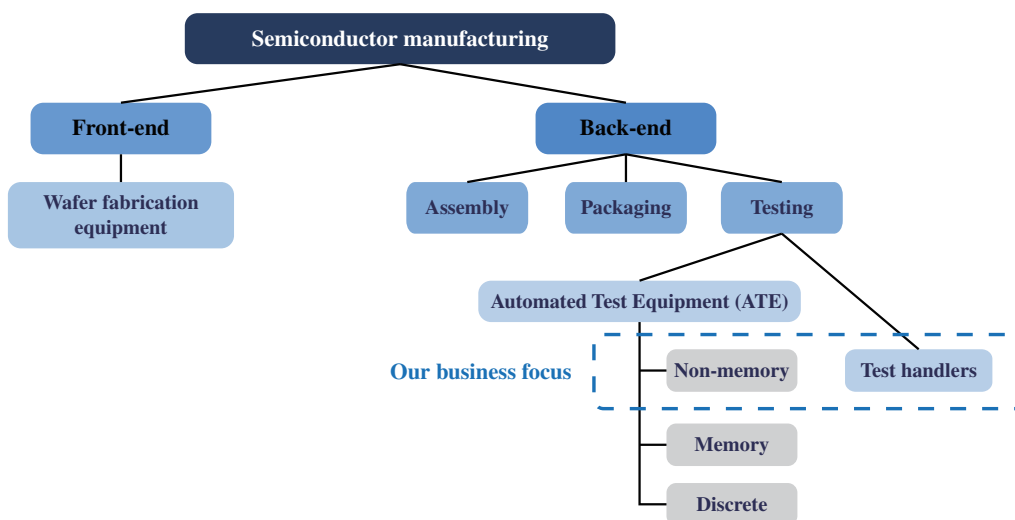
The PRC and the U.S. are key consumer markets for the telecommunications, automotive and medical devices industries and are therefore driving the demand for semiconductor ICs. Over the past decade, the PRC has increased its influence on the global semiconductor market. According to the World Semiconductor Trade Statistics (“WSTS”), the PRC is the largest semiconductor market in the world, accounting for 31.8% (US\$107.6 billion) of the global market in 2016. The PRC witnessed the highest growth in annual semiconductor sales from 2015 to 2016, with a year-on-year growth rate of 9.2%.² In terms of semiconductor manufacturing equipment, the PRC market increased by 32.0% from 2015 to 2016, overtaking Japan and North America to become the third largest globally in 2016.³ The growth of the PRC's telecommunications, automotive and medical devices sectors as well as a flourishing consumer electronics segment are driving the PRC's semiconductor industry.

2. ANALYSIS OF THE GLOBAL BACK-END SEMICONDUCTOR ATE MARKET

2.1. Overview of the semiconductor back-end processes

In Figure 1, the assembly, packaging and testing of the dies are commonly referred to as back-end semiconductor processing. Within the back-end segment, our Group is involved in the non-memory ATE and test handlers markets. Test handlers are estimated to constitute about 10.0% to 12.0% of the back-end test equipment market.

Figure 1: Front-end and back-end segmentation of the semiconductor manufacturing processes



Source: SEMI, Semiconductor Industry Association

- 1 “Worldwide Smartphone Forecast, 2017-2021”, International Data Corporation, March 2017
- 2 “Global semiconductor sales reached \$339 billion in 2016”, Semiconductor Industry Association, accessed July 2017
- 3 “SEMI reports 2016 global semiconductor equipment sales of \$41.2 billion”, SEMI, accessed July 2017

INDUSTRY OVERVIEW

Upon completion of the wafer fabrication process, the ICs would be uniformly segregated into four-sided dies on the wafer, which will then be assembled into a protective package. The dies are tested several times before and after they are assembled and packaged to verify their functionality. Semiconductor ATE is used to verify that a DUT functions according to design specifications or to identify and diagnose faults. The tests are usually an automated process because of the sheer volume of devices to be tested and the micro sizes of the test points on each DUT.

2.2. Key drivers for the back-end semiconductor ATE market

The IoT revolution has transformed end user industries such as telecommunications, automotive and medical devices, whilst simultaneously presenting new applications for semiconductor ICs such as MEMS sensors in automotive applications and as implantable biological sensors in the medical devices industry. These ICs need to be tested under real-world conditions and test handlers need to condition the DUTs for testing parameters such as atmospheric pressure variations, acoustics, optical wavelengths and humidity.

2.2.1. Telecommunications

Smartphones are currently the largest application for ICs⁴. In a typical smartphone, there are generally at least five sensor modules. More complex smartphones will have additional features such as a fingerprint sensor and a barometer. Each sensor is likely to have or require semiconductor ICs to analyse the data. Furthermore, the major smartphone manufacturers such as Apple, Samsung, Oppo and Huawei launch new smartphone products at least once a year. In other words, the shorter product launch cycles and accelerated technology innovations will likely result in an unprecedented demand for ATEs.

The next transition in telecommunications technology is from 4G LTE to LTE-A where higher data rates are possible, handovers between base stations will be seamless and more importantly, quality of service will be better. Although Europe and Asia have embraced LTE-A, the U.S. is only beginning to roll it out in 2016.⁵

2.2.2. Automotive

Semiconductor ICs are also widely used in the automotive industry, from the vehicle safety system, powertrain, audio and video system as well as body electronics.⁶ Revenue from semiconductor ICs in the automotive sector amounted to US\$22.9 billion in 2016, with an expected CAGR of 10.3% for 2015 to 2020.⁷

There are at least 2 million electric vehicles (“EV(s)”) on the roads worldwide in 2016, with the PRC and the U.S. accounting for 32.2% and 28.0% respectively.⁸ The higher penetration of EVs is partly driven by the reduction in battery costs per kWh, availability of charging stations and tax incentives. In a conventional vehicle, semiconductors ICs contribute about US\$320 to the bill of materials whilst in an EV, the cost is about US\$700⁹. The rapid adoption of EV is likely to drive the semiconductor applications in the automotive industry, which will then drive the semiconductor ATE industry. Globally, the EV market is expected to reach about 1 million units for the first time by the end of 2017. In 2016, the total unit shipment of EVs in the PRC was about 351,000 units, accounting for 45.4% of the global market share.

4 “IoT and Automotive to Drive IC Market Growth Through 2020”, IC Insights, November 2016

5 Verizon Wireless

6 Texas Instruments, Maxim Integrated, Delphi Automotive

7 “IoT and Automotive to Drive IC Market Growth Through 2020”, IC Insights, accessed June 2017

8 “Global EV Outlook 2017: Two million and counting”, International Energy Agency, 2017

9 “Global and China Automotive Semiconductor Industry Report, 2016-2020”, February 2017, ReportsnReports

INDUSTRY OVERVIEW

The PRC is expected to maintain the leading position in 2017 with an estimated total unit shipment of approximately 410,000 units in 2017¹⁰.

2.2.3. Medical devices

The ageing population constitutes 13.0% of the global population in 2017 and this equates to approximately 962 million people aged above 60 years.¹¹ By 2030, the United Nations envisages about 1.4 billion people aged 60 and above. Whilst medical advancements have prolonged the lives of the general populace, most of the elderly may require continuous medical care. The digital transformation occurring in the healthcare sector is centred upon seamless connectivity between patients, healthcare providers and pharmaceutical companies. Advancements in medical electronics have enabled remote and real-time patient data collection. This is where semiconductor ICs will play a major role in the healthcare industry.

2.3. Key restraints for the back-end semiconductor ATE market

2.3.1. Risks in the global supply chain

Many in the semiconductor industry are reliant on third party suppliers for a diverse range of components and services. Inevitably, the risk of pricing and currency fluctuations, limited access to important raw materials and quality control infringements will directly influence project lead times, logistics and order management. Growth in the back-end semiconductor ATE market would be subject to the strength of its global supply chain.

2.3.2. Increasing wage costs worldwide

There is a growing trend for semiconductor ICs to have small pitch sizes and increased functionality per die. The increasing complexity of the IC design follows through to the back-end processing stages. This stage has higher equipment and labour costs than the front-end stages because it determines if the semiconductor IC is fit for purpose.¹² Further, globalisation has encouraged mobility of skilled labour and this has consequently resulted in employers having to increase wages to attract and retain the best talents in the ATE industry.

2.3.3. Economic and political conditions

Back-end semiconductor ATEs are often subjected to price fluctuations due to foreign exchange, intellectual property rights variations across jurisdictions and trade agreements. Activities in the semiconductor industry are largely centred on the U.S. and east Asia (Taiwan, the PRC, Japan and South Korea). The U.S. and the PRC are influential markets for semiconductor equipment and if these two countries were to implement protectionist measures to organically boost their economies by insisting on using domestic suppliers, this could restrain the global ATE market.

10 “Global Electric Vehicle Market Outlook, 2017”, March 2017, Frost & Sullivan

11 “World Population Prospects: The 2017 Revision, Key Findings and Advance Tables”, Department of Economic and Social Affairs, Population Division (2017), United Nations

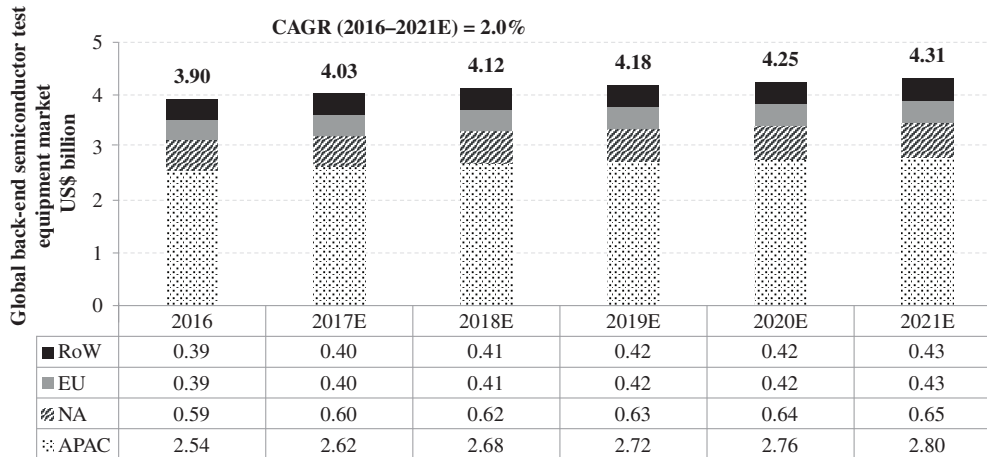
12 “Beyond Borders – The Global Semiconductor Value Chain”, May 2016, Semiconductor Industry Association

2.4. Global market size of back-end semiconductor ATE in revenue, 2016-2021E

The worldwide semiconductor back-end testing equipment market size in 2016 is about US\$3.9 billion, an increase of 16.0% from 2015.¹³ Sales of back-end equipment are closely related to two factors: the unit shipments of semiconductors and sales of front-end equipment. Essentially, higher production capacities will require more back-end equipment to process the increased front-end throughputs. Revenue from semiconductor equipment should subsequently result in an increase of semiconductor devices because new facilities do not reach its targeted production capacity immediately.

The annual growth of the worldwide semiconductor test equipment market is expected to be 1.0% to 5.0% from 2017 onwards due to the following factors (i) marked increase of semiconductor test equipment spending of 16.0% from 2015 to 2016¹⁴; (ii) growth in expenditure on fabrication equipment is likely to continue beyond 2018 because several fabrication facilities have only begun construction in 2017; and (iii) encouraging growth forecasts in the use of semiconductor ICs in IoT devices.

Figure 2: Global back-end semiconductor test equipment market, 2016-2021E



RoW: Rest of the World, EU: European Union, NA: North America, APAC: Asia Pacific

Source: SEMI, Frost & Sullivan analysis

2.5. APAC market size of back-end semiconductor ATE in revenue, 2016-2021E

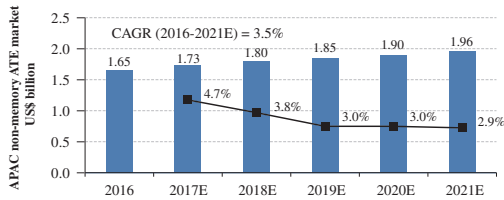
Non-memory semiconductor devices are applicable to a much larger semiconductor product scope than the discrete or memory ATEs. Non-memory semiconductors comprise 51.0% of the total worldwide unit shipments and these are relatively more complicated components than discrete semiconductors, which accounted for 44.0% of the total worldwide unit shipment. The remaining 5.0% of worldwide unit shipments are from semiconductor memory devices. Therefore, it is expected that non-memory ATE will be the largest segment in the semiconductor test equipment market. According to the Frost & Sullivan Report, non-memory ATE will typically comprise 60.0% to 70.0% of the semiconductor test equipment market. Figure 3 shows the APAC market size for non-memory ATE, whereby the forecasted annual growth rates of 2.0% to 5.0% are based on demand for consumer electronics. Figure 4 shows the APAC market size of test handlers, whereby annual growth rates are expected at 3.0% to 6.0%.

13 “Semiconductor Equipment Sales Forecast – \$40 billion”, SEMI, December 2016

14 Annual reports from: Teradyne, Advantest, ASM Pacific, Xcerra, Cohu; Frost & Sullivan analysis

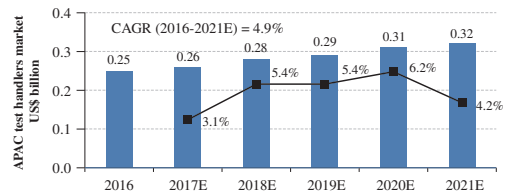
INDUSTRY OVERVIEW

Figure 3: APAC non-memory ATE market, 2016-2021E



Source: SEMI, Frost & Sullivan analysis

Figure 4: APAC test handlers market, 2016-2021E



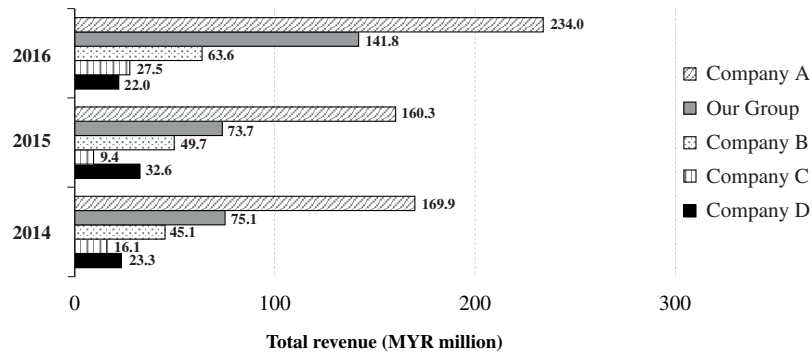
Source: SEMI, Frost & Sullivan analysis

3. COMPETITIVE ANALYSIS OF THE GLOBAL BACK-END SEMICONDUCTOR ATE MARKET

3.1. Estimates of market share from 2014 to 2016

Most manufacturers of semiconductor devices and equipment are publicly listed companies, which is due to the substantial capital expenditures involved. Therefore, the profiles of the back-end ATE competitors are based on each company's financial reports. A fair comparison between our Group and our competitors would require revenue information on just the back-end test equipment, which is not readily available. This is because, unlike our Group, some of our competitors are also involved in the assembly and packaging segments of the semiconductor back-end equipment market as well as other business segments. Frost & Sullivan has identified five publicly listed domestic companies in Malaysia that are in the business of manufacturing semiconductor back-end equipment. Amongst these players, our Group was ranked second from 2014 to 2016 in terms of revenue.

Figure 5: Reported revenue of Malaysian semiconductor back-end equipment companies that are listed on Bursa Malaysia, 2014 to 2016



As shown in Figure 5, our Group's revenue growth from 2015 to 2016 at approximately 92.5% was at a higher rate compared to the other four companies, which also exceeded the growth rates recorded for the global ATE market. Our Group's increasing presence in Malaysia forms a strong foundation for us to further broaden our customer base in the APAC, (particularly the PRC), North American and European semiconductor industries.

Within the semiconductor back-end ATE market, Frost & Sullivan has identified the key market players who offer the same product scope as our Group, namely the non-memory ATE and test handlers, with reference to end user industries and listing venues, focusing primarily on the companies listed in APAC. Those with the closest similarities to our Group have been selected and set out in Table 1 below. There are a number of established players in the market of substantially larger operational scale than our Group. Nevertheless, our significantly higher revenue growth from 2015 to 2016 demonstrates our growing foothold.

INDUSTRY OVERVIEW

Table 1: Profiles of key semiconductor back-end equipment manufacturers

Company	Listing venue	End user industries	Total revenue in 2015 (Note) US\$ million	Total revenue in 2016 (Note) US\$ million	Year on year growth
Company 1	Hong Kong Stock Exchange	<ul style="list-style-type: none"> • Automotive • Optoelectronics • Telecommunications • Power electronics • Consumer electronics 	1,663.8	1,826.8	9.8%
Company 2	New York Stock Exchange	<ul style="list-style-type: none"> • Automotive • Aerospace • Consumer electronics • Robotics 	1,639.6	1,753.3	6.9%
Company 3	Tokyo Stock Exchange	<ul style="list-style-type: none"> • Electronics • Medical devices • Pharmaceuticals 	1,320.3	1,413.6	7.1%
Company 4	Taiwan Stock Exchange Corporation	<ul style="list-style-type: none"> • Automotive • Semiconductor ATE • Test and instrumentation 	307.7	369.0	19.9%
Company 5	Singapore Exchange	<ul style="list-style-type: none"> • Aerospace • Electronics • Instrumentation • Life sciences 	34.2	51.2	49.8%
Our Group	Bursa Malaysia Berhad	<ul style="list-style-type: none"> • Automotive • Semiconductor • Medical devices • Telecommunications • Food and beverage • Pharmaceutical • General manufacturing 	17.5	33.8	92.5%

Note: The reported revenue is for illustration purpose only and has been converted to US\$ adopting the average exchange rates from 2015 to 2016 as listed below:

US\$1.00 to HK\$7.80; US\$1.00 to JPY122.78 in 2015 and to JPY110.30 in 2016 (The JPY to US\$ fluctuation from 2015 to 2016 was more significant compared to the other currencies and is therefore reported as separate rates for 2015 and 2016); US\$1.00 to NTD31.50; US\$1.00 to S\$1.37; US\$1.00 to MYR4.20

Source: Bloomberg

3.2. Barriers to entry

Track record and operational scale

In the technology sector, customers value a strong track record and the operational scale of a supplier. These factors are proof that the supplier has a history of fulfilling orders and is in a position to increase production capacity if the need arises without compromising on quality. Establishing a good reputation requires time, effort and more importantly, satisfied customers. The customer's confidence on the supplier is a fundamental starting point for a sustainable business relationship.

Rapid technological advancements and a skilled workforce

The semiconductor industry involves cutting edge technologies that undergoes rapid innovation cycles. Companies need to invest in R&D and in its workforce in order to remain relevant in the market. Semiconductor technology is a specialised subject that requires specific skillsets that is typically nurtured through experience and proper training or education. This, in some ways, explains the fact that most of the founding members of semiconductor companies began their careers in companies that are the bedrock of the industry.

INDUSTRY OVERVIEW

4. ANALYSIS OF THE FAS INDUSTRY

4.1. Overview of the FAS industry

Industrial automation is commonly categorised into process and factory automation. The former concerns the conversion of raw materials into a finished product. A factory automation solution or system is typically part of the modern assembly line production whereby components are integrated or processed with computerisation and automation of the whole manufacturing process. Accordingly, all manufacturers are potential customers.

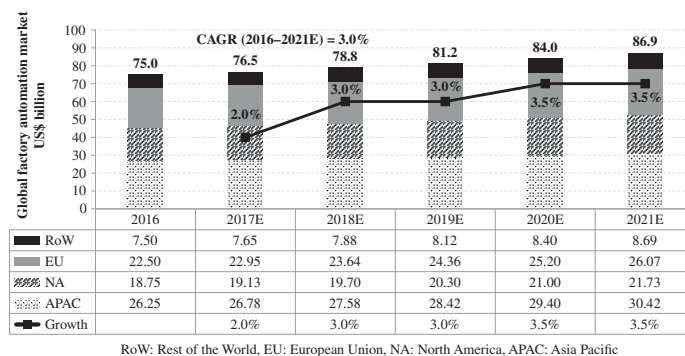
4.2. FAS outlook

Industrial automation solutions have been around for at least 50 years. It was the technology that pioneered the third industrial revolution in the 1960s. However, its implementations were typically for high value and volume processes. Technological advancements have made automation solutions more accessible and many organisations are investing in automation strategies to make their processes more efficient and cost-effective. This is even more striking today as wage growth in manufacturing-centric economies such as the PRC is higher than the world’s largest economy, the U.S.. FAS is also a natural progression for precision manufacturing, particularly for sectors such as medical devices, the manufacturing of which is subject to rigorous regulations. Frost & Sullivan estimates the medical devices market in 2016 as a US\$330.0 billion industry with forecasted annual growth of 4.2% in 2017.¹⁵

4.3. Global market size of FAS in revenue, 2016-2021E

The factory automation market is fragmented with at least 11 multinational industrial corporations such as Siemens, ABB, Schneider, Rockwell Automation, Fanuc, Mitsubishi Electric, amongst many others. Globally, the factory automation market in 2016 is estimated to be US\$70 billion to US\$84 billion.¹⁶ Year-on-year growth rates for 2017 and beyond are expected to be in the range of 1.0% to 5.0%.¹⁷ Growth drivers for FAS include (i) Industry 4.0 initiatives to integrate smart automation solutions in the manufacturing sector; (ii) software for industrial electronics is maturing and many emerging and developed economies are beginning to invest in FAS; and (iii) the rise in labour costs and shortage of skilled talents due to low rates of population growth in developed nations¹⁸. Figure 6 shows the regional segmentation of the global factory automation market. APAC contributes about 35.0% of the revenue as it is an electronics manufacturing hub. Within the APAC segment, the PRC is expected to contribute about 35.0% of the revenue.

Figure 6: Global factory automation market, 2016-2021E



Source: UBS, Emerson, Frost & Sullivan analysis

15 “Global Healthcare Industry Outlook, 2017”, February 2017, Frost & Sullivan

16 “Emerson’s Acquisition of Pentair Valves & Controls”, Emerson, August 2016

17 “Longer Term Investments: Automation and robotics”, UBS, February 2017

18 “World population projected to reach 9.8 billion in 2050 and 11.2 billion in 2100”, Population Division, Department of Economic and Social Affairs, United Nations, June 2017

INDUSTRY OVERVIEW

5. COMPETITIVE ANALYSIS OF THE GLOBAL FAS INDUSTRY

5.1. Estimates of market share from 2015 to 2016

Our Group's FAS business segment leverages on its ability to provide full automation solutions by integrating its customised software and hardware platforms. Most FAS system integrators do not offer the same breadth of services as our Group or, in most cases, they are not publicly listed.

Table 2 lists the total revenue and estimated FAS revenue for our Group and three probable competitors identified by Frost & Sullivan in 2016. These three competitors were selected on the basis that the FAS solutions they are offering closely resemble the nature of our Group's participation in the FAS market.

Table 2: Profiles of key FAS industry players

Company	Listing venue	End user industries	Total revenue in 2015 (Note) US\$ million	Total revenue in 2016 (Note) US\$ million	Year on year growth
Company I	Toronto Stock Exchange	<ul style="list-style-type: none"> • Transportation • Life sciences • Technology • Energy 	720.1	798.2	10.9%
Company II	Taiwan Stock Exchange Corporation	<ul style="list-style-type: none"> • Semiconductor • Smart buildings • Optoelectronics 	572.4	592.1	3.4%
Company III	SIX Swiss Exchange	<ul style="list-style-type: none"> • Automotive • Aerospace • Telecommunications • Industrial 	328.9	388.5	18.1%
Our Group	Bursa Malaysia Berhad	<ul style="list-style-type: none"> • Automotive • Semiconductor • Medical devices • Telecommunications • Food and beverage 	17.5	33.8	92.5%

Note: The reported revenue is for illustration purpose only and has been converted to US\$ adopting the average exchange rates from 2015 to 2016 as listed below:

US\$1.00 to CAD1.30
 US\$1.00 to NTD31.50
 US\$1.00 to CHF0.95
 US\$1.00 to MYR4.20

Source: Bloomberg

Given that the scope of the FAS industry is vast and there are many players, each with their unique attributes in various niche segments, the FAS industry is fragmented and it is not practicable to ascertain the market share of our Group during the Track Record Period.

5.2. Barriers to entry

Established networks and track record

The FAS market requires the ability to leverage on a strong R&D background, rapid procurement of off-the-shelf and customised components and systems and the proficiency to integrate different hardware technology under a common software platform. It takes time, technical skills and monetary resources to build a strong network within the FAS value chain. Hence, completely new entrants to this market may face difficulties to establish itself within a reasonable timeframe.

INDUSTRY OVERVIEW

Diverse end user industries

FAS are catered towards high volume, flexible and/or high precision manufacturing industries because automation tends to benefit processes that are repetitive, hazardous, meticulous and require frequent reconfigurations. The factory automation industry serves a diverse range of customers and players must be equipped with the appropriate technical expertise and project management experience. It is crucial to be able to integrate various systems from different processes for multiple industries within the committed time frame. Existing players are well established and have the expertise to stand out from new entrants.

6. SUMMARY AND PROSPECTS FOR OUR GROUP

6.1. Competitive positioning of our Group

6.1.1. Back-end semiconductor ATE market

Frost & Sullivan is of the view that our Group is suitably positioned to increase its presence and market share in the non-memory ATE and test handler markets as we have the experience, technical capabilities and vision for expansion. The PRC is likely to maintain its status as a global manufacturing powerhouse and is transitioning towards producing higher valued products. End user industries such as telecommunications, automotive and medical devices are increasingly reliant on semiconductor ICs. As these ICs increase in complexity, the testing equipment will need to be able to comprehensively verify their functionalities. Therefore, our Group will stand to benefit from this wave of technological innovation in the semiconductor industry by increasing our market share.

6.1.2. FAS market

As Industry 4.0 gradually takes off, FAS are critical to the digital transformation of manufacturing facilities. Our Group's strength in this domain is in our R&D capabilities to seamlessly integrate automation systems using our proprietary software and solutions. Cyber physical systems are the overarching theme for Industry 4.0 and many industrialised nations are beginning to automate their production floor. The "Made in China 2025" program aims to upgrade and boost the country's manufacturing sector, especially in terms of producing high-tech items. Meanwhile, the U.S. is experiencing a resurgence in manufacturing activities since the Trump administration took office in 2017. This will spur the demand for FAS especially since the U.S. is also keen on increasing its manufacturing competitiveness through Industry 4.0 initiatives. Our Group is poised to seize business opportunities in this growing market for FAS.

6.2. Advantages of our Group

Frost & Sullivan has also identified the following as our Group's main strengths:

- Our Group is in a position to customise its non-memory ATE and test handlers as part of its FAS business segment. Our diverse engineering skills in robotics, mechanical engineering, vision inspection, control optimisation, optics, software automation and firmware programming are unique selling points of our Group.
- Our Group's management team has, on average, over 20 years of working experience in the semiconductor relevant industry. Their knowledge and understanding of the manufacturing processes, distribution channels and sound professional relationships with stakeholders in the value chain are factors that have been and will be crucial to our Group's success in the ATE and FAS markets.
- Our Group's customer base mainly includes multinational corporations that have been depending on us for the development of reliable testing equipment and automation solutions. Frost & Sullivan is of the view that our Group has a good reputation domestically and abroad. Furthermore, in the recent Forbes "2017 Best Under a Billion" list of companies that are publicly listed in APAC, our Group was ranked in the top 200.

REGULATORY OVERVIEW

LICENCES AND REGULATORY APPROVALS IN RELATION TO AUTOMATION MANUFACTURING SERVICES IN MALAYSIA

The principal business of our Group revolves around and principally involves innovating, designing, manufacturing and installing automated equipment and/or automated manufacturing solutions. We have set out below the laws currently applicable to our Group.

Laws and regulations relating to the industry

Industrial Co-ordination Act 1975 (“ICA 1975”)

The ICA 1975 requires manufacturing companies with shareholders’ funds of MYR2.5 million and above or engaging 75 or more full-time paid employees to apply for a manufacturing licence for approval by the MITI. Otherwise, a manufacturing licence is not required. Failure to observe and adhere to the licensing requirements under ICA 1975 will constitute an offence which is punishable on conviction by a fine not exceeding MYR2,000 or to a term of imprisonment not exceeding six months and to a further fine not exceeding MYR1,000 per day during which the non-compliance continues. When issued, the manufacturing licence will continue to be valid until revoked by the Minister in charge.

Promotion of Investments Act 1986 (“PIA”)

PIA was implemented to promote the establishment and development in Malaysia of industrial, agricultural and other commercial enterprises for the promotion of exports and for incidental and related purposes by way of relief from income tax. One of the main tax incentives provided under the PIA is the pioneer status, which is granted by MIDA.

Under the *Promotion of Investments (Promoted Activities and Promoted Products for Selected Industries) Order 2012, PU(A) 60*, “Machinery and equipment” and “Specialised machinery and equipment” has been listed as one of the promoted activities under the PIA.

Where a pioneer company (*Note*) fails to comply with any of the conditions imposed under the pioneer certificate or with any other provisions of the PIA, MITI shall by notice in writing require the company within 30 days from the date of service of the notice to show cause why the pioneer certificate should not be cancelled. MITI may cancel the pioneer certificate of a pioneer company where the company has failed to comply with a notice served on it or where it is not satisfied with the reasons for the non-compliance with the conditions imposed under the pioneer certificate or with any provisions of the PIA.

Note: “pioneer company” means company certified by a pioneer certificate to be a pioneer company in relation to a promoted activity in respect of which the tax relief period has not ended or has not ceased.

REGULATORY OVERVIEW

Laws and regulations relating to the business operations

Occupational Safety and Health Act 1994 (“OSHA”)

Employers must maintain a safe workplace in accordance with OSHA. Any contravention to OSHA will be an offence which is punishable by a fine or imprisonment or both.

For avoidance of doubt, OSHA provides that where a body corporate contravenes any provisions of the OSHA or any regulation made thereunder, every person who at the time of the commission of the offence is a director, manager or other like officer of the body corporate shall be deemed to have contravened the provision and may be charged jointly in the same proceedings with the body corporate or severally and every such director, manager or other like officer of the body corporate shall be deemed to be guilty of the offence. Where a person convicted in respect of an offence under the OSHA or any regulation made thereunder is a body corporate, it shall only be liable to the imposition of a fine provided therefor.

The Factories and Machinery Act 1967 (“FMA”)

According to section 19 of the FMA, no person shall operate or cause or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is in force in relation to the operations of the machinery a valid certificate of fitness issued under the FMA. In the case of any contravention of the above, an inspector shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operations of the machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued.

The FMA also prohibits any person to install or caused to be installed any machinery in any factory or any machinery in respect of which a certificate of fitness is prescribed, except with the written approval of the inspector. Any person who contravenes shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding MYR100,000 or to imprisonment for a term not exceeding two years or to both.

Local Government Act 1976 (“LGA”)

The LGA is an act to revise and consolidate the laws relating to the local government and provides that every local authority shall have the powers to make by-laws conferred upon it by the LGA including, but not limited to, the maintenance of health, safety and well-being of inhabitants of the local authority area.

Pursuant to the LGA, every local authority apart from having the powers of making by-laws conferred upon it by the LGA, may from time to time make, amend and revoke by-laws in respect of all such matters as are necessary or desirable for the maintenance of the health, safety and well-being of the inhabitants or for the good order and government of the local authority.

REGULATORY OVERVIEW

LGA provides that a local authority in granting of any licence or permit may prescribe the fees for such licence or permit and the charges for the inspection or supervision of any trade, occupation or premises in respect of which the licence is granted. Every licence or permit granted shall be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason therefor.

Any contravention of the LGA or any by-law, rule or regulation for which no penalty is expressly provided shall on conviction be liable to a fine not exceeding MYR2,000 or to a term of imprisonment not exceeding one year or to both.

Municipal Council of Penang Island (“MBPP”) (Trade, Business and Industries) By-Laws, 1991 is issued pursuant to the power conferred under the LGA. It provides that no person shall use any place or premises, within the area administered by the MBPP for any trade, business or industry of which fees have been prescribed in the Schedule to the by-laws without a licence issued by the President of the MBPP. It further provides that any person who contravenes any of the provision of the by-laws is guilty of an offence and is liable on conviction to a fine not exceeding MYR2,000 and to a further fine not exceeding MYR200 for every day during which the offence is continued after conviction.

Customs Act 1967 (“CA 1967”)

The customs related matters in Malaysia are governed under the CA 1967.

Licensed Warehouse

There are a few categories of warehouse provided for under the CA 1967, i.e., public warehouse, private warehouse, PEKEMA (Associated of Malay Importers and Traders of Motor Vehicles of Malaysia) warehouse and public agent warehouse. Each category of warehouses is required to be licensed under the CA 1967.

The Director General of Customs and Excise of Malaysia may, at his absolute discretion, on payment of such fees as may be fixed by him in each case, grant a licence to any person, hereinafter referred to as the licensee and when granted withdraw any licence, for warehousing goods liable to customs duties and any other goods in a place or places specified in such licence. No goods other than goods specified in the licence may be stored in any licensed warehouse.

In addition to the above, the licensee shall not store on the licensed premises goods upon which the duty has been paid; or receive back into the licensed premises any dutiable goods which have previously been removed, whether for export or otherwise without first obtaining the permission in writing of the proper officer. Failing which, it shall be an offence and the licensee shall be liable to a fine of not exceeding MYR20,000 or to a term of imprisonment not exceeding five (5) years or to both.

REGULATORY OVERVIEW

If it appears at any time that in any licensed warehouse or any part thereof there is a deficiency in the quantity of dutiable goods which ought to be found therein, the licensee of such warehouse shall, in the absence of proof to the contrary, be presumed to have illegally removed such goods and shall, without prejudice to any proceedings under the CA 1967, be liable to pay to the proper officer of customs the customs duty leviable on the goods found deficient (provided that if it is shown to the satisfaction of the Director General of Customs and Excise of Malaysia (“**Director General**”) that such deficiency has been caused by unavoidable leakage, breakage or other accident, the Director General may remit the whole or any part of the customs duty leviable on the goods found deficient).

The licensee shall take such precautions against fire as the authority responsible for fire services may direct and shall at all times keep the premises in a clean and sanitary condition. No structural alterations shall be made without the written authority of the Director General of Customs and Excise of Malaysia to any premises licensed. Failing which, he shall be liable to a fine of MYR5,000.

Manufacturing Warehouse Licence

In respect of the licensed warehouse under Section 65 of the CA 1967, the Director General may, at his absolute discretion, on payment of such fees as may be fixed by him in each case, grant an additional licence to the licensee and when granted withdraw any such licence, to carry on any manufacturing process and other operations in respect of the goods liable to customs duties and any other goods.

Any such licence shall be for such period and subject to such conditions as the Director General may specify in the licence. No goods which have undergone any manufacturing process in the warehouse may be released for home consumption or export without the prior approval of the Director General. If such goods are released from the warehouse for home consumption the customs duty thereon shall be calculated on the basis as if such goods had been imported.

Provided that the Minister may in any particular case exempt any person from the payment of the whole or part of such duty which may be payable by such person on any such goods and in granting such exemption the Minister may impose such conditions as he may deem fit. Where in the course of any operations permissible to any goods liable to customs duty there is waste or refuse customs duty shall be remitted on the quantity of goods liable to customs duty in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods which have undergone any manufacturing process.

Provided that such waste or refuse is destroyed subject to such conditions as the Director General may impose or duty is to be paid on such waste or refuse as if it had been imported in that form.

REGULATORY OVERVIEW

According to Section 138 of the CA 1967, every omission or neglect to comply with and every act done or attempted to be done contrary to, the provisions of the of CA 1967, or any breach of the conditions and restrictions subject to, or upon which, any licence or permit is issued or any exemption is granted under of the CA 1967, shall be an offence against of the CA 1967 and in respect of any such offence for which no penalty is expressly provided the offender shall be liable to a fine of not exceeding MYR20,000 or to a term of imprisonment not exceeding five years, or both.

Laws and regulations relating to employment

Employment Act (“EA”)

The EA regulates all labour relations including contracts of service, payment of wages, employment of women, rest days, hours of work, termination, lay-off and retirement benefits and keeping of registers of employees.

For the purpose of EA, Employment (Amendment) Act 2012 (“EAA”) provides that ‘employee’ includes any person, irrespective of his occupation, who has entered into a contract of service with an employer under which such person’s wages do not exceed MYR2,000 a month.

Employment of foreign employees is governed under Part XIIB of the EA. An employer who employs a foreign employee shall, within 14 days of the employment, furnish the Director General of Labour with the particulars of the foreign employee by forwarding the particulars to the nearest office of the Director General in such manner as may be determined by the Director General of Labour.

Any person who commits any offence under, or contravenes any provision of EA, or any regulations, order, or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be liable, on conviction, to a fine not exceeding MYR10,000.

Employment (Restriction) Act 1968 (“ERA”)

The ERA provides for the restriction of employment in certain business activities in Malaysia of persons not being citizens and the registration of such persons and for matters connected therewith. The ERA expressly prohibits a person from employing a non-citizen of Malaysia unless there has been issued in respect of that person a valid employment permit. Failure to obtain the valid employment permit shall be an offence which on conviction is punishable by a fine not exceeding MYR5,000 or imprisonment for a term not exceeding one year or both.

REGULATORY OVERVIEW

In addition, the employment of foreign employees in Malaysia shall also be subject to the Immigration Act 1955 (“**IA 1955**”) that regulates the immigration matters in Malaysia. The IA 1955 provides that no person other than a citizen shall enter Malaysia unless he is in possession of a valid entry permit or exemption is granted to him pursuant to IA 1955. The IA 1955 further provides that a person who employs one or more persons, other than a citizen or a holder of an entry permit, who is not in possession of a valid employment pass shall be guilty of an offence and shall on conviction, be liable to a fine of not less than MYR10,000 but not more than MYR50,000 or to a term of imprisonment not exceeding 12 months or to both for each such non-resident employee. The IA 1955 also provides that if it is proven that the person employed more than five such non-resident employees without valid entry permit shall on conviction be liable to a fine not exceeding MYR10,000 or to imprisonment for a term not exceeding five years or to both and shall also be liable to whipping of not more than six strokes.

Employees’ Social Security Act 1969 (“ESSA 1969”)

Social Security Organisation (“**SOCSO**”) was mandated to administer and enforce the ESSA 1969 and Employee Social Security General Rules 1971 (“**ESSGR 1971**”). Through the ESSA 1969 and ESSGR 1971, SOCSO is able to provide free medical treatment, facility for physical or vocational rehabilitation and financial assistance to employees if they have lost their abilities due to accidents or disease that have reduced their abilities to work or rendered them incapacitated.

Pursuant to Section 5(1) of the ESSA 1969, all employees in industries to which the ESSA 1969 applies, irrespective of the amount of wages, shall be insured in the manner provided by the ESSA 1969.

Pursuant to section 6 of the ESSA 1969, the contribution payable under the ESSA 1969 in respect of an employee shall comprise contribution payable by the employer (hereinafter referred to as the employer’s contribution) and contribution payable by the employee (hereinafter referred to as the employee’s contribution) and shall be paid to the SOCSO. The contributions of the various categories shall be paid in accordance with the rates specified in the Third Schedule of the ESSA 1969.

According to section 94 of the ESSA 1969, if any person amongst others fails to pay any contribution or any part thereof which is payable by him under the ESSA 1969 or fails to pay within the time prescribed by regulations any interest payable or is guilty of any contravention of or non-compliance with any of the requirements of the ESSA 1969 or the rules or the regulations in respect of which no special penalty is provided, he shall be punishable with imprisonment for a term up to 2 years, or with a fine not exceeding MYR10,000, or to both.

Employees Provident Fund Act 1991 (“EPFA”)

Pursuant to the EPFA, both the employer and employee are to make contributions into the employee’s individual account in the EPF. The amount is calculated based on the monthly wage of the employee and the contribution rate is based on the wage or salary received by the employee.

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Notwithstanding the above, employer who fails, within the prescribed period, to pay to the EPF any contributions which he is liable to pay in respect of or on behalf of any employee in respect of any month shall be guilty of an offence and shall, on conviction, be liable to imprisonment for a term not exceeding three years or to a fine not exceeding MYR10,000, or to both.

Laws and regulations relating to environment and safety

The Environmental Quality Act 1974 (“EQA 1974”)

The EQA 1974 governs the enforcement of wastes disposal in Malaysia in order to control pollution. EQA 1974 covers the deposit or disposal of, any scheduled wastes on land or into Malaysian waters; receiving or sending, or causing or permitting to be received or sent any scheduled wastes in or out of Malaysia; or transiting or causing or permitting the transit of scheduled wastes.

Any person who fails to comply with the relevant sections of EQA 1974 regulating this shall be guilty of an offence and shall be liable to a fine not exceeding MYR500,000 or an imprisonment for a period not exceeding 5 years or both.

EQA 1974 further provides that where an offence against EQA 1974 or any regulations made thereunder has been committed by a company, firm, society or other body of persons, any person who at the time of committing the offence is a director, chief executive officer, manager, or other similar officer or a partner of the company, firm, society or other body of persons or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he has exercised all such diligence as to prevent committing the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

Fire Services Act 1988 (“FSA 1988”)

The FSA 1988 essentially contains provisions in law required for an effective and efficient functioning of the Fire Services Department, for the protection of persons and property from fire risks and for purposes connected therewith. In line with its general objective, the FSA 1988 requires every designated premises to obtain a fire certificate from the relevant authority. This fire certificate is renewable annually.

Failure to maintain the fire certificate pursuant to the FSA 1988 constitutes an offence, which is punishable on conviction by a fine not exceeding MYR5,000 or imprisonment for a term not exceeding 3 years, or to both.

REGULATORY OVERVIEW

Laws and regulations relating to repatriation of funds

Financial Services Act 2013 (“FSA”)

Pursuant to Notice 4 issued by Central Bank of Malaysia (“**BNM**”), a non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestment of Ringgit asset, provided that the repatriation is made in foreign currency. Foreign exchange administration rules (“**FEA Rules**”) allows non-residents to remit out divestment proceeds, profits, dividends or any income arising from investments in Malaysia. Repatriation, however, must be made in foreign currency. Based on the aforementioned, the Companies are free to remit out divestment proceeds, profits, dividends or any income arising from the investments in Malaysia.

However, on 2 December 2016, BNM had issued the Supplementary Notice that sets out a set of measures in respect of foreign exchange administration (FEA) rules to further facilitate foreign exchange risk management; promote settlement of trade and investment in Ringgit; and enhance depth and liquidity of onshore financial market. The Supplementary Notice including the appendices took effect on 5 December 2016. Paragraph 4(1)(c) and Part F of Notice 4 were amended as per the Supplementary Notice.

Currently, a resident exporter is allowed to retain up to 25% of foreign currency proceeds from its exports of goods. The balance of foreign currency proceeds from the exports of goods shall be converted into Ringgit with a licensed onshore bank. The existing foreign currency accounts, namely “Foreign Currency Account I” and “Foreign Currency Account II”, shall be replaced with “Trade Foreign Currency Account” and “Investment Foreign Currency Account”, respectively.

Pursuant to Section 140(1) of the FSA, the bank may also specify standards or issue codes for the purposes of developing, or maintaining orderly conditions or the integrity of, the money market or foreign exchange market.

Prohibited conduct in money market and foreign exchange market were further elaborated in the FSA. It includes the prohibition on speculative activities. According to Section 141(d) of the FSA, no person shall take part in or carry out a transaction based on information that is not generally available to persons who regularly deals in the money market or foreign exchange market that would, or would tend to, have a material effect on the price or value of financial instruments.

In addition to that, no person shall also take part in or carry out a transaction that has or is likely to have the effect of creating a rate which is an off-market rate which results in an artificial rate for dealing in financial instruments in the money market or foreign exchange market. Prohibition to create, or cause to be created, or do anything that is calculated to create, a false or misleading appearance of active dealing in financial instruments in the money market or foreign exchange market as also stipulated in the FSA.

REGULATORY OVERVIEW

It is also an offence under the FSA to make a statement, or disseminate information that is false or misleading in a material particular and is likely to induce another person to deal in financial instruments or is likely to have the effect of raising, lowering, maintaining or stabilising the market rate of such financial instruments in the money market or foreign exchange market.

Any person who contravenes Section 141 of the FSA commits an offence and shall, on conviction, be liable to imprisonment for a term not exceeding ten years or to a fine not exceeding MYR50 million or to both.

Laws and regulations relating to taxation

Income Tax Act 1967 (“ITA 1967”)

The ITA 1967 imposes a tax, known as income tax, for each year of assessment upon the income accruing in or derived from Malaysia or received in Malaysia from outside Malaysia. A company will be a tax resident in Malaysia if its management and control is exercised in Malaysia. The management and control of the company is considered to be exercised where the directors meet to conduct the company’s businesses and affairs, for instance, the place where the directors’ meetings concerning the management and control of the company are held.

The ITA 1967 provides that any person who willfully and with intent to evade or assist any other person to evade tax shall be guilty of an offence and shall on conviction be liable to a fine of not less than MYR1,000 and not more than MYR20,000 or to imprisonment for a term not exceeding three years, or to both and shall pay a special penalty of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence had not been detected.

The ITA 1967 further provides that any person who makes an incorrect tax return by omitting or understating any income of which he is required to make a return on behalf of himself or another person or gives any incorrect information in relation to any matter affecting his own chargeability to tax or the chargeability of tax of any other person, shall on conviction be liable to a fine of not less than MYR1,000 and not more than MYR10,000 and shall pay a special penalty of double the amount of tax which has been undercharged in consequence of the incorrect return or incorrect information or which would have been undercharged if the return or information had been accepted as correct.

For years of assessment 2017 and 2018, corporate income tax is reduced based on the incremental chargeable income for companies, limited liability partnerships, trust bodies, executor of estate of an individual domiciled outside Malaysia at the time of death and receiver appointed by the court. The tax rate of the resident companies shall range from 20.0% to 24.0%.

REGULATORY OVERVIEW

Withholding Tax

The ITA 1967 provides that where a person is liable to make certain types of payment to a non-resident person, he shall deduct withholding tax at the prescribed rate from such payment and (whether or not that tax is so deducted) shall within one month after paying or crediting such contract payment render an account and pay the amount of that tax to the Director General of Inland Revenue of Malaysia.

Pursuant to section 107A(1) of the ITA 1967, where any person is liable to make contract payment to a non-resident contractor in respect of services under a contract, he shall upon paying or crediting such contract payment deduct therefrom tax at the rate stated below:

- (i) 10.0% of the contract payment on account of tax which is or may be payable by that non-resident contractor for any year of assessment; and
- (ii) 3.0% of the contract payment on account of tax which is or may be payable by employees of that non-resident contractor for any year of assessment

and (whether or not that tax is so deducted) shall within one month after paying or crediting such contract payment render an account and pay the amount of that tax to the Director General of Inland Revenue.

In addition, the ITA 1967 states that where a person fails to pay any withholding tax due from him, that amount which he fails to pay shall be increased by a sum equal to ten per cent. (10.0%) of the amount which he fails to pay and that amount and the increased sum shall be a debt due from him to the Malaysian Government and shall be payable forthwith to the Director General of Inland Revenue of Malaysia.

The ITA 1967 further provides that interest, royalties and payment for services under a contract and certain classes of income are subject to withholding tax when paid to non-residents. However, it should be noted that save and except for (i) the restriction imposed under section 131 of the Companies Act 2016 whereby a company may only make a distribution to the shareholders out of profits of the company if the company is solvent; and (ii) the restriction on the repatriation of income or proceeds from a Malaysian company under the Foreign Exchange Administration Notices issued by the BNM whereby the repatriation of income or proceeds from a Malaysian company shall be made in foreign currency. As at the Latest Practicable Date, Malaysia did not impose restrictions or withholding tax on the dividend payments from Malaysian companies.

Goods and Services Tax Act 2014 (“GST ACT 2014”)

The GST Act 2014 came into effect from 1 April 2015 which introduces goods and services tax (“GST”) chargeable on all taxable supplies of goods and services made in the course or furtherance of a business in Malaysia and importation of goods into Malaysia by a taxable person.

REGULATORY OVERVIEW

The GST Act 2014 provides that a taxable person is a person who makes taxable supplies in Malaysia with annual turnover exceeding MYR500,000 and to be registered with the Royal Malaysian Customs. As at the Latest Practicable Date, the GST rate was 6.0% chargeable on all taxable supplies of goods and services except supply granted relief, zero rated supply and exempt supply.

The GST Act 2014 provides that any person, who makes an incorrect return, understates any output tax or overstates any input tax in a return or gives any incorrect information in relation to any matter affecting his own liability to tax or the liability to tax of any other person, commits an offence and shall on conviction be liable to a fine not exceeding MYR50,000 or to imprisonment for a term not exceeding three years or to both and to a penalty equal to the amount of tax which has been undercharged or would have been so undercharged if the return or information had been accepted as correct.

The GST Act 2014 further provides that any person who with intent to evade or to assist any person to evade tax commits an offence and shall on conviction be liable for the first offence, to a fine of not less than ten times and not more than 20 times the amount of tax or to imprisonment for a term not exceeding five years or to both and for a second or subsequent offence, to a fine of not less than 20 times and not more than 40 times the amount of tax or to imprisonment for a term not exceeding seven years or to both provided that where the amount of tax cannot be ascertained, the person shall be liable to a fine of not less than MYR50,000 and not more than MYR500,000 or to imprisonment for a term not exceeding seven years or to both.

In addition to that, essentially all exports are zero-rated in which exporters do not collect output tax on their supplies. All major re-exporters will have positive input tax refund as they do not have collection or have minimal collection of output tax to help them offset against the GST paid on their imports. This would create a cash flow problem for them because they would have to pay GST upfront. Hence, Approved Trader Scheme (“**ATS**”) is introduced as stipulated in Section 71 of GST Act 2014 which allows the Director General (“**DG**”) to suspend payment of tax chargeable on the goods imported by an approved person under ATS. This alleviates the cash flow problem faced by importers who mainly re-export their supplies.

According to Regulation 88 of the Goods and Services Tax Regulations (“**GSTR**”) 2014, all licensed manufacturing warehouse operators licensed under Section 65A of the CA 1967 are eligible to apply for ATS subject to approval given by the DG.

Any taxable person approved under the ATS (“**ATS approved person**”) will be allowed to suspend GST payable on imported goods at the point of importation. The total amount of suspended GST on all goods imported has to be accounted for in a specific column in the GST return in the taxable period when the importation takes place. ATS approved person must be on a monthly taxable period. Suspension of GST only applies to goods that are imported and not for locally acquired supplies. Normally, an ATS approved person would be able to acquire supplies from the local market on a credit term. At the same time, he may be able to collect output tax on his supplies made to the local market to offset his input tax payments.

REGULATORY OVERVIEW

Laws and regulations relating to land ownership in Malaysia

National Land Code 1965 (“NLC”)

Section 127 of the NLC – Liability to forfeiture for breach of condition

The NLC also provides that the State Authority may impose conditions attached to the land. Where the use of the land is in breach of the conditions imposed, the land shall either become liable for forfeiture to the State Authority, or the land administrator may require the proprietor to comply with the condition imposed on the land, or the land administrator may require the proprietor to show cause why a fine should not be imposed in respect of such breach. Where the land administrator requires the proprietor to show cause why a fine should not be imposed and the proprietor fails to show cause to the satisfaction of the land administrator, he may make an order for payment of a fine not less than RM500 and in the case of a continuing breach, a further fine of not less than RM100 for each day during which the breach continues. Where a fine is paid upon such an order, no action for compliance of the condition will be required and no action of forfeiture will be taken in respect of the breach.

LAWS AND REGULATIONS RELATED TO THE PRC

Resident representative office of foreign enterprises

The establishment, registration and operations of resident representative offices of foreign enterprises in the PRC are mainly governed by the Interim Regulations of the PRC Concerning the Administration of Resident Representative Offices of Foreign Enterprises (《中華人民共和國國務院關於管理外國企業常駐代表機構的暫行規定》, the “**Interim Regulations**”) promulgated by the State Council on 30 October 1980 which became effective on the same date. In addition, on 10 November 2010, the State Council adopted the Regulations on the Administration of Registration of Resident Representative Offices of Foreign Enterprises (《外國企業常駐機構代表機構登記管理條例》, the “**Registration Regulations**”) which was further revised by the State Council on 18 July 2013.

According to Article 2 of the Interim Regulations, any foreign enterprise that is wishing to establish resident representative office in the PRC should first lodge its application for approval and register with relevant governmental authorities. A foreign enterprise shall not conduct any business activities via its resident representative office in the PRC unless approval has been obtained and registration with relevant governmental authorities has been completed.

Article 9 of the Registration Regulations provides that a resident representative office of foreign enterprise should register with the Industry and Commerce Bureau of its name, name of the chief representative, business scope, office address, term of residence together with name and domicile of the foreign enterprise. As permitted by Article 14 of the Registration Regulations, a resident representative office may conduct the activities related to the business of foreign enterprise including: (i) marketing research, presentation and publicity activities for the products and services provided by foreign enterprise and (ii) liaison activities related to the sales of products, provision of services, domestic procurement and domestic investment by foreign enterprises.

REGULATORY OVERVIEW

Taxation

A resident representative office of foreign enterprise is subject to enterprise income tax, business tax and value-added tax in the PRC as required by Article 3 of Interim Measures for the Administration of Tax Collection against the Resident Representative Offices of Foreign Enterprises (《外國企業常駐代表機構稅收管理暫行辦法》) issued by State Administration of Taxation of the PRC on 20 February 2010.

Enterprise income tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the “**EIT Law**”) which was promulgated by the National People’s Congress on 16 March 2007 and became effective from 1 January 2008 and was subsequently amended on 24 February 2017, the income tax rate for both resident enterprise and non-resident enterprise are 25.0% commencing from 1 January 2008. Non-resident enterprise means enterprises incorporated under the laws of a foreign country without any management institution in the PRC, however, such enterprise should have set up offices or establishment or have income sourced in/from the PRC under Article 3 of the EIT Law.

In order to clarify certain provisions in the EIT Law, the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》, the “**EIT Implementation Rules**”) were promulgated by the State Council on 6 December 2007 and became effective from January 1, 2008.

On 26 December 2007, the State Council promulgated the Circular on Implementation of Enterprise Income Tax Transition Preferential Policy (《關於實施企業所得稅過渡性優惠政策的通知》, 國發[2007]39號, the “**Transition Preferential Policy Circular**”), which became effective on 1 January 2008. Under the EIT Law and the Transition Preferential Policy Circular, enterprises that were established before 16 March 2007 which already enjoyed preferential tax treatment will continue to enjoy it: (a) in the case of preferential tax rates, for a period of five years from 1 January 2008 during which the tax rate will gradually increase from 15.0% to 25.0%; or (b) in the case of tax exemption or reduction for specified term, until the expiration of such term.

Business tax

The current Interim Regulation of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》, the “**Business Tax Regulations**”) took into effect on 1 January 2009, under which any organisation or individual carrying on business of provision of certain services, transfer of intangible assets or the sale of immovable assets should declare and pay business tax in the PRC. The Business Tax Regulations also stipulates the applicable tax rates ranging from 3.0% to 20.0% for various industries such as transportation, construction, finance and insurance, entertainment, communication, culture and sports, real estate, etc.

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Value-added tax

Pursuant to Article 3 of Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and further amended on 6 February 2016, any organisation or individual which is engaged in the business of sales of goods, provision of processing, repair and maintenance services and import of goods should be subject to value-added taxes in the PRC. Applicable tax rates vary from 13.0% to 17.0% according to the nature of business the organisation or individual conduct and the tax rate for the VAT on small-scale taxpayers is 3.0%. Payment of value-added tax in the PRC is governed by Implementation Rules of the Interim Regulations on Valued-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) as well, which clarifies some key terms, criteria and procedural requirements under Interim Regulations on Value-added Tax of the PRC.

Labour and social insurance

The major labour and social insurance laws in the PRC include the Labour Law of the PRC (《中華人民共和國勞動法》, the “**Labour Law**”) (effective from 1 January 1995, amended and effective on 27 August 2009), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》, the “**Labour Contract Law**”) (effective from 1 January 2008, amended on 28 December 2012 and then effective on 1 July 2013), the Implementation Regulations of the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》) (effective from 18 September 2008), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (effective from 1 July 2011), the Provisional Measures on Maternity Insurance of Employees (《企業職工生育保險試行辦法》) (effective from 14 December 1994), the Regulations on Work-Related Injury Insurance (《工傷保險條例》) (effective from 1 January 2011), the Regulations on Unemployment Insurance (《失業保險條例》) (effective from 22 January 1999), the Interim Regulations on Collection of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (effective from January 1999), the Administrative Regulations on the Declaration and Contribution of Social Insurance Premiums (《社會保險費申報繳納管理規定》) (effective from 1 November 2011) and the Administrative Regulations on Housing Reserved Fund (《住房公積金管理條例》) (effective from 24 March 2002). The Labour Law lays the foundation of the legal principals of labour protection in the PRC. Employees are entitled to equal opportunities in employment, selection of occupations, receiving labour remuneration, rest days and holidays, protection of occupational safety and healthcare, social insurance and welfare, etc. Employers must establish and improve the system for occupational safety and healthcare, provide education on occupational safety and healthcare for the employees, comply with national and/or local regulations on occupational safety and healthcare and provide necessary labour protective supplies to employees.

REGULATORY OVERVIEW

By Labour Contract Law, another important law in relation to rights and duties of employees, labour unions and employers, employment contracts must be executed in order to establish the working relationship between employers and employees. In recruiting employees, an employer should inform the employees truthfully the scope of work, working conditions, workplace, occupational hazards, safety conditions, remuneration and other information requested by the employee. An employer and an employee shall fully perform their respective obligations in accordance with the terms and conditions set forth in the employment contract. An employer must pay employees remuneration timely and in full amount in accordance with terms under their employment contract.

An employer is required to make contribution to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance according to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Regulations on Work-Related Injury Insurance (《工傷保險條例》), the Provisional Measures on Maternity Insurance of Employees (《企業職工生育保險試行辦法》), the Interim Regulation on Collection of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》) and Administrative Regulations on Housing Reserve Fund (《住房公積金管理條例》). If the employer fails to make social insurance contributions or make contribution to the housing reserve fund in full and on time, the relevant governmental authorities may demand the payment of outstanding amount within a specified period together with a late payment fee. Furthermore, if the employer fails to settle the overdue payment within prescribed time limit, the relevant governmental authorities may impose a fine on such employer.

In the case of a resident representative office of foreign enterprise, a resident representative office can only lease property and recruit employees through local organisations which is responsible for foreign affairs or other entities that is properly authorised by the PRC government according to Article 11 of the Interim Regulations.

OUR HISTORY AND DEVELOPMENT

In March 1995, Mr. Chuah, leveraging on his engineering background and experience in vision inspection, co-founded Pentamaster Technology, our wholly-owned subsidiary, together with Mr. Tan Boon Teik, his brother-in-law, with their respective personal financial resources. Over the years, our Group has grown from a local start-up focusing on software vision automation system in the semiconductor industry to a tech company with over 270 in-house engineers providing our multinational corporations customers with a broad range of products and solutions in automated equipment and automated manufacturing solutions.

Our Group is part of the Pentamaster Group under PCB. PCB, our Controlling Shareholder, has been listed on the Main Market of Bursa Malaysia since 2004, having transferred from the second board of Bursa Malaysia (on which it was listed in 2003). Throughout its history, the PCB Group had developed its business coverage to encompass various activities (amongst others, contract manufacturing and more recently smart home solutions) corresponding to prevailing industry trends over those periods. Please refer to the section headed “Relationship with our Controlling Shareholder” of this prospectus for more information. Meanwhile, our Group’s businesses continued to evolve in line with technological advancement and customer requirements. In this regard, our automated equipment business under Pentamaster Technology, as a natural extension of our initial core competence in semiconductor vision inspection, expanded to include ATE and test and measurement system under Pentamaster Instrumentation in 2006. In the same year, Pentamaster Equipment was established with a view to enter into the high precision manufacturing equipment business and has, since 2016, launched i-ARMS to capture opportunities arising from the current trend of automation and data exchange in manufacturing technology, commonly known as Industry 4.0.

In the past decade, disruptive innovation in certain disciplines have created new mass consumer markets, most notably the smart mobile device sector. This together with intense competition amongst key global market players within that sector, had resulted in a shift in global consumer behaviour, leading to shorter product cycles and unprecedented rate of technological advancement. Not only are such changes in consumer demand and technological advancement mutually beneficial, this phenomenon, together with the technological advancement in automotive and medical device sectors, have also generated unprecedented demand for automated equipment for functionality testing and factory automation – our Group’s specialities.

In order to capture opportunities arising from such phenomena, our Group, having experienced and survived the aftermath of the global financial crisis in 2007 which entailed cancellation and deferment of planned customers’ projects, implemented a series of initiatives from 2011 onwards. Such initiatives include consolidation of certain business operations and outsourcing of less technologically intense production process (such as wiring and assembly) with the objective to streamline our workforce and operations and have since developed into our current business model, which focuses on:

- (i) core technology, as demonstrated by approximately 70.0% of our employees being technical-oriented as at the Latest Practicable Date;

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- (ii) continuous innovation towards customers-centric R&D, as proven by our various Pioneer Status (as further detailed in the paragraph headed “Milestones” under this section and the paragraph headed “13. Tax incentives” under the section headed “Business” of this prospectus); and
- (iii) provision of customised high value-add technological products and solutions to our customers, as endorsed by the multiple accolades from our customers set out in the paragraph headed “Milestones” under this section.

Our encouraging financial performance during the Track Record Period (as detailed under the section headed “Financial information” of this prospectus) further validates this business model as a proven formula. In this respect, our ability to keep abreast of the latest technological development is fundamental to our continuous success. Whilst our long history has enabled us to establish an extensive database which we are able to build on, we believe ongoing cultivation and retention of talents is paramount to the future of our Group.

Headquartered in Penang, Malaysia, we have been operating from our Existing Production Plant since December 2002 and intend to expand our operations so as to capture opportunities arising from the expected growth in the back-end semiconductor ATE and FAS sectors brought about by the IoT revolution and Industry 4.0 initiatives. Our Directors believe that a listing in Hong Kong would enable us to (i) increase our exposure and raise our profile in the Greater China region market, which covers the largest semiconductor market, the PRC, as well as key semiconductor markets such as Taiwan; and (ii) leverage on the enhanced prestige offered by an overseas listing status in an international financial center to attract new and retain existing talents, which as aforementioned is paramount to the future of our Group, as innovation and customised design form the pillars of our business model. Notwithstanding PCB’s listed status on Bursa Malaysia, our Directors, having considered:

- (i) higher trading liquidity of the Hong Kong stock market as compared to the Malaysian stock market where in particular, our Directors noted in 2016, the average daily turnover of stocks in Hong Kong was approximately HK\$66.9 billion (equivalent to approximately MYR36.1 billion) versus that of approximately HK\$3.6 billion (equivalent to approximately MYR2.0 billion) in Malaysia. Further, our Directors have also noted the relevant average daily trading liquidity⁽¹⁾ of the listed companies involved in the general automation industry in Hong Kong was approximately 0.60% versus that of approximately 0.19% for those in Malaysia;
- (ii) access to international investors on the Stock Exchange where overseas investors accounted for approximately 40.2% of Hong Kong’s security market trading value in 2016 as compared to approximately 27.0% in Malaysia;

Note:

1. The average daily trading liquidity is calculated by dividing the issued shares of the listed companies involved in the general automation industry by its average trading volume from 25 October 2016 to 24 October 2017 and illustrated in percentage.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (iii) the familiarity of Hong Kong investors with the back-end semiconductor ATE market with one of the biggest market players being listed on the Stock Exchange; and
- (iv) the Stock Exchange's positioning as the gateway to the PRC, which, as set out in the sections headed "Business" and "Future plans and use of proceeds" of this prospectus, is one of the markets our Group is seeking to expand into,

are of the view that Hong Kong is the most suitable listing venue for our Group and a listing on the Stock Exchange would augment the development of our Group's business. For further details of our expansion plan and business strategies, please refer to the sections headed "Business" and "Future plans and use of proceeds" of this prospectus.

In addition, the directors of PCB are of the view that the separate listing of our Group on the Stock Exchange in addition to PCB's listing on Bursa Malaysia will (i) enable our Group's business to gain recognition and corporate stature under a separate listing status of its own and further enhance our corporate reputation which will assist in the expansion of our customer base; (ii) enhance efficiency by way of promoting a clearer segregation of business responsibilities and operations for our business and PCB's other business interests (comprising smart home solutions), thereby enabling the respective management team to focus on opportunities specific to each of the businesses; (iii) unlock shareholders' value in our business and provide a transparent valuation benchmark for the same in Hong Kong; and (iv) provide our Group with a diverse fund raising platform in the future i.e. Hong Kong equity capital markets, which in turn will increase its financing flexibility to fund its future growth as aforementioned. Please refer to the section headed "Relationship with our Controlling Shareholder" of this prospectus for more information in relation to PCB.

Milestones

We set out in the table below a summary of our key business milestones and achievements since our establishment:

Year	Our milestones
1995	Establishment of our Group with the incorporation of Pentamaster Technology, marking the commencement of our automated system and equipment business
1999	Pentamaster Group was awarded International Supplier of the Year by Dell Inc. for excellence in worldwide process technology
2000	Pentamaster Group was consecutively awarded International Supplier of the Year by Dell Inc. for excellence in worldwide process technology
2001	Establishment of our first representative office in Shanghai, the PRC, to provide customer liaison support to our customers in the PRC

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Our milestones
2003	PCB, the parent company of Pentamaster Technology, was listed on the second board of Bursa Malaysia
2003	Pentamaster Group was awarded Industry Excellence Award by MITI in quality management category
2003	Establishment of Pentamaster Instrumentation, marking the expansion of our automated equipment business to include ATE and test and measurement system for end products
2004	PCB's listing was transferred to the Main Market of Bursa Malaysia
2006	Establishment of Pentamaster Equipment, marking the commencement of our high precision manufacturing equipment business
2007	Pentamaster Group was awarded Industry Excellence Award by MITI in quality management category
2008	Pentamaster Instrumentation was granted the Pioneer Status for development and production of test and measurement system for the E&E industry
2013	Our Group received grants from the Domestic Investment Strategic Fund of MIDA in relation to (i) R&D activities; (ii) modernisation and upgrading of facilities and tools for manufacturing activities and solutions; and (iii) international certification and standards
2015	Pentamaster Equipment developed i-ARMS to address manufacturing needs under Industry 4.0 and was subsequently granted the Pioneer Status in 2016 for a period of 10 years
2016	Pentamaster Technology was granted the Pioneer Status for smart device test solution for IoT industry and related modules for a period of 10 years
2017	Pentamaster Group was awarded the 2017 Alliance Partner of the Year (APAC) – by the National Instruments Corporation (NASDAQ:NATI)
2017	Pentamaster Group was awarded Knowles 10 Billion SISONIC MEMS Microphones by Knowles Electronic (Suzhou) Co., Ltd.
2017	PCB was named as one of the 200 Asia-Pacific public companies with less than US\$1.0 billion in revenue and consistent top- and bottom-line growth on Forbe's list of Asia's Best Under A Billion 2017

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR CORPORATE DEVELOPMENTS

Our major corporate developments, including the major shareholding changes of members of our Group, which were material to our performance during the Track Record Period, are set out below:

Pentamaster Technology

Pentamaster Technology was incorporated in Malaysia as a limited liability company on 18 March 1995 and engages in the design, manufacturing and installation of computerised automation systems and equipment. The initial authorised share capital of Pentamaster Technology was MYR100,000 divided into 100,000 shares of MYR1.00 each. At incorporation, two subscriber shares were issued and allotted at par, one to each of Mr. Chuah, our Executive Director and Chairman and Mr. Tan Boon Teik, the brother-in-law of Mr. Chuah, respectively.

On 28 December 1998, 15 June 2001 and 1 December 2004, the authorised share capital of Pentamaster Technology was increased to MYR500,000, MYR1,000,000 and MYR5,000,000 respectively, by the creation of additional shares of MYR1.00 each. Subsequent to a series of share transfers by the shareholders of Pentamaster Technology and share allotments by Pentamaster Technology which took place between February 1996 and December 2004, 2,400,000 shares, representing the entire issued share capital of Pentamaster Technology, became held by PCB, which subsisted immediately prior to the Reorganisation.

As part of the Reorganisation, our Company acquired the entire issued share capital of Pentamaster Technology from PCB on 17 July 2017. Details of such acquisition are set out in the paragraph headed “Reorganisation” under this section.

Pentamaster Instrumentation

Pentamaster Instrumentation was incorporated in Malaysia as a limited liability company on 18 December 2003 and engages in the design and manufacturing of automated testing equipment and test and measurement system. The initial authorised share capital of Pentamaster Instrumentation was MYR100,000 divided into 100,000 shares of MYR1.00 each. At incorporation, two subscriber shares were issued and allotted at par, one to each of two Independent Third Parties respectively.

On 19 July 2004, the authorised share capital of Pentamaster Instrumentation was increased to MYR500,000 by the creation of an additional 400,000 shares of MYR1.00 each. Subsequent to a series of share transfers by the shareholders of Pentamaster Instrumentation and share allotments by Pentamaster Instrumentation which took place between July 2004 and August 2014, 300,000 shares, representing the entire issued share capital of Pentamaster Instrumentation, became held as to 60.00% by PCB, 15.00% by Mr. Moey Huey Chyan (a then but not current director of Pentamaster Instrumentation), 15.00% by Ms. Kang Soo Huah (an Independent Third Party) and 10.00% by Mr. Teoh Siow Khiang (an Independent Third Party), respectively. On 9 June 2017, PCB acquired the remaining 40.00% shareholding in Pentamaster

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Instrumentation at a cash consideration of MYR6,000,000 which was determined with reference to the then estimated net asset value of Pentamaster Instrumentation. The consideration was fully settled on 9 June 2017 and upon completion of such acquisition, Pentamaster Instrumentation became a wholly-owned subsidiary of PCB, which subsisted immediately prior to the Reorganisation.

As part of the Reorganisation, our Company acquired the entire issued share capital of Pentamaster Instrumentation from PCB on 17 July 2017. Details of such acquisition are set out in the paragraph headed “Reorganisation” under this section.

Pentamaster Equipment

Pentamaster Equipment was incorporated in Malaysia as a limited liability company on 2 October 2006 and engages in equipment design and manufacturing services and the manufacturing of high precision machine parts. The initial authorised share capital of Pentamaster Equipment was MYR100,000 divided into 100,000 shares of MYR1.00 each. At incorporation, two subscriber shares were issued and allotted at par, one to each of two Independent Third Parties, respectively. On 27 October 2006, the two subscriber shares were transferred to PCB, at par value all credited as nil paid.

On 11 January 2007, the authorised share capital of Pentamaster Equipment was increased to MYR500,000 by the creation of an additional 400,000 shares of MYR1.00 each and on the same day, Pentamaster Equipment issued and allotted 499,998 shares at par value to PCB. On 22 September 2014, the authorised share capital of Pentamaster Equipment was further increased to MYR25,000,000 by the creation of an additional 24,500,000 shares of MYR1.00 each and on the same day, Pentamaster Equipment issued and allotted 12,660,000 shares at par value to PCB and 13,160,000 shares, representing the entire issued share capital of Pentamaster Equipment, became held by PCB, which subsisted immediately prior to the Reorganisation.

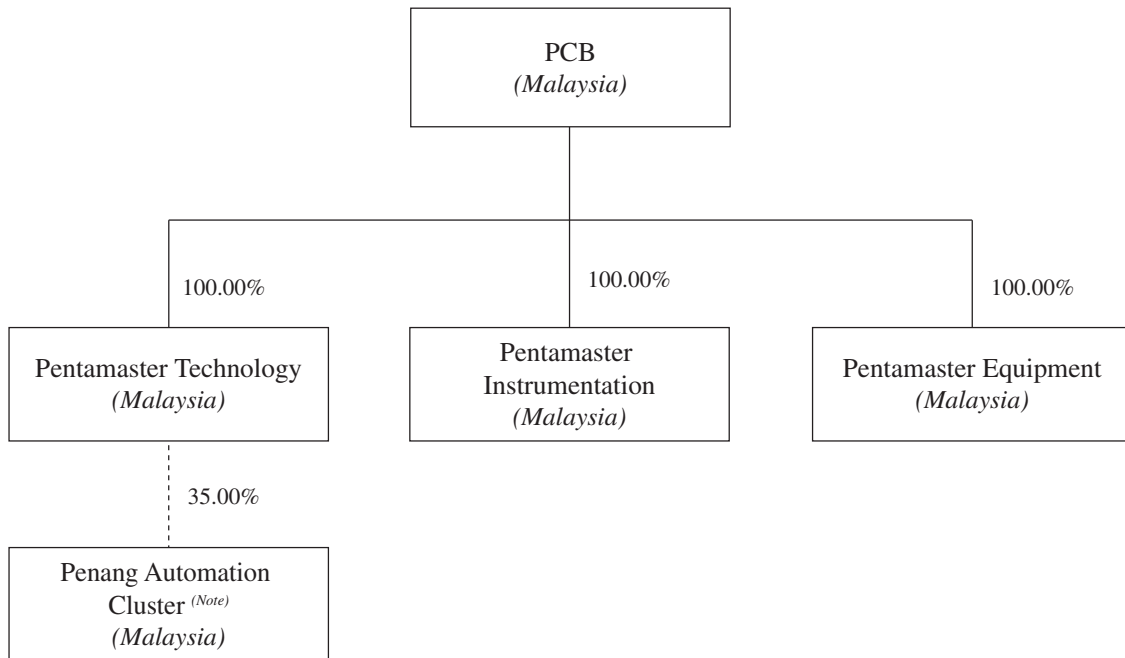
As part of the Reorganisation, our Company acquired the entire issued share capital of Pentamaster Equipment from PCB on 17 July 2017. Details of such acquisition are set out in the paragraph headed “Reorganisation” under this section.

REORGANISATION

In June 2017, we commenced the Reorganisation in preparation for the Share Offer. In anticipation of the Listing, we undertook a restructuring exercise whereupon our Company became the listing vehicle of our Group and the holding company of our business operations.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganisation:



Note: Penang Automation Cluster is an associate of Pentamaster Technology and is principally engaged in providing value added engineering development and technical training to the automation cluster companies specialised in the area of design, development and manufacture of high precision metal fabrication components, modules and systems for semiconductor, electronics, automotive, aerospace and other high growth industries in Malaysia. The remaining 65.00% of its issued share capital is owned by two Independent Third Parties. For further details on Penang Automation Cluster, please refer to the section headed “Business” of this prospectus.

Shareholders' approval

As advised by our legal advisers as to Malaysian Law, approval by ordinary resolution of the shareholders of PCB (the “**PCB shareholders' Approval**”) is required under the Main Market Listing Requirements of Bursa Malaysia for or in connection with the listing of the Shares of our Company, as a subsidiary of PCB, on the Main Board of the Stock Exchange. In relation to the Share Offer:

- an extraordinary general meeting was held by PCB on 16 November 2017 at which the PCB Shareholders' Approval was obtained. No person was required to abstain from voting at such meeting in compliance with the requirements of the Malaysian listing rules;
- other than the PCB Shareholders' Approval, no other consent or regulatory approval or requirement has to be obtained or otherwise complied with by PCB in Malaysia for or in connection with the Listing; and
- no assured entitlement of the Offer Shares is required to be offered and none will be offered by PCB to its shareholders under the requirements in Malaysia.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As advised by our legal advisers as to Malaysian Law, PCB will continue to comply with the relevant Malaysian listing rules and regulations after the spin-off of our Company. Further, given that our Company is not incorporated in Malaysia and does not intend to offer Shares to the public in Malaysia, therefore, the relevant requirements of “chain listing” set out in section 5.09 of Equity Guidelines issued by Securities Commission Malaysia are not applicable to the Company.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company on 12 June 2017 to act as the holding company of all the businesses and operations of our Group. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon incorporation, one subscriber Share was issued to PCB at par, the details of which are set out in Appendix V to this prospectus.

Acquisition of the operating subsidiaries

On 17 July 2017, our Company acquired the entire issued share capital of Pentamaster Technology, Pentamaster Equipment and Pentamaster Instrumentation from PCB at a total consideration of MYR86,776,487, which was determined with reference to the audited combined net assets of Pentamaster Technology, Pentamaster Equipment and Pentamaster Instrumentation as at 31 December 2016. The consideration was settled by the issuance of 999 Shares by our Company to PCB on 21 July 2017. Upon completion of such transfers, Pentamaster Technology, Pentamaster Equipment and Pentamaster Instrumentation became direct wholly-owned subsidiaries of our Company.

PRE-IPO INVESTMENT

Investment by GEMS

On 17 July 2017, GEMS and PCB entered into the Sale and Purchase Agreement, pursuant to which PCB agreed to sell and GEMS agreed to purchase 74 Shares at a cash consideration of MYR25,500,000 (the “**Consideration**”), which was determined with reference to the price to earnings multiple of approximately 10.4 times of the audited combined profit after taxation of Pentamaster Technology, Pentamaster Equipment and Pentamaster Instrumentation for the year ended 31 December 2016. 74 Shares were subsequently transferred from PCB to GEMS on 31 July 2017 resulting in GEMS becoming our Shareholder owning 7.40% of the issued share capital of the Company. The Consideration was fully settled in cash on 8 August 2017.

GEMS is a private equity limited partnership fund incorporated in Singapore focusing on investments in unlisted private companies during the pre-initial public offering and/or initial public offering placement investment stages and the trading of listed securities in Asian stock exchanges. It is managed by GEMS Capital Pte Ltd (“**GEMS Capital**”), a registered fund management company in Singapore formed in 1999 which has been in the fund management business for approximately 18 years. In July 2015, GEMS Capital via its GEMS-Asia Emerging

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Technology Fund acquired from PCB the entire issued share capital of Dixin Automation Sdn. Bhd. (“**Dixin**”) (formerly known as Pentamaster Solutions Sdn. Bhd.) and Pentamaster Engineering (M) Sdn. Bhd., which were then wholly-owned subsidiaries of PCB. Dixin was the largest customer of our Group for the years ended 31 December 2015 and 2016. For further details of Dixin, please refer to the paragraph headed “8. Customers” under the section headed “Business” of this prospectus.

The table below sets forth details of the Pre-IPO Investment:

Date of the Pre-IPO Investment:	17 July 2017
Consideration paid:	MYR25,500,000 (approximately HK\$47,175,000)
Date on which the Consideration was fully settled:	8 August 2017
Basis of determination of consideration:	The consideration was determined after taking into consideration the price to earnings multiple of approximately 10.4 times of the audited combined profit after taxation of Pentamaster Technology, Pentamaster Equipment and Pentamaster Instrumentation for the year ended 31 December 2016.
Number of Shares acquired:	74 Shares
Investment cost per Share and discount to the Offer Price:	Approximately HK\$0.45 per Share, representing a 55.0% discount to the mid-point of the Offer Price range.
Use of proceeds:	The proceeds received by PCB from such Pre-IPO Investment have been/will be utilised as (i) expenses in relation to the Listing; (ii) repayment of bank borrowings; (iii) staff and other general administrative and operating related expenses; and (iv) sales and marketing expenses, approximately 65.4% of which had been fully utilised as at the Latest Practicable Date.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Strategic benefits:	GEMS' positioning as a strategic investor of our Company, coupled with GEMS' extensive investment experience and network, will add value to the Listing and the profile of our Company.
Shareholding in our Company immediately after completion of the Pre-IPO Investment, but before completion of the Share Offer and the Capitalisation Issue:	7.40%
Approximate shareholding in our Company immediately upon completion of the Share Offer and the Capitalisation Issue:	6.51%
Call option:	<p>GEMS has granted PCB a right (the “Call Option”) to acquire the Shares held by GEMS at the equivalent price of the Consideration in the event that the Listing does not take place on or before 31 December 2018 or such later date as may be agreed in writing by GEMS and PCB (the “Call Option Date”).</p> <p>In the event the application for the Listing is still ongoing as at 31 December 2018, the exercise of the Call Option shall be deferred to such other date as notified by PCB to GEMS that the Listing will not take place (the “Revised Call Option Date”).</p> <p>The Call Option shall lapse immediately upon completion of the Listing.</p>
Other special rights:	Nil

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Public float:	The Shares held by GEMS will be counted as part of the public float upon Listing as to the best of our Directors' knowledge, (i) GEMS is not a connected person of our Company; (ii) the subscription of its equity interests in the Shares were not financed directly or indirectly by any connected person of our Company; and (iii) each of GEMS and its ultimate beneficial owners is not accustomed to take instructions from any connected person of our Company in relation to the subscription, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it.
Lock-up:	The Shares held by GEMS will be subject to lock-up for a period of twelve (12) months after the Listing Date, during which it shall not dispose of any of the Shares it holds.

To the best knowledge, information and belief of our Directors, save for the Pre-IPO Investment in our Group and as disclosed above, each of GEMS and its ultimate beneficial owners is an Independent Third Party which is independent of and not connected with any of the Directors, chief executive or substantial Shareholders of our Company or our subsidiaries or any of our respective associates.

Sponsor's confirmation

On the above basis, the Sponsor has confirmed that the investment by GEMS is in compliance with the Guidance Letter HKEx-GL-43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange and the Sponsor is of the view that the investment by GEMS is in compliance with the Interim Guidance issued on 13 October 2010 by the Stock Exchange as the consideration for the Pre-IPO Investment was settled more than 28 days before the date of our first submission of the listing application to the Stock Exchange in relation to the Listing and the Call Option will lapse immediately upon the Listing.

SUBSCRIPTION FOR SHARES BY PCB AND GEMS

For the purpose of increasing the number of Shares held by PCB to facilitate the transfer of Shares to the eligible employees under the Share Award Scheme, each of PCB and GEMS subscribed for and was allotted 219,551 Shares and 17,545 Shares (being proportional to their then shareholdings) at a consideration of HK\$2,195.51 and HK\$175.45, respectively on 8 December 2017. Such consideration was determined with reference to the par value of the Shares transferred. Upon completion of such subscriptions and allotments, our Company remained held as to approximately 92.60% by PCB and 7.40% by GEMS.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

SHARE AWARD SCHEME

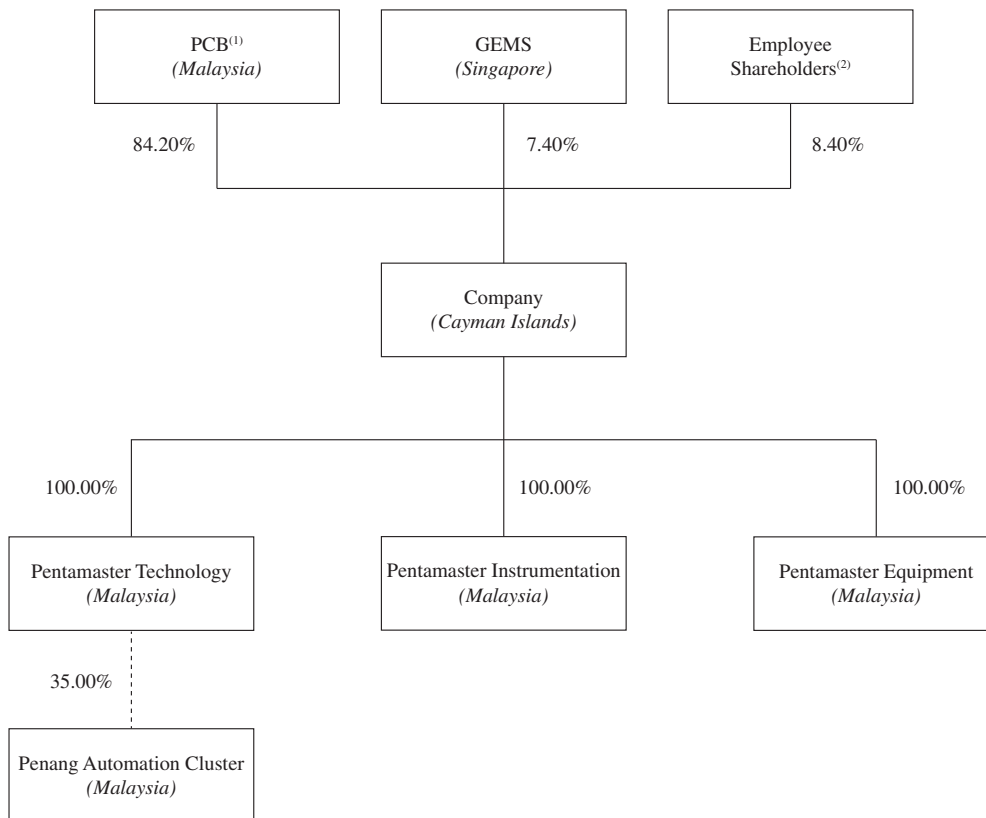
Subsequent to obtaining approval from its shareholders on 16 November 2017, our Controlling Shareholder PCB adopted the Share Award Scheme on 8 December 2017 to recognise contributions made by certain Directors and employees of the Group and to provide the eligible employees with incentives in order to retain them for the continual operation, growth and further development of the Group. Pursuant to the Share Award Scheme, PCB transferred on 19 December 2017 a total of 20,000 Shares (the “Share Award Transfers”), representing 8.40% of the then issued share capital of the Company to 232 Employee Shareholders as eligible employees of the Group, at a consideration of approximately MYR1,475 per Share, which was determined based on the fair market value of the Group ascribed by an independent valuer engaged by PCB. The Shares under the Share Award Scheme were awarded to the Employee Shareholders as follows:

Category	No. of Shares	Approximate shareholding in our Company immediately after completion of the Share Award Transfers and before completion of the Share Offer and the Capitalisation Issue	Range of shareholding in our Company immediately after completion of the Share Award Transfers and before completion of the Share Offer and the Capitalisation Issue
Directors	3,860	1.62%	0.36%-1.26%
– Mr. Chuah	3,000	1.26%	N/A
– Ms. Gan	860	0.36%	N/A
Heads of department Managers, senior executives and supervisors	6,290	2.64%	0.06%-0.83%
Other employees	9,788	4.11%	0.0004%-0.39%
	62	0.026%	0.0004%-0.006%
Total	20,000	8.40%	

Save for Ms. Gan who is the sister-in-law of Mr. Chuah and one other Employee Shareholder who is the sister of Mr. Chuah, none of the Employee Shareholders is related to any member of the board of directors of PCB or the Board. In addition, none of the Employee Shareholders has employment relationship with the PCB Group and (save for holding the Shares for each of himself/herself) none of them holds the Shares on behalf of the shareholders, directors, senior management of PCB and the Company or any of their associates. Details of the Share Award Scheme including the eligibility criteria and other details regarding the operation of the Share Award Scheme are set out in Appendix V to this prospectus.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately before completion of the Share Offer and the Capitalisation Issue:



Notes:

1. PCB is listed on the Main Market of Bursa Malaysia. To the best of our Directors' knowledge, none of its shareholders constitute a controlling shareholder (as defined in the Listing Rules) of our Company.
2. There are 232 Employee Shareholders, two of whom are our Directors, namely Mr. Chuah and Ms. Gan. Further details of their shareholdings are set out in the paragraph headed "C. Further information about our Directors and substantial Shareholders 1. Directors" in Appendix V to this prospectus.

As confirmed by our Directors, each of the share transfers made in the Reorganisation was properly and legally completed and settled, and no approval is required from any regulatory authority.

INCREASE OF AUTHORISED SHARE CAPITAL

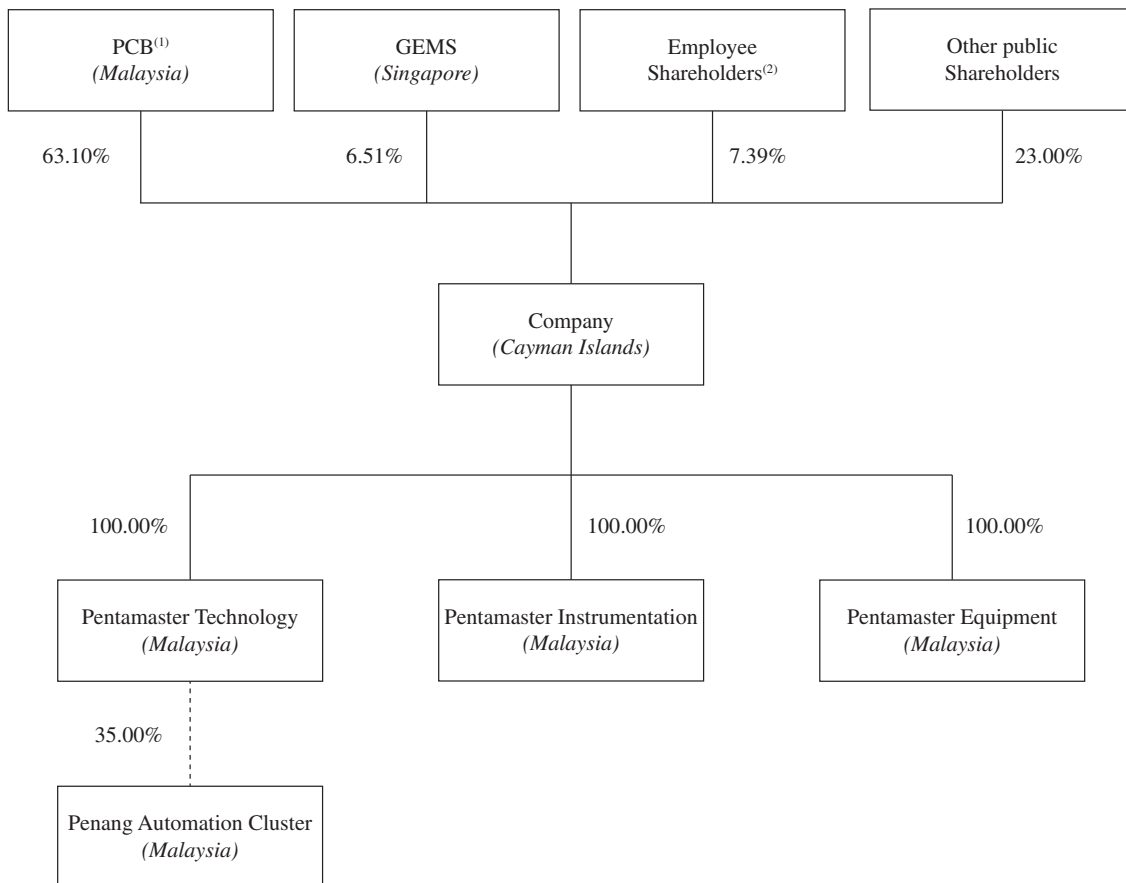
On 19 December 2017, our Company increased its authorised share capital to HK\$50,000,000 through the creation of 4,962,000,000 additional Shares.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CAPITALISATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue and offer of the Offer Shares pursuant to the Share Offer, our Directors are authorised to capitalise an amount of HK\$14,077,619.04 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 1,407,761,904 Shares for allotment and issue to our Shareholders whose names are on the register of members of the Company prior to the Share Offer pro rata to their then shareholdings.

The following chart sets forth our Group's corporate and shareholding structure upon completion of the Share Offer and the Capitalisation Issue:



Notes:

1. PCB is listed on the Main Market of Bursa Malaysia. To the best of our Directors' knowledge, none of its shareholders constitute a controlling shareholder (as defined in the Listing Rules) of our Company.
2. There are 232 Employee Shareholders, two of whom are our Directors, namely Mr. Chuah and Ms. Gan. Further details of their shareholdings are set out in the paragraph headed "C. Further information about our Directors and substantial Shareholders 1. Directors" in Appendix V to this prospectus.

1. OVERVIEW

We provide automation technology and solutions to multinational manufacturers mainly in the semiconductor, telecommunications, automotive and consumer electronics sectors spanning APAC, North America and Europe. Our broad range of integrated automation products and solutions entails innovating, designing, manufacturing and installing automated equipment and/or automated manufacturing solutions.

Under our automated equipment segment, we provide standardised and customised standalone automated equipment for (i) semiconductor electronic components testing for smart sensors and ICs; and (ii) end product testing for consumer electronics, telecommunications products and LEDs. Our automated equipment addresses our customers' functionality testing requirements during various stages of their manufacturing process. For the three years ended 31 December 2016 and the six months ended 30 June 2017, revenue generated by the automated equipment segment amounted to approximately MYR55.5 million, MYR45.4 million, MYR101.7 million and MYR82.7 million respectively, representing approximately 74.0%, 61.7%, 71.7% and 85.6% of our total revenue respectively.

Under our automated manufacturing solutions segment, we customise and automate manufacturing processes by integrating automated assembly and test modules, material handling, robotics technology, auto inspection and MES. Automated manufacturing solutions specifically cater to manufacturing needs across various sectors, including telecommunications, consumer electronics, food and beverages as well as medical devices. For the three years ended 31 December 2016 and the six months ended 30 June 2017, revenue derived from the automated manufacturing solutions amounted to approximately MYR19.5 million, MYR28.2 million, MYR40.1 million and MYR13.9 million respectively, representing approximately 26.0%, 38.3%, 28.3% and 14.4% of our total revenue respectively.

Headquartered in Penang, Malaysia since 1995, we currently have over 270 in-house engineers and operate through three subsidiaries in our Existing Production Plant with a gross floor area of approximately 90,310 sq.ft.. In order to expand our production capacity and capability, we have also acquired a plot of land in Malaysia for the construction of our New Production Plant, which is expected to commence operations in mid-2018 with a gross floor area of approximately 97,033 sq.ft.. In addition, our Group maintains a representative office in the PRC for customer liaison support in that area. Taking cutting edge technology as our benchmark and counting technologically advanced multinational corporations as our customers, our business model focuses on (i) development of core technology with approximately 70.0% of our staff being technical-oriented as at the Latest Practicable Date; (ii) continuous innovation towards customer-centric R&D; and (iii) providing high value-add customised technological products and solutions to our customers. We believe this customer- and technology-centric approach has enabled us to stay abreast of the latest technology and in turn, meet the ever-demanding changes in our customers' requirements.

As mentioned under the section headed “Industry overview” of this prospectus, our Group ranked second in terms of revenue from 2014 to 2016 amongst listed companies on Bursa Malaysia that are engaged in the back-end semiconductor ATE market. Further, our stringent quality control process is recognised with the accreditation of ISO9001:2015.

Going forward, with the backdrop of Industry 4.0, our Directors expect a growth in demand for total automation products and solutions and we intend to leverage on our established reputation and technological know-how as well as expertise to capture opportunities arising therefrom. We intend to continue with our existing business model and further grow our automated equipment segment and our automated manufacturing solutions segment. Please refer to the paragraph headed “3. Business strategies” under this section and the section headed “Future plans and use of proceeds” of this prospectus for more details on our expansion plans.

2. COMPETITIVE STRENGTHS

Ability to innovate and deliver high value-add integrated products and solutions at competitive price

We believe one of our key strengths that distinguishes us from our competitors is our ability to innovate and deliver high value-add integrated products and solutions at competitive price to our customers. We integrate and customise our technology products and solutions according to the specifications of our customers, which helps to improve the efficiency of their manufacturing process and shorten the time-to-market of their products. We also offer our customers the flexibility to upgrade and configure our products and solutions to cater to the latest changes in their manufacturing processes. This is of particular value given the rapid technological advancement over the past decade.

With an extensive database of technological know-how as well as over 270 in-house engineers supporting our R&D activities, we are able to deliver our products and solutions within a relatively short project lead time of eight to 12 weeks in general. Such capability enables us to meet the ever-demanding time schedule of our customers as the just-in-time production model becomes more prevalent.

Established reputation and business relationship with customers

Our Group has established business relationships with our customers. We have been collaborating with our top five customers in each of the years/period during the Track Record Period for an average of seven years. Most of our major customers during the Track Record Period are spearheading technological advancements across various sectors and they often seek innovative automation solutions from our Group. Our track record of successful delivery of innovative products and solutions is not only self-evident of our technical capability, but also demonstrates our deep understanding of our customers. This has placed us in good stead for future business opportunities and we will continue to proactively maintain and strengthen our business relationships with customers. Please refer to the paragraph headed “9. Sales and marketing” under this section for more details.

Strong and stable management team with extensive technology expertise and industry experience

Our founder and Chairman, Mr. Chuah, has over 30 years of experience with in-depth knowledge of the automation sector and he is supported by a senior management team and all of them possess over 17 years of experience in the industry. We are well equipped with technological know-how and possess extensive knowledge in technical matters involving robotics, mechanical engineering, vision inspection, control optimisation, optics, software automation and firmware programming. In particular, all of our management team have been with our Group for more than ten years and each and every one of them have had a part in strategising and shaping our current business model. This is validated by our encouraging financial results over the course of the Track Record Period. For more information with regards to our Directors and senior management, please refer to the section headed “Directors, senior management and employees” of this prospectus.

3. BUSINESS STRATEGIES

Building on our competitive strengths, we aim to further strengthen our market position and expand our business with the following strategies.

Keeping abreast of the latest technological changes relevant to our industry

We shall maintain and continue to build on our established knowledge base and expertise in automated equipment and automated manufacturing solutions with the latest technology to increase our value-add to customers. We shall continue to keep our technological products and solutions up-to-date with our customer-centric R&D efforts as disclosed in the paragraph headed “10. Research and development” under this section whilst maintaining close collaboration with our customers to develop and introduce the latest designs of products and solutions.

Increasing our presence in key geographical markets and diversifying into other high growth potential industries

During the Track Record Period and up to the Latest Practicable Date, we headquartered in Penang, Malaysia and derived our revenue from customers spanning APAC, North America and Europe. We intend to further expand our business by utilising part of the proceeds from the Listing to increase our presence in other regions, particularly (i) the Greater China region, covering the largest semiconductor market, the PRC, as well as key semiconductor markets such as Taiwan; and (ii) California, the U.S., being the global technology hub. During the Track Record Period, our Group has engaged a consultant in the U.S. to act as a direct communication channel with our customers in the U.S.. Based on the latest enquiries from existing and potential U.S.-based customers, we noted a potential growth of demand for our products and solutions that necessitates more resources to support our U.S. consultant in order to secure new customers and capture such business opportunities. In this regard, we intend to further expand our presence in the U.S. by establishing a sales office in California, home to the headquarters

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of many influential technology corporations with a high concentration of R&D activities. This U.S. office will support the consultant we engaged during the Track Record Period and be responsible for new customer development in the U.S. and all technical discussions and project proposals for U.S.-based customers. By stationing our technical staff in closer proximity in terms of geography and time zone to our customers, our Group will be able to better serve existing and potential customers in the U.S. with more direct communication and quicker response time, thereby encouraging technology collaboration, an essential element to our sales strategy (as further elaborated under the paragraph headed “9. Sales and marketing” under this section). Such benefits, coupled with the reduction in travelling time is expected to outweigh the additional operational costs to be incurred for setting up the U.S. office (which, as at the Latest Practicable Date, is expected to house five staff, including an office manager, one administrative officer and three engineers including the aforementioned consultant), and thus enhance our Group’s overall operational efficiency. Please refer to the section headed “Future plans and use of proceeds” of this prospectus for further details.

Whilst demand for automated equipment and automated manufacturing solutions has been traditionally strong in the semiconductor and telecommunications industries, we believe automation solutions are becoming equally prevalent in other industries. In this regard, we intend to leverage on our established reputation, experience, customer relationships, supplier network and technical expertise in automation to expand and diversify our presence into other high growth potential industries such as automotive, healthcare equipment, medical devices and energy to broaden our customer base. In particular, our New Production Plant will be equipped with a clean room ISO Class 9 environment, a prerequisite for a number of potential customers in the medical device sector to facilitate our diversification into this sector, which is to be spearheaded by our automated manufacturing solutions segment. In this connection, as highlighted by Frost & Sullivan, factory automation is a natural progression for precision manufacturing particularly for sectors such as medical devices, the manufacturing of which is subject to rigorous regulations. Our Directors are of the view that the medical devices sector, with an estimated market size at approximately US\$330.0 billion in 2016 and a forecasted 4.2% annual growth in 2017, is a high potential market for our automated manufacturing solutions segment.

Expanding and enhancing our production capacity and capability

We intend to expand our production capacity in terms of production floor space and human resources so as to address the growing market demand for semiconductor components functionality testing and factory automation as mentioned under the section headed “Industry overview” of this prospectus. In this respect, we are currently in the process of expanding our Existing Production Plant and have also acquired a plot of land in Penang, Malaysia for the construction of our New Production Plant as an additional production premise. The expansion of the Existing Production Plant and the construction of the New Production Plant are expected to be completed by mid-2018. Such expansion plan will increase our production capacity as well as capability with clean room ISO Class 9 environment for facilitating our expansion and/or diversification into other high growth potential industries such as healthcare equipment and medical devices. Concurrently, we have taken initiatives and shall continue to grow our

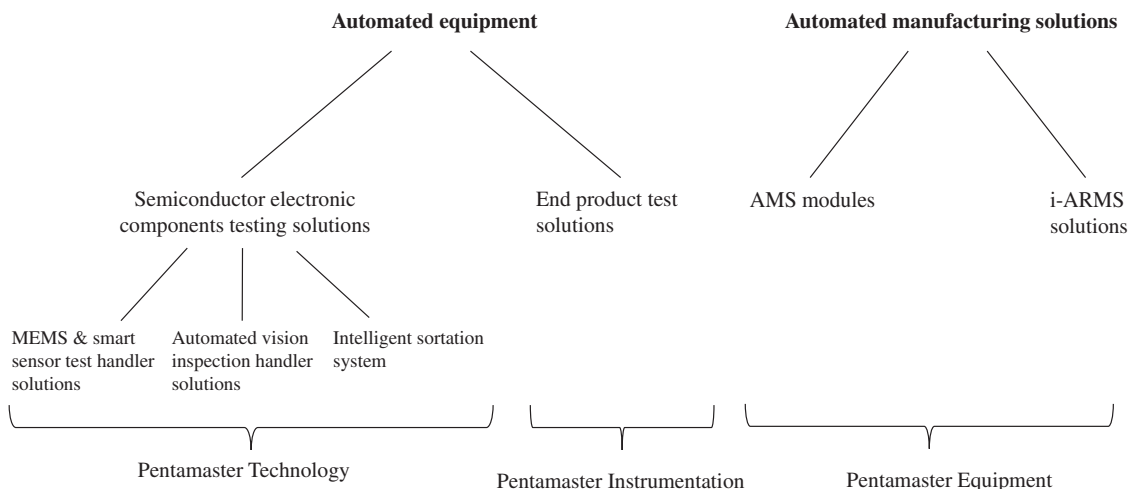
team by recruiting talents, in particular engineers with expertise in areas such as robotics, mechanical engineering, vision inspection, control optimisation, optics, software automation and firmware programming, to align our human resources with our aforementioned business expansion plan.

4. OUR BUSINESS MODEL

Our broad range of integrated automation products and solutions entails innovating, designing, manufacturing and installing automation solutions, which can be broadly categorised into the below segments.

- (i) **Automated equipment**, comprising products and solutions catering to our customers’ needs for automated functionality testing on components and/or end products along their manufacturing processes. During the Track Record Period, the products and solutions offered by our Group primarily consisted of (i) test handlers solutions for testing of semiconductor electronic components such as ICs and smart sensors under Pentamaster Technology; and (ii) end product test solutions in respect of consumer electronic products and LEDs under Pentamaster Instrumentation. During the Track Record Period, we provided the above products and solutions under our own “Pentamaster” brand or under our customers’ own brands via contract manufacturing and original design manufacturing services; and
- (ii) **Automated manufacturing solutions**, consisting of AMS modules such as automated assembly and test modules, material handling systems, high-speed sorters and MES as well as i-ARMS solutions (intelligent automated robotic manufacturing system) to address the specific needs of our customers in various industries for automating their manufacturing process under Pentamaster Equipment over the course of the Track Record Period.

Set out below is a summary of the types of automation solutions provided by our Group and their respective segments.



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Source of revenue

The table below sets out the revenue contribution of our products and solutions and their respective percentages of our total revenue over the course of the Track Record Period.

	Year ended 31 December			Six months ended 30 June						
	2014	2015	2016	2016	2017					
	MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	%				
Automated equipment										
– MEMS & smart sensor test handler solutions	10,802	14.4	10,186	13.8	22,509	15.9	2,639	4.2	55,432	57.4
– Automated vision inspection handler solutions	19,259	25.7	9,467	12.9	7,615	5.4	4,454	7.1	8,918	9.2
– Intelligent sortation system	5,900	7.9	11,226	15.2	38,831	27.4	32,566	51.7	2,247	2.3
– End product test solutions	9,087	12.1	4,512	6.1	9,536	6.7	1,213	1.9	7,019	7.3
– Ancillary products	10,498	13.9	10,043	13.7	23,204	16.3	9,781	15.5	9,071	9.4
Sub-total	55,546	74.0	45,434	61.7	101,695	71.7	50,653	80.4	82,687	85.6
Automated manufacturing solutions										
– AMS modules	16,245	21.6	26,135	35.4	26,977	19.0	9,140	14.5	4,845	5.0
– i-ARMS	–	–	–	–	12,516	8.8	3,070	4.9	8,797	9.1
– Ancillary products	3,281	4.4	2,114	2.9	632	0.5	151	0.2	302	0.3
Sub-total	19,526	26.0	28,249	38.3	40,125	28.3	12,361	19.6	13,944	14.4
Grand total	75,072	100.0	73,683	100.0	141,820	100.0	63,014	100.0	96,631	100.0

As shown in the above table, our Group's main revenue source during the Track Record Period was our automated equipment segment. Within this segment, MEMS & smart sensor test handler solutions have recorded significant growth over the course of the Track Record Period in tandem with the increasing demand for MEMS and smart sensors from end user industries such as smart mobile devices in the telecommunications industry. Revenue derived from our intelligent sortation system also recorded strong growth over the three years ended 31 December 2016 owing to an operational expansion of an end user over the corresponding period. However, the demand for the intelligent sortation system had slowed over the six months ended 30 June 2017.

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Our automated manufacturing solutions segment experienced strong growth during the Track Record Period mainly due to (i) an increasing demand for our AMS modules in the telecommunications industry; and (ii) the launch of our i-ARMS solutions in 2016.

The table below sets forth the outstanding value of purchase orders already secured from our customers as at 30 June 2017 and up to the Latest Practicable Date and the timeframe within which such revenue is expected to be recognised for the six months ending 31 December 2017 and the year ending 31 December 2018 respectively.

	For the six months ending 31 December 2017	For the year ending 31 December 2018	Total
	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>
Automated equipment	138,682	239,148	377,830
Automated manufacturing solutions	26,025	6,834	32,859
Total	164,707	245,982	410,689

Note: The above information is according to the latest timetables agreed with our customers, which are subject to change.

Our revenue by customer segments and their respective percentages of our total revenue over the course of the Track Record Period is set out in the table below.

	Year ended 31 December						Six months ended 30 June			
	2014	2015		2016		2016		2017		
	<i>MYR'000</i>	%	<i>MYR'000</i>	%	<i>MYR'000</i>	%	<i>MYR'000</i>	%	<i>MYR'000</i>	%
Semiconductor	37,922	50.5	35,913	48.7	89,959	63.4	49,282	78.2	17,915	18.5
Telecommunications	18,255	24.3	16,956	23.0	32,554	23.0	6,321	10.0	67,097	69.4
Automotive	7,171	9.6	7,679	10.4	2,303	1.6	987	1.5	1,421	1.5
Consumer electronics	1,933	2.6	11,202	15.2	15,572	11.0	5,093	8.1	9,236	9.6
LED	8,506	11.3	639	0.9	285	0.2	285	0.5	–	–
Medical devices	447	0.6	582	0.8	131	0.1	50	0.1	1	–
Others (<i>Note</i>)	838	1.1	712	1.0	1,016	0.7	996	1.6	961	1.0
Total	75,072	100.0	73,683	100.0	141,820	100.0	63,014	100.0	96,631	100.0

Note: Others include logistics, food & beverage, warehousing, computer and glove manufacturing industries.

As shown in the table above, for the three years ended 31 December 2016, our Group derived most of our revenue from the semiconductor industry. As mentioned under the section headed “Industry overview” of this prospectus, semiconductor ICs are fundamental components for industries such as telecommunications, automotive and medical devices and our Directors understand these to be the main end user industries of our semiconductor customers.

For the six months ended 30 June 2017, revenue derived directly from the telecommunications industry overtook the semiconductor sector to become the largest revenue contributor to our Group. This is in line with the increasing prevalence of more complex and high-end sensors in smart mobile devices leading to a stronger demand for our MEMS & smart sensor test handler solutions.

4.1 Automated equipment

Products and solutions offered under our automated equipment segment primarily address customers’ demand for automated functionality testing of semiconductor electronic components as well as electrical and electronic end products in large-scale manufacturing. Our semiconductor electronic components testing solutions offer functionality testing for components as well as semi-finished goods at various manufacturing stages. Our Group adopts a customer-oriented approach and aims to provide high value-add customised products and solutions to our customers. During the Track Record Period, we offered standard as well as customised products and solutions either under our own “Pentamaster” brand or under our customers’ brands in the form of contract manufacturing as well as original design manufacturing.

Semiconductor electronic components testing solutions

Our semiconductor electronic components testing solutions offer functionality testing for components as well as semi-finished goods at various manufacturing stages. During the Track Record Period, we offered MEMS & smart sensor test handler solutions, automated vision inspection handler solutions and intelligent sortation system for customers in the semiconductor, telecommunications, automotive and consumer electronics sectors. Set out below is a summary of the products and solutions offered by our Group during the Track Record Period.





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	MEMS & smart sensor test handler solutions	Automated vision inspection handler solutions	Intelligent sortation system
Description	Provide (i) ATE to test, calibrate and qualify MEMS devices or smart sensors to ensure their functionality under particular working conditions, before they are used or enter into subsequent processes of the customers' manufacturing line; and (ii) multiple test sites stimulus and handling systems to support ATE during the testing, calibration and qualification processes, by simulating particular working conditions	Provide image-based inspection on industrial components such as semiconductor electronic components, plastic parts and metal parts	Provide image-based inspection and electrical functionality testing with grading sortation for semiconductor electronic components
Functionality test/inspection matter	Light, temperature, sound, distance, pressure and humidity	Dimension, shape, position and visual defects	Electrical functional parameters
Test/inspection subject	Light sensors, proximity sensors, microphone, gyroscope and accelerometer, pressure sensor and humidity sensor	Semiconductor components, plastic molding parts, metal casting parts and ferrite cores	Semiconductor components (i.e. IC)
Price range	US\$127,000 to US\$1.0 million	US\$60,000 to US\$188,000	US\$31,000 to US\$481,000
Sales volume by units of machines/ systems	2014: 22 2015: 18 2016: 20 1H2017: 32	2014: 100 2015: 68 2016: 39 1H2017: 42	2014: 17 2015: 12 2016: 52 1H2017: 2
Other features	High-speed testing	High-speed testing	High-speed testing

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Set out below is a selection of MEMS & smart sensor test handler solutions as well as automated vision inspection handler solutions offered by our Group during the Track Record Period:

MEMS & smart sensor test handler solutions

Products	Light sensor test handler	Proximity sensor test handler	Microphone test handler	Gyroscope & accelerometer test handler
				
Description and application	An ATE used to test, calibrate and qualify light sensors under various testing conditions.	An ATE used to test, calibrate and qualify proximity and distance sensors under various testing conditions.	An equipment providing various test stimulus and handling function to support ATE in testing and calibrating microphones.	An equipment providing various test stimulus and handling function to support ATE in testing and calibrating gyroscope and accelerometer.

Automated vision inspection handler solutions

Intelligent sortation system

Products	Automated vision inspection handler PM3590TT	Automated vision inspection handler PM36VI	Automated vision inspection handler PM42 ST/DT	Automated test and vision inspection handler PM35
				
Description and application	An equipment used to inspect the product package marking, dimension and surface quality of certain type of semiconductor.	An equipment used to inspect the marking, dimension and surface quality of semiconductor product packages, plastic molding parts, metal casting parts and ferrite cores.	An equipment used to inspect the marking, orientation, dimension and sealing quality as well as validate the item quantity of semiconductor product packaged in tape.	An equipment used to test and inspect the product package marking, dimension and surface quality of certain type of semiconductor and provide grading sortation.

End product test solutions

Our end product test solutions provide integrated systems, comprising electronic hardware (i.e. testing machines), firmware and software, to perform various tests on electrical and electronic end products. These products and solutions are customised according to the tests and the DUT required. During the Track Record Period, the prices of our end product test systems ranged from US\$127,000 to US\$891,000, while the sales volume amounted to 11, 4, 12 and 14 units of machines/systems for the three years ended 31 December 2016 and the six months ended 30 June 2017 respectively. Customers of our end product test systems are primarily manufacturers of consumer electrical appliances and LED products. During the Track Record Period, our end product test systems mainly provided the below functions.

- (i) **Burn-in and probing test** on LED or transceivers. Burn-in test places the tested subjects under supervised conditions, such as high temperature, high humidity or high voltage and keeps the tested subjects working during a pre-set burn-in period, which forces certain failures of the tested subjects to occur so as to understand the load capacity of the test subjects and identify the weak products. The probing test, whereby a testing instrument of the system transmits test signals to the tested subject via a prober and the signals are then returned from the device, is used to examine the functionality of the test subjects. Our probing test system is able to perform such test in a wafer level at high speed; and

- (ii) **Functional quality test** on consumer electrical appliances whereby temperature sensors, humidity sensors and precision air manometer are used to tune and test the subjects for consistency.

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Set out below is a selection of end product test systems offered by our Group during the Track Record Period.

Products

LED test and burn-in handler



LED burn-in oven system



Wafer probing test system



Description and application

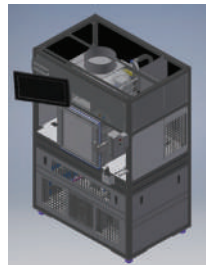
An equipment used to perform burn-in test on certain type of LED products under high temperature and high current to select and phase out items of early mortality caused by defects at LED wafer level.

An equipment used to perform burn-in test on certain type of LED products under high humidity, high temperature and high current to monitor the reliability of performance of such products.

An equipment used to test the conductivity of certain materials at wafer level by probing the wafer under controlled temperature and measuring the wafer voltage and current over time.

Products

End product test system



Digital tune and test system



Automatic leak test system



Description and application

An equipment used to test the performance of hair dryers to predetermined specifications.

An equipment used to control the air flow rate, humidity, temperature, power, current and voltage to simulate particular working conditions for the testing of certain consumer appliances.

An equipment with automatic leak test and airflow tuning functions.

4.2 Automated manufacturing solutions

We customise and automate manufacturing processes by integrating automated assembly and test modules, material handling equipment, robotics technology, auto inspection and MES. Automated manufacturing solutions address the manufacturing needs across various industries, including telecommunications, consumer electronics, food and beverages and medical devices. During the Track Record Period, we provided a range of AMS modules to our customers according to their manufacturing requirements, including MES, assembly and test modules, high-speed sorters and material handling equipment. In 2016, our Group launched i-ARMS solutions, a comprehensive automated manufacturing system integrating various AMS modules, as the case may be, to address the demand for automation and data exchange in manufacturing technology, commonly known as Industry 4.0. Since its launch, i-ARMS solutions have continued to grow in terms of revenue contribution.

AMS modules

Our AMS modules offer diverse automated functions which can be applied to different processes in a manufacturing line. Our AMS modules can be broadly categorised as MES, test modules, high-speed sorters and material handling equipment.

- (i) **MES** is a real time control and monitoring software platform used in an automated manufacturing system. It ensures correct sequence for all processes in a manufacturing line and provides real time tracking of the performance and production throughput of each process.
- (ii) **Assembly and test modules** are generally installed to perform different assembly and functionality tests on the subjects at various manufacturing processes.
- (iii) **High-speed sorters** sort the subjects based on the test results or next programmed processes.
- (iv) **Material handling equipment** serves as a conveyor system to transfer the subjects from one manufacturing process to another.

Set out below is a selection of our AMS modules offered during the Track Record Period:

Products

Assembly and test module

High-speed sorter

Material handling equipment



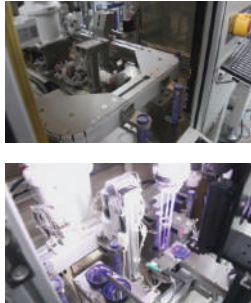


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i-ARMS solutions

i-ARMS is a comprehensive automated manufacturing system that integrates various combinations of our AMS modules (such as material handling equipment, high-speed sorters as well as assembly and test modules) with other technology components such as vision devices, sensor devices and RFID. For example, i-ARMS is able to automate the manufacturing of production components according to the engineering requirements programmed in MES to perform intelligent pick-and-place, assembly and test as well as sortation processes. As compared to the traditional mass production of identical products, our i-ARMS can be configured to process a mix of various products in different volume at any one time in order for our customers to achieve a shorter time-to-market. During the Track Record Period, prices of our i-ARMS solutions ranged from US\$158,000 to above US\$922,000 with the sales volume of 29 and 40 systems for the year ended 31 December 2016 and the six months ended 30 June 2017 respectively.

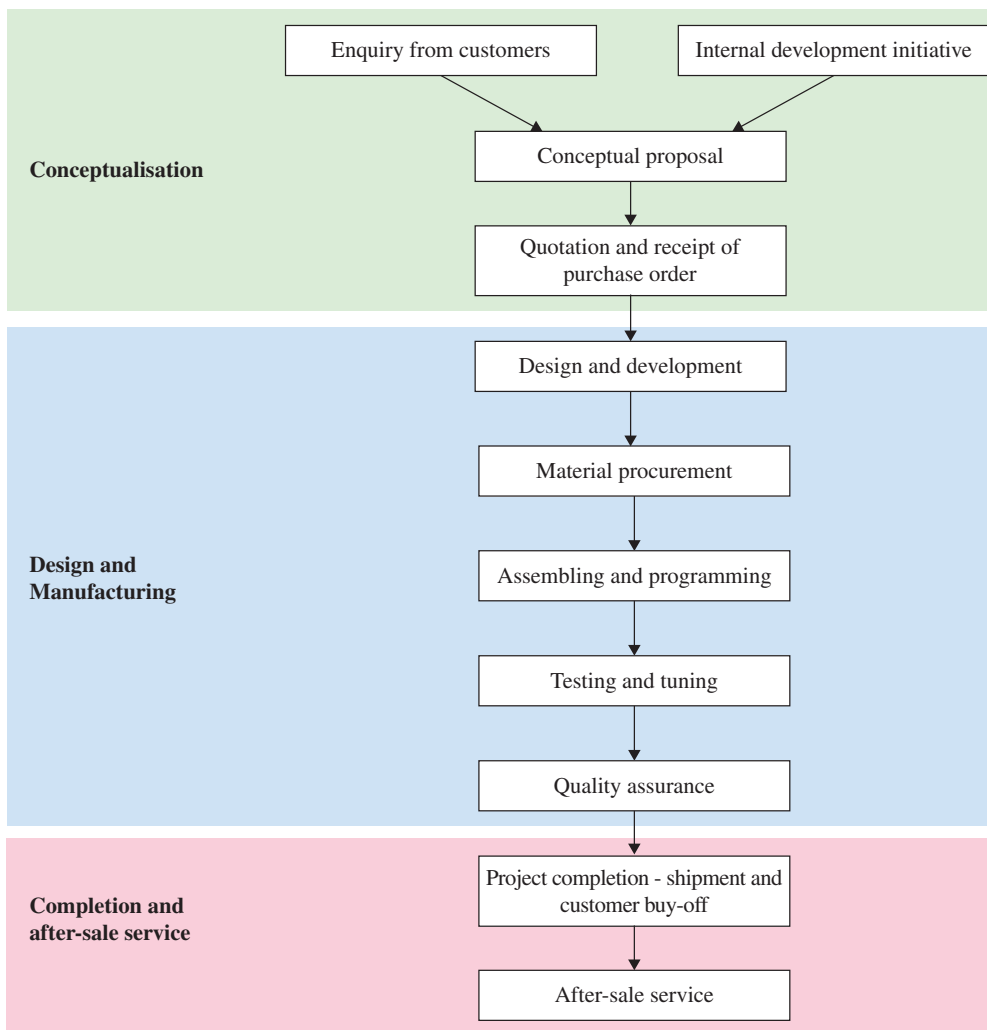
Set out below is a selection of i-ARMS solutions offered by our Group during the Track Record Period:

Products	Automated assembly system for food tray	Automated conveying, boxing, weighing, sortation, storage and palletising system	Vacuum cleaner filter automated assembly solution
			
Description and application	An automated assembly system using robotic arms to assemble food and beverage into catering trays for airlines.	An automated robotic system used to convey, package, sort, store, retrieve and palletise items as part of a manufacturing line.	An automated assembly system with conveyors, vibrator feeder bowl, vision system and robotic arms used to assemble vacuum filter for cleaning machines.

5. OUR OPERATIONS

In line with our business model, which focuses on core technology, continuous innovation and provision of customised high value-add technology products and solutions to our customers, a project team with members selected based on their relevant expertise and experience is formed for each project. The size and composition of the project team depend on the project's technology specification, time commitment and its complexity. In general, a project team consists of a project manager, production engineers and design engineers with expertise in areas such as robotics, mechanical engineering, vision inspection, control optimisation, optics, software automation and firmware programming. Generally, formation of the project team takes place as early as the preparation of conceptual proposal and the same project team follows through until project completion. The project manager is also actively engaged with the customer after project completion to ensure the quality of after-sales services.

The typical business workflow is set out below:



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The business workflow may differ for repeated or standard products, to which the conceptual proposal and design and development stages may not apply. During the Track Record Period, we had a relatively short project lead time of eight to 12 weeks in general, with the shortest at four weeks and the longest at 24 weeks. The length of each project's lead time depends on the complexity of the products and solutions required (which may substantially affect the time required for design and manufacturing) as well as the condition of the supply chain for the materials required.

Conceptualisation

A project may originate from a customer enquiry or at our internal development initiative to introduce new products and solutions to existing or potential customers. Our senior technical personnel first communicates with our customer to understand project specifications and requirements. Based on the information obtained, we form a project team including engineers with expertise in relevant areas to come up with a conceptual proposal. The proposal is subject to further discussion and alignment before finalisation.

In the event that the customer agrees with our conceptual proposal, a formal quotation is prepared based on our internal cost structure and profit margin determined by our management team based on product category in terms of technology involved, customer profile and historical patterns, if any. The cost structure takes into account various factors including the materials required, the timeline for design and assembling, labour costs as well as other overhead costs. For details of our pricing strategy, please refer to the paragraph headed "8. Customers" under this section.

Design and manufacturing

Design and development

Upon acceptance of the quotation by customers and receipt of a purchase order, the project team prepares a project schedule and execution plan. The engineers of the project team then commence the full detailed engineering design based on the final functional specification and requirements provided by the customers. The full project team conducts FMEA on the engineering design to identify all possible failures and weaknesses of the design. In the event where new technology is involved, a prototype for proof of concept is required as part of the design process. Enhancement on the engineering design may be made after the FMEA and proof of concept if necessary. The final design is subject to the approvals by the respective heads of the relevant engineering departments. Upon approval, the project team generates a list of materials required for the project based on the final engineering design.

Material procurement

Based on the list of materials required for each project, the procurement department conducts materials planning via our ERP system that controls the materials inventory. For materials readily available in the inventory, our procurement department generates internal job orders to release such materials from inventory to manufacturing. Otherwise, we purchase materials from suppliers.

To control the quality of our products and solutions, we only purchase from our approved suppliers who can meet our quality standards with on-time delivery record. In addition, we may conduct random sampling or comprehensive check on the quality of materials received from the suppliers. Quality check of incoming materials is mandatory for fabrication parts, sheet metal parts and critical components. The quality check includes, but is not limited to, visual inspection on the material appearance, dimensional check as well as fitting test with mating parts. Materials failing the quality check are rejected and returned to the suppliers for rework or replacement.

Assembling and programming

Based on the engineering design, our production engineers and production technicians assemble the material parts (such as fabrication parts, sheet metal parts as well as standard components) into modules. The modules are then further integrated into the machine frame together with wiring to form the complete machines. Our software engineers develop programmes to be incorporated into the machine for the automation of the machine operations.

Testing and tuning

Once the machine and the software are integrated, the project team examines the functionality by running and testing the products. The project team fine-tunes and aligns the products to ensure its functionality is in conformance with customer's specification.

Quality assurance

Quality assurance of outgoing products is performed before shipment and customer buy-off. The quality assurance mainly involves various inspections on the conformance of product with the specifications and product trial running to ensure its stability and robustness. Products failing the quality assurance are fine-tuned and further enhanced to ensure they meet the customer's requirements before shipment and customer buy-off. As the case may be, certain customers may choose to attend the quality assurance at our premise. Relevant reports are provided to all customers whether they are in attendance or not.

Completion and after-sales service

Project completion - shipment and customer buy-off

As the case may be, the project team attends buy-off for the final acceptance by the customer at customer site. Should any malfunctions be detected, our team member would fix the malfunctions. In the unlikely event that the issues cannot be addressed at customer site, the relevant products are shipped back to our premise for rework. During the Track Record Period and up to the Latest Practicable Date, other than replacement of ancillary products, none of our products had necessitated a return or replacement.

After-sales services and product warranty

We generally provide our customers up to one-year warranty on our products upon customer buy-off, except for (i) the warranty of standard components is usually one year from the date of manufacture; and (ii) the warranty of fabrication parts varies depending on their respective lifespan. During the warranty period, we offer free service and support to our customers in terms of product maintenance and replacement of relevant components or modules (excluding consumable parts i.e. those subject to wear and tear). During the Track Record Period and up to the Latest Practicable Date, our Group had not received any material claim or complaint from our customers on our products and solutions during their respective warranty periods.

6. QUALITY CONTROL

In order to provide our customers with high quality products and solutions, we are committed to stringent quality control and monitor procedures throughout our entire business workflow as described in the paragraph headed “5. Our operations” under this section.

Our stringent quality control process is recognised with the ISO9001:2015 accreditation. Additionally, as we serve customers in North America and Europe, our products have also been accredited with international safety, health and environmental standards such as the CE (Conformité Européene) marks and SEMI S2-0310 standard.

7. OUR PRODUCTION PLANTS

During the Track Record Period and up to the Latest Practicable Date, our Existing Production Plant was located in Penang, Malaysia, which has a gross floor area of approximately 90,310 sq.ft. with design area of approximately 29,000 sq.ft., a production floor space of approximately 23,500 sq.ft. and warehouse space of approximately 4,000 sq.ft.. As mentioned in the paragraph headed “3. Business strategies” under this section, we are in the process of expanding our Existing Production Plant to add approximately 13,000 sq.ft. production floor space and 1,000 sq.ft. warehouse space, which is expected to be completed by mid-2018. We have also acquired a plot of land in Penang, Malaysia for the construction of our New Production Plant, which is expected to commence operations by mid-2018 with a gross floor area of approximately 97,033 sq.ft. including production floor area of approximately 47,700 sq.ft. and warehouse space of 6,000 sq.ft.. The expansion of the Existing Production Plant and the addition of the New Production Plant are expected to expand our production capacity as well as capabilities such as (i) clean room ISO Class 9 environment, a prerequisite for a number of potential customers in the medical device sector, which, as highlighted by Frost & Sullivan, due to this sector’s demand for precision manufacturing, is a high potential market for factory automation; and (ii) higher ceilings to cater for prototyping and assembling of our i-ARMS solutions, which due to its nature of being comprehensive automated manufacturing systems, generally require more production space than standalone ATE machines. Please refer to the section headed “Future plans and use of proceeds” of this prospectus for details.

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As the core of our business model is product innovation and customised design, our production capacity at any one time is defined by the number of our in-house engineers, the complexity and size of the projects on hand, our production floor space as well as the type and size of products under production. As such, there is no meaningful measure to quantify our production capacity to demonstrate utilisation. For illustrative purposes, we have set out in the table below details regarding our production floor space and production staff during the Track Record Period.

	For the year ended/as at 31 December			For the six months ended/as at 30 June
	2014	2015	2016	2017
Production floor space				
<i>(sq. ft.)</i> (approximate)	21,360	21,360	22,260	23,500
Production staff <i>(Note 1)</i>	136	154	180	239
Overtime <i>(hours)</i>				
(approximate) <i>(Note 2)</i>	51,565	58,554	73,870	58,252

Notes:

1. Production staff represents the engineering team and technicians stationed in Malaysia.
2. Overtime represents (i) the number of hours worked in addition to our staff's normal working hours, being 9.5 hour day shifts and 9 hour night shifts, which refers to a nine hour shift starting any time different from the day shifts from Monday to Friday; and (ii) any number of hours worked during Saturday, Sunday and public holidays.

For our production planning, our Group would estimates the necessary line up, including the project team, the amount of space and duration required for each project based on the specifications indicated by our customers. With such information on hand, the chief operating officer/general manager of our subsidiaries as well as our Group's operation director would then conduct floor space planning on the production area during the monthly operations and sales meetings with reference to, amongst other things, the expected size of the deliverables, the estimated time required to assemble the deliverables (which in turn may vary according to the complexity of the product/solution), the target delivery date and the necessary safety distance between each "work island" in order to adhere to our health and safety protocols. Such monthly exercise had concluded that production space has become an operational bottleneck.

To overcome the bottleneck presented by space constraint on the production floor brought about by the significant business growth in the first half of 2017, in addition to the considerable overtime undertaken by our staff to raise production capacity in 2016 and the first half of 2017 (representing time worked in addition to day or night shifts), we also introduced night shifts for our production staff as a temporary measure to further raise our production capacity. Such night shifts practices will cease by mid-2018 when operations are expected to commence at the New Production Plant and with the expansion of the Existing Production Plant (which in aggregate will add 60,700 sq. ft. to our production floor area) as such practices, over a longer

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term, will have adverse implications on our Group's ability to retain our skilled workforce, whose continuous services are essential to our Group's business as disclosed in the paragraph headed "We are exposed to risks associated with retention and recruitment of competent personnel" under the section headed "Risk factors" of this prospectus. As at the Latest Practicable Date, our Group intended to raise our production headcount to 285 by end of 2018.

8. CUSTOMERS

Customers of our automated equipment and automated manufacturing solutions are generally manufacturers or suppliers from various sectors, including semiconductor, telecommunications, consumer electronics, automotive, food and beverage as well as medical devices. In addition, our scope also covers various parties along the value chain of an industry sector. For instance, our customers along the electronics and semiconductor value chain ranges from IC manufacturers to smart sensor producers and end product manufacturers. During the Track Record Period and up to the Latest Practicable Date, our customer base includes a number of multinational corporations who are spearheading technological advancement in various sectors such as the smart mobile device market in the telecommunications industry and household appliances in the consumer electronics industry. As demand for our automation solutions stems from the final consumer market, successful launch of the final product may induce strong growth in such demand, albeit this may be accompanied by high customer concentration at a particular period. Whilst our business is subject to cycles of the final consumer market, our Directors consider our business is generally not subject to any notable seasonality.

Our Group has established relationships with our customers and has been collaborating with our top five customers in each of the years/period during the Track Record Period for an average of seven years.

Top customers during the Track Record Period

For the three years ended 31 December 2016 and the six months ended 30 June 2017, our top five customers during each of the periods accounted for approximately 56.2%, 52.7%, 77.8% and 86.7% of our total revenue respectively and for the respective periods, the largest customer accounted for approximately 17.7%, 17.2%, 40.5% and 61.3% of our total revenue respectively. The tables below set forth the particulars relating to our Group's top five customers during the Track Record Period.

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Top five customers for the year ended 31 December 2014

Customer	Type of corporation	Business relationship since Year	Products and solutions provided by our Group	Credit term and payment method	Revenue <i>MYR'000</i>	Percentage of total revenue
Customer A <i>(Note 1)</i>	Listed on Nasdaq Stock Market	2009	Automated vision inspection handler solutions and ancillary products	60 days by bank remittance	13,317	17.7%
Customer B <i>(Note 2)</i>	Private	2010	End product test solutions	90 days by bank remittance	8,489	11.3%
Customer C <i>(Note 3)</i>	Listed on Nasdaq Stock Market	2012	AMS modules	From immediate payment to 45 days by bank remittance	7,388	9.8%
Customer D <i>(Note 4)</i>	Listed on the New York Stock Exchange	2006	Automated vision inspection handler solutions	From immediate payment to 30 days by bank remittance	7,216	9.6%
ZENBI Co., Ltd. (“Zenbi”) <i>(Note 5)</i>	Private	2013	Automated vision inspection handler solutions and ancillary products	Immediate payment by bank remittance or cheque	5,811	7.8%
					42,221	56.2%
					42,221	56.2%

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Top five customers for the year ended 31 December 2015

Customer	Type of corporation	Business relationship since Year	Products and solutions provided by our Group	Credit term and payment method	Revenue <i>MYR'000</i>	Percentage of total revenue
Dixin Automation Sdn. Bhd. (“Dixin”)	Private	2006	Intelligent sortation system and ancillary products	60 days by bank remittance	12,657	17.2%
Customer D <i>(Note 4)</i>	Listed on the New York Stock Exchange	2006	Automated vision inspection handler solutions	From immediate payment to 60 days by bank remittance	7,691	10.4%
Zenbi <i>(Note 5)</i>	Private	2013	Automated vision inspection handler solutions and ancillary products	Immediate payment by bank remittance	6,690	9.1%
Customer C <i>(Note 3)</i>	Listed on the Nasdaq Stock Market	2012	AMS modules	45 days by bank remittance	6,358	8.6%
Tulip Resources Sdn. Bhd. (“Tulip”) <i>(Note 6)</i>	Private	2014	AMS modules	Immediate payment by bank remittance	5,450	7.4%
					<hr/>	
					38,846	52.7%

BUSINESS

Top five customers for the year ended 31 December 2016

Customer	Type of corporation	Business relationship since Year	Products and solutions provided by our Group	Credit term and payment method	Revenue <i>MYR'000</i>	Percentage of total revenue
Dixin	Private	2006	Intelligent sortation system and ancillary products	60 days by bank remittance	57,376	40.5%
Customer E <i>(Note 7)</i>	Listed on the SIX Swiss Exchange	2009	MEMS & smart sensor test handler solutions and intelligent sortation system	From immediate payment to 60 days by bank remittance	20,888	14.7%
Customer C <i>(Note 3)</i>	Listed on the Nasdaq Stock Market	2012	i-ARMS solutions and AMS modules	45 days by bank remittance	11,283	8.0%
Customer F <i>(Note 8)</i>	Private	2015	End product test solutions and ancillary products	From immediate payment to 60 days by bank remittance	10,602	7.5%
Customer A <i>(Note 1)</i>	Listed on the Nasdaq Stock Market	2009	Automated vision inspection handler solutions	60 days by bank remittance	10,059	7.1%
					<hr style="width: 100%; border: none; border-top: 1px solid black;"/>	<hr style="width: 100%; border: none; border-top: 1px solid black;"/>
					<u>110,208</u>	<u>77.8%</u>

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Top five customers for the six months ended 30 June 2017

Customer	Type of corporation	Business relationship since Year	Products and solutions provided by our Group	Credit term and payment method	Revenue MYR'000	Percentage of total revenue
Customer E <i>(Note 7)</i>	Listed on the SIX Swiss Exchange	2009	MEMS & smart sensor test handler solutions and intelligent sortation system	From immediate payment to 45 days by bank remittance	59,230	61.3%
Customer C <i>(Note 3)</i>	Listed on the Nasdaq Stock Market	2012	i-ARMS solutions and AMS modules	45 days by bank remittance	7,757	8.0%
Customer F <i>(Note 8)</i>	Private	2015	End product test solutions and ancillary products	Immediate payment by bank remittance	7,248	7.4%
Carsem (M) Sdn. Bhd. (“Carsem”) <i>(Note 9)</i>	Listed on the Bursa Malaysia	2006	Automated vision inspection handler solutions	30 days by bank remittance	4,796	5.0%
Dixin	Private	2006	Intelligent sortation system and ancillary products	30 days by bank remittance	4,796	5.0%
					<u>83,827</u>	<u>86.7%</u>

Notes:

- Customer A maintains a broad portfolio of radio frequency solutions, highly differentiated semiconductor technologies, deep systems-level expertise and scale manufacturing to supply to a diverse group of customers in expanding markets, including smartphones and other mobile devices, defence and aerospace, Wi-Fi customer premises equipment, cellular base stations, optical networks, automotive connectivity and smart home applications. Incorporated in the U.S., Customer A operates in over 40 offices globally with more than 8,600 employees. The revenue of Customer A in its fiscal year of 2017 exceeded US\$3.0 billion and its market capitalisation as at 19 December 2017, being the latest practicable date to ascertain such information, which was approximately US\$8.5 billion.
- Customer B is a private company incorporated in the Netherlands in 1999. Its main business includes developing, manufacturing and distributing LEDs and automotive lighting products. It operates in 32 countries with over 9,000 employees.

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3. Customer C's business scope includes design, manufacture, marketing of mobile communication, media devices, personal computers and portable digital music players. It also sells a variety of related software, services, accessories, networking solutions and third-party digital content and applications. Customer C has more than 110,000 employees in over 40 countries. Its revenue in its financial year of 2017 exceeded US\$229.2 billion whilst its market capitalisation as at 19 December 2017, being the latest practicable date to ascertain such information, which was approximately US\$896.1 billion.
4. Customer D is a global supplier of advanced micro-acoustics, audio processing and specialty component solutions, serving the mobile consumer electronics, communications, medical, military, aerospace and industrial markets. Incorporated in the U.S., Customer D has around 8,000 employees in 12 countries globally. Its revenue in its financial year of 2016 was approximately US\$859.3 million whilst its market capitalisation as at 19 December 2017, being the latest practicable date to ascertain such information, which was approximately US\$1.4 billion.
5. Zenbi is a private company incorporated in 1949 in Japan. Its business scope includes machinery, construction and civil construction. It has around 100 employees.
6. Tulip is a private company incorporated in Malaysia in 1999. It engages in the sale and service of telecommunications, electrical products as well as mechanical engineering works.
7. Customer E operates as a subsidiary under an Austrian company listed on SIX Swiss Exchange in 2017. It engages in the design and manufacture of advanced sensor solutions. Established in 1993 in Singapore, Customer E focuses on micro optic and high performance optical packaging. It is headquartered in Singapore and has offices in Switzerland, the U.S. and the PRC. The market capitalisation of Customer E's parent company as at 19 December 2017, being the latest practicable date to ascertain such information, which was approximately CHF8.5 billion.
8. Customer F is a private company incorporated in the United Kingdom in 1991. Its business scope includes design and manufacture of household appliances such as vacuum cleaners, hand dryers, bladeless fans, heaters and hair dryers. Its products are sold in over 65 countries and it has over 7,000 employees. In its fiscal year of 2016, the revenue of Customer F was approximately £2.5 billion.
9. Carsem was founded in 1972 in Malaysia and provides turnkey packaging and test services to the semiconductor industry. It has three factories and over 9,000 employees. It is part of a conglomerate in South East Asia with operations covering banking and financial services, manufacturing and distribution, property development and investments, hospitality and leisure and principal investments which is listed on Bursa Malaysia. The market capitalisation of Carsem's group of companies as at 19 December 2017, being the latest practicable date to ascertain such information, which was approximately MYR2.4 billion.

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Relationship with Dixin

Dixin (formerly known as Pentamaster Solutions Sdn. Bhd.), our largest customer for the two years ended 31 December 2016, is a former subsidiary of PCB. In July 2015, the entire issued share capital of Dixin was disposed of by PCB (the “**Disposal**”) to GEMS-Asia Emerging Technology Fund LP (“**GAETF**”) at a consideration of approximately MYR2.4 million, which was determined by arm’s length negotiation, with reference to the net asset value of Dixin. PCB recorded a loss on disposal of approximately MYR1.1 million. GAETF is a private equity limited partnership fund incorporated in Singapore with a focus on investment in technology and “emerging” technology space in Asia through its investment in both listed and unlisted entities. GAETF is managed by GEMS Capital Pte Ltd (“**GEMS Capital**”), a registered fund management company in Singapore which is also the fund manager of our pre-IPO investor, GEMS. The Disposal is unrelated to the Pre-IPO Investment. The proposed Listing was first presented in a board meeting of PCB in February 2017. The acquaintance established between our Group and GEMS Capital during the Disposal led to the Directors approaching GEMS Capital in May 2017 when we were exploring the possibility of the Pre-IPO Investment for the proposed Listing. Details of the Pre-IPO Investment are set out in the paragraph headed “Pre-IPO Investment” under the section headed “History, Reorganisation and corporate structure” of this prospectus. Our Directors confirmed that at the time of the Disposal, GAETF and its associates (including GEMS, its investors, shareholders and management) did not have any relationship, business or otherwise, with PCB and the Group.

Prior to the Disposal, Dixin was primarily engaged in the manufacturing of intelligent sortation system with the main modules thereof provided by Pentamaster Technology and supplied its products to customers in the semiconductor industry. As disclosed in PCB’s announcement on Bursa Malaysia dated 10 July 2015, the Pentamaster Group undertook the Disposal to rationalise its financial and capital resources as prior to the Disposal, Dixin required working capital support from other members of the Pentamaster Group for ongoing operations. As further investment or working capital support were required, the directors of PCB at the time were of the view that there was uncertainty of positive returns in the foreseeable future and the Disposal would relieve the Pentamaster Group of potential losses in its investment in Dixin. In addition, the directors of PCB also believe that the Disposal is in line with the Pentamaster Group’s strategy to keep abreast of the latest technology in the market. In particular, the main product of Dixin prior to the Disposal, while not obsolete, was no longer technologically advanced or at the forefront of technological innovation at the time of the Disposal. Therefore, it was beneficial for the Pentamaster Group to dispose of Dixin when its technology was still of value. In consideration of the above, the directors of PCB were of the view that the Disposal would enable the Pentamaster Group to streamline its structure for better efficiency and channel its financial and capital resources for better investment and returns.

GEMS Capital, having spotted potential synergy between Dixin and its other investment in the technology and emerging technology space in Asia, acquired Dixin through GAETF and repositioned Dixin as a trading company with a view to leverage on the network cultivated by the investment activities of GAETF targeting semiconductor, manufacturing and packaging

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industries. Subsequent to the Disposal, Dixin approached the Group with sales orders and Pentamaster Technology, with the necessary know-how, became the designated division to manufacture the intelligent sortation systems for Dixin. Relevant terms of the transactions between Pentamaster Technology and Dixin have been conducted on arm's length basis. As shown in the tables of our Group's top five customers under this section above, sales by our Group to Dixin experienced growth for the two years ended 31 December 2016, due to operational expansion of an end customer of Dixin. This end customer of Dixin is also our customer during the Track Record Period, being customer E. The Directors noted that the operational expansion of customer E gave rise to the demand for automated equipment. Orders for standalone intelligent sortation system, which made up Dixin's product portfolio prior to the Disposal, was received by Dixin, which then approached our Group. The subsequent fall in sales to Dixin in the first half of 2017 showed that such demand for standalone intelligent sortation system in 2015 and 2016 mainly resulted from customer E's operational expansion and was non-recurring. Meanwhile, Pentamaster Technology supplied our MEMS & smart sensor test handler solutions to customer E during the Track Record Period. At customer E's request, we also integrated the intelligent sortation system into the MEMS & smart sensor test handler solutions. Details of our business relationship with customer E are set out in the paragraph headed "Rise in demand from customer E" below under this section.

From the completion of the Disposal and up to 1 August 2017, our Chairman had been retained, as an adviser to Dixin, to advise and assist Dixin to ensure operational stability and the smooth transition following the Disposal. In this regard, Dixin confirmed that our Chairman's role had been of advisory in nature and that since the Disposal, he had not been involved in the daily operations of Dixin, particularly the selection of Dixin's suppliers. Our Chairman was entitled to a monthly fee from Dixin during the period when he had an advisory role in Dixin and the total amount of fees received by our Chairman was MYR275,000. Following the termination of the advisory role on 1 August 2017, there has been no remuneration paid by Dixin to our Chairman. As at the Latest Practicable Date, Dixin is an Independent Third Party of our Group.

The Sponsor, having (i) reviewed the relevant documents including the respective sale and purchase agreements of the Disposal and the Pre-IPO Investment, the service contract between Dixin and the Chairman, the audited financial statements of Dixin obtained independently from public sources, the website of GEMS Capital as well as the announcements and annual reports of PCB; (ii) conducted background searches and business analysis on Dixin based on publicly available information; (iii) compared terms and conditions offered to Dixin and Independent Third Parties and found them to be comparable; (iv) considered the feedback of interviews with the representatives of Dixin, GEMS Capital, customer E (being the end customer of Dixin as mentioned above), the Chairman as well as the Reporting Accountants; (v) noted various media coverage with regards to the operational expansion of customer E; and (vi) considered the fact that GEMS Capital is a licenced institution under the Monetary Authority of Singapore ("MAS") and there is no information announced by MAS that would lead to any doubt on the integrity of GEMS Capital, is of the view that the transactions between our Group and Dixin are in the ordinary course of business of our Group and conducted on arm's length basis on terms comparable to other Independent Third Parties.

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Save for the above, as at the Latest Practicable Date, to the best of our Directors' knowledge, none of our Directors or any of their respective close associates, or any other existing Shareholders who owns more than 5.0% of the issued share capital of our Company, had any interest in any of our top five customers for each of the three years ended 31 December 2016 and six months ended 30 June 2017.

Rise in demand from customer E

As shown in the above tables, revenue contribution from customer E experienced a strong growth in 2017 with revenue in the first half of 2017 exceeding that recorded for the full year in 2016 by approximately 2.8 times. Such significant growth also resulted in customer E's revenue contribution accounting for approximately 61.3% of our total revenue for the six months ended 30 June 2017. Customer E provides micro optic and sensing solutions mainly to the telecommunications industry, in particular, the smart mobile devices sector.

Our business relationship with customer E initiated in 2009. In 2014, capitalising on the mutual trust and tacit understanding cultivated over the years, our Group was invited by customer E to partake in projects involving highly commercially sensitive technology for the smart mobile device sector. Our subsequent track record in 2015 substantiated our technical ability and induced additional opportunities in 2016 and 2017, leading to the substantial revenue growth from this customer in the first half of 2017. The strong demand from customer E, which provides micro optic and sensing solutions, is in line with the increasing prevalence of sensors in smartphones as noted by Frost & Sullivan. In particular, latest content upgrades in smartphone features such as facial recognition and depth of field photographic capabilities, all facilitated by sensors, has also underpinned market demand for micro optic and sensing solutions.

During the Track Record Period and up to the Latest Practicable Date, customer E had good credit standing with our Group, with no payment default or orders cancellation. Accordingly, we had not made any impairment of trade receivable in relation to customer E. Moreover, given the substantial amount of purchase order from customer E in 2016 and the first half of 2017, we generally require from customer E a deposit of at least 40.0% of the sales value upon receipt of purchase orders. Taking into account the above track record and payment term of customer E, coupled with the fact that customer E is part of a publicly listed group on SIX Swiss Exchange, we are of the view that the credit risk of customer E is minimal.

In the meantime, as demonstrated in the paragraph headed "Source of revenue" under this section, we have continued to serve our other customers in various sectors other than telecommunications during the six months ended 30 June 2017. In particular, revenue from consumer electronics also recorded a substantial growth at approximately 81.3% in the first half of 2017 compared to the corresponding period in 2016. With the expected increase in production capacity and capability afforded by the addition of our New Production Plant and expansion in our Existing Production Plant by mid-2018, our Group intends to expand and/or diversify our presence into other high growth potential industries such as automotive, healthcare equipment, medical devices and energy to broaden our customer base. Please refer to the paragraph headed "3. Business strategies" under this section and the section headed "Future plans and use of proceeds" of this prospectus for further details.

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Supplier relationship with Zenbi

During the Track Record Period, Zenbi was also one of our Group's suppliers. Zenbi is a distributor of construction materials and machinery and we source some of the fabricated material parts as well as quality control tools and equipment from Zenbi as they distribute such materials at competitive prices. All transactions of sales to and sourcing from Zenbi are conducted at arm's length basis. Our Directors confirmed that, during the Track Record Period, the products we purchased from Zenbi were not subsequently sold back to them, nor vice versa. For the three years ended 31 December 2016 and the six months ended 30 June 2017, costs incurred by sourcing from Zenbi accounted for approximately 2.5%, 0.4%, 0.2% and 0.5% of our total purchase respectively. As at the Latest Practicable Date, save for Zenbi, none of our other top five customers for each of the three years ended 31 December 2016 and the six months ended 30 June 2017 was also our supplier.

Pricing policy

We generally adopt a cost-plus pricing policy and determine the prices of our products and solutions based on estimated costs plus an expected profit margin determined by our management team based on product category in terms of technology involved, customer profile and historical trends, if any. Our Group adopts a standard cost structure to facilitate quotation. The cost structure takes into account, amongst others, the material costs, the timeline for design and assembling, labour costs as well as other overhead costs expected to be incurred for a project. Other factors, such as the relationship with the customers, their business nature and order size will also be taken into consideration. Our customers may require us to source materials from designated suppliers from time to time and room of mark-ups may be limited, which may affect our profitability.

Quotation success rate

As mentioned in the paragraph headed "5. Our operations" under this section, we issue formal quotations to our potential customers after approval of our conceptual proposals and such quotations are subject to the final acceptance by potential customers. The following table sets out our quotation success rate during the Track Record Period.

	For the year ended 31 December			For the six months ended 30 June
	2014	2015	2016	2017
Number of quotations submitted during the period	1,652	1,467	1,402	829
Number of quotations submitted during the period and accepted by our customers up to the Latest Practicable Date	755	699	728	453
Success rate (Note)	45.7%	47.6%	51.9%	54.6%

Note: Success rate is calculated by:

$$\frac{\text{Number of quotations submitted during a relevant period which, up to the Latest Practicable Date, had been accepted by our customers}}{\text{Number of quotations submitted during the same period}} \times 100\%$$

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As shown in the table above, our quotation success rate had been increasing over the three years ended 31 December 2016. It should be noted that the cut-off for calculation of success rate is up to the Latest Practicable Date whilst some of our quotations are still ongoing. As such, our overall success rate may have been understated.

Key terms and conditions for the transactions with our customers

Quotations provided to our customers include the key terms and conditions such as payment structure and credit term, order cancellation, logistic arrangement, warranty as well as after-sales service. During the Track Record Period and up to the Latest Practicable Date, our Group did not enter into any long-term agreement with any of our customers.

Payment structure and credit term

The payment structure offered to our customers varies on a case-by-case basis, depending on factors such as project scale, complexity of design, cost of materials required, project lead time, customer relationship and customer's credit standing, amongst other things. In general, we offer our customers progress payment in two to three instalments at different stages such as deposit upon receipt of purchase order, upon delivery and/or upon customer buy-off.

Credit term for each customer is determined with reference to business relationship, customers' financial conditions, credit record and business reputation, amongst others. During the Track Record Period, depending on the customers' financial background and past payment history, we granted credit terms ranging from 0 to 90 days. We closely monitor outstanding past due receivables and take appropriate measures to collect such outstanding amount. Save for the impairment made on trade receivables set out in the paragraph headed "Trade receivables" under the section headed "Financial information" of this prospectus, we did not experience any material default or delay on payments by our customers during the Track Record Period and up to the Latest Practicable Date.

Purchase order cancellation

We also provide our customers with a cancellation window of five working days upon receipt of purchase orders, during which the customers may withdraw their purchase orders without any recourse. After the cancellation window ends, any cancellations of purchase orders are subject to a charge by us ranging from 40.0% to 100.0% of the total amount of the relevant purchase order, depending on the days lapsed after the cancellation window. During the Track Record Period and up to the Latest Practicable Date, we did not experience any cancellation of material purchase orders.

Delivery terms

Based on the complexity of the project as well as the condition of the supply chain for the materials required, the timeline for delivery of our products and solutions (i.e. the project lead time) may vary from eight to 12 weeks from the date of finalisation of the design. The delivery term is mutually agreed between us and our customers. Generally, our customers are responsible for the delivery arrangements. In the event that we are required to arrange for delivery, we engage third party logistic companies to deliver our products with insurance coverage. During the Track Record Period and up to the Latest Practicable Date, we did not experience any default or material delay on delivery of our products, nor suffer any material damage or loss of our products during delivery.

Warranty

We generally provide one-year warranty on our products and solutions to customers, during which we offer free field services support including addressing customer enquiries and maintenance of our products and solutions. Our engineers also provide installation service and training service in relation to the use of our products and solutions as and when necessary. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material claim on our products and solutions by customers, nor did we incur any material loss arising from our field services support within the warranty period.

9. SALES AND MARKETING**Our sales strategy**

As our business includes products and solutions that are customised, knowledge of which is highly commercially sensitive, our customer relationship management is anchored by our technological know-how, mutual trust as well as tacit understanding with customers, which can only be cultivated over time with track record.

Given the nature of the automation industry, reputation and word of mouth recommendation are crucial to us. During the Track Record Period, we benefitted from referral from our customers and also promoted our broad range of automation products and solutions through our website. We encourage direct communication between our technical staff and our customers in lieu of a designated sales and marketing team. The direct involvement of technical staff across all levels in customers' relationship management enables us to showcase our technological strengths whilst encouraging technological collaboration with our customers. Through such technological collaboration, our staff are able to convey to our customers our latest innovation from our customer-centric R&D initiatives (as further elaborated in the paragraph headed "10. Research and development" under this section). We also participate in industrial exhibitions such as SEMICON West in the U.S. and SEMICON China in the PRC. Going forward, we anticipate our listed status in Hong Kong will increase the awareness of our Group in the Greater China region in line with our business strategy.

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During the Track Record Period, in addition to direct sales, our Group also promoted and sold our products and solutions through agents, which we consider to be a cost effective way of broadening our sales network. Our arrangement with these agents is such that where a referral by an agent is converted into a successful purchase order, we will offer the agent a certain percentage of the sales amount set out in the referred purchase order as commission for the referral services.

Key terms and conditions for such arrangement include the following, which are stipulated in the agent agreements entered into between our Group and the agents:

- **territory** – each agent is allowed to promote our products and solutions only within the agreed territory.
- **scope of work** – in addition to the referral services, the agents may from case to case provide different level of sales and service support to the customers referred by them.
- **commission rate** – during the Track Record Period, the commission rates offered to the agents ranged from 2.0% to 15.0%, depending on (i) the scope of work covered; (ii) the profit margin of the referred purchase order; (iii) the level of competition in the market they cover; and (iv) relationships with the agents.
- **payment** – the commission is only payable to the agent after the receipt of payment from our customer for the referred purchase order.

During the Track Record Period, our Group had cooperated with eight agents and to the best knowledge, information and belief of our Directors, they are all Independent Third Parties. For the three years ended 31 December 2016 and six months ended 30 June 2017, sales arising from referrals by agents accounted for approximately 20.5%, 15.2%, 5.2% and 5.8% of our total revenue respectively. The decrease in sales arising from referrals by agents was incidental to the Group's increasing focus on products and solutions with more sophisticated technology, which were primarily derived from direct customers during 2016 and first half of 2017.

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Our geographical coverage

As mentioned in the paragraph headed “8. Customers” under this section, we offer our products and solutions to multinational corporations. The table below sets out our Group’s revenue breakdown by geographical locations during the Track Record Period. It should be noted that the following breakdown is based on the location which our purchase orders were derived from. Our customers, in particular multinational corporations, may elect to place purchase orders from various regional offices. The locations where our products and solutions are used may be different from where the purchase orders originate.

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
Malaysia	28,187	37.6	37,216	50.5	82,906	58.5	43,850	69.6	14,946	15.4
PRC	19,448	25.9	11,427	15.5	14,491	10.2	7,472	11.9	3,957	4.1
Japan	5,811	7.8	6,315	8.6	1,418	1.0	958	1.5	860	0.9
Singapore	4,453	5.9	5,252	7.1	21,598	15.2	1,077	1.7	60,376	62.5
Ireland	7,380	9.8	3,713	5.0	5,552	3.9	5,252	8.3	5,470	5.7
U.S.	1,145	1.5	5,040	6.8	8,006	5.7	1,940	3.1	2,411	2.5
Others (Note)	8,648	11.5	4,720	6.5	7,849	5.5	2,465	3.9	8,611	8.9
Total	75,072	100.0	73,683	100.0	141,820	100.0	63,014	100.0	96,631	100.0

Note: Others include Philippines, Germany, United Kingdom and Hong Kong.

During the Track Record Period, we sold a substantial amount of our products and solutions locally in Malaysia, whilst the increasing trend of overseas supply to Singapore was mainly attributable to the significant increase in sales to a multinational corporation’s Singapore office. Please refer to the paragraph headed “Revenue” under the section headed “Financial information” of this prospectus for details.

Market and competition

As mentioned under the section headed “Industry overview” of this prospectus, our Group mainly competes in the back-end semiconductor ATE market as well as the FAS market.

According to the Frost & Sullivan Report, the size of the worldwide semiconductor test equipment market amounted to approximately US\$3.9 billion in 2016 with revenue generated in APAC accounting for at least 60.0% of this market. From year 2014 to 2016, our Group ranked second in terms of revenue amongst listed companies on Bursa Malaysia that engage in the semiconductor test equipment market.

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The Frost & Sullivan Report also noted that most FAS system integrators in the market do not offer the same breadth of services as our Group or, in most cases, they are not publicly listed. Further, given the scope of the FAS industry is vast with many players, each with unique attributes in various niche segments, the FAS industry is fragmented and it is not practicable to ascertain the market share of our Group during the Track Record Period.

10. RESEARCH AND DEVELOPMENT

Our customers' industries are characterised by rapid technology advancements and susceptibility to changes in market trends and demands. By extension, our Group must keep ourselves abreast of the evolving technological developments and obtain up-to-date market information so as to respond to and anticipate changes in customers' needs in a timely manner in order to maintain our competitiveness.

In accordance with our business model, our R&D activities are customer-centric and are generally carried out after understanding our customers' requirements. Nevertheless, during the Track Record Period we had initiated R&D without customer's request and incurred development cost and expenditure, details of which are set out in the paragraph headed "7.1 Non-current assets" under the section headed "Financial information" of this prospectus.

To align our R&D efforts and our customers' needs and stimulate synergies amongst different divisions, a team comprising talents from each division who have strong understanding of our customers' requirements is formed for each R&D initiative. Further, the personnel involved in the R&D activities are all tertiary educated and possess expertise in their respective disciplines, such as robotics, mechanical engineering, vision inspection, control optimisation, optics, software automation and firmware programming.

Our innovative abilities can be demonstrated by our established relationships with our technologically-advanced customers as well as our various Pioneer Status, the objective of which is to promote technological innovation in Malaysia. Please refer to the paragraph headed "13. Tax incentives" under this section and the section headed "Regulatory overview" of this prospectus for details.

11. SUPPLIERS

The key items we source from our suppliers include (i) fabricated parts made of metal or plastic; (ii) sheet metal parts for machine structure; and (iii) standard components such as pneumatics, motors, sensors, switches and power supply. In general, our major suppliers are manufacturers, agents and distributors for the aforementioned items, whilst other suppliers include subcontractors to whom we outsource less technologically intense work, such as wiring and assembly, during our manufacturing process. Our suppliers are mainly located in Malaysia, Singapore, Japan, the U.S. and Europe.

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Our Group is dependent on reliable sources of materials to maintain the quality and timely delivery. As such we have implemented a stringent supplier selection process as well as inventory management policy, details of which are set out below in this paragraph and the paragraph headed “12. Inventory management” under this section. Nevertheless, since 2016, our management have observed an increasingly prolonged lead time required for certain components commonly used in our products and solutions. In this regard, we have strengthened our supply chain by expanding our supplier network locally and globally in preparation for our expansion plan as detailed in the paragraph headed “3. Business strategies” under this section. Particularly, in early 2017, we invested in Penang Automation Cluster together with two Independent Third Parties, which are companies incorporated in Malaysia with demand for suppliers akin to that of our Group. Whilst each party has equal representation on the board of Penang Automation Cluster, the day-to-day operation is to be led by one of the other investors. Given this venture is still in development stage with the current intention to obtain government subsidy as its main working capital, our Group had no outstanding capital commitment in relation to Penang Automation Cluster as at the Latest Practicable Date.

Penang Automation Cluster was established to build and manage the local supply chain ecosystem and fund its development and to this end, it has acquired a plot of land within the proximity of our New Production Plant on which a small-to-medium industry cluster will be developed. Penang Automation Cluster provides value added engineering development and technical training to the automation cluster companies, which form part of our supply chain, specialised in the area of design, development and manufacture of high precision metal fabrication components, modules and systems for semiconductor, electronics, automotive, aerospace and other high growth industries in the region. Such arrangement is expected to enable our Group to build a robust and reliable supply chain ecosystem through strengthening the capabilities of the local suppliers, who would be located in the proximity of our New Production Plant and supports our business expansion. As at the Latest Practicable Date, Penang Automation Cluster is in the process of applying for grant under the Domestic Investment Strategic Fund of MIDA and has commenced the supplier selection process.

Top suppliers during the Track Record Period

For the three years ended 31 December 2016 and the six months ended 30 June 2017, our top five suppliers accounted for approximately 24.6%, 24.0%, 26.5% and 51.2% of our total purchase respectively and for the respective periods, the largest supplier of each period accounted for approximately 7.4%, 6.4%, 14.7% and 16.6% of our total purchase respectively. The tables below set forth the particulars relating to our Group’s top five suppliers in each of the years/period during the Track Record Period.

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Top five suppliers for the year ended 31 December 2014

Supplier	Business nature	Business relationship since Year	Product/service supplied to our Group	Credit term and payment method	Cost incurred MYR'000	Percentage of total purchase
Supplier A	Supplier of precision motion controls, mechanical drive components, precision heating, distributed control systems and precision force/torque measurement products	2007	Standard components	150 days by bank remittance	2,642	7.4%
Supplier B	Supplier of precision engineering and related products and services	2006	Fabricated parts	180 days by bank remittance	2,258	6.3%
Supplier C	Supplier of machine components for digital/analog cameras, frame grabbers, lenses, optics, lightnings solutions, imaging libraries	2006	Standard components	30 days by bank remittance	1,391	3.9%
Supplier D	Supplier of industrial and automatic precision design and fabrication including sheet metal fabrication, process trim & form die sets system	2006	Fabricated parts	60 days by bank remittance	1,312	3.7%
Supplier E	Supplier of products including air valve, solenoid valve, pneumatic valve, thermo chiller, heat exchanger, electric actuator and linear actuator	2007	Standard components	120 days by bank remittance	1,183	3.3%
					<u>8,786</u>	<u>24.6%</u>

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Top five suppliers for the year ended 31 December 2015

Supplier	Business nature	Business relationship since Year	Product/services supplied to our Group	Credit term and payment method	Cost incurred MYR'000	Percentage of total purchase
Supplier F	Supplier of material handling across a wide variety of sectors including factory and distribution automation, e-factory automation and airport technology	2014	Standard components	Immediate payment by bank remittance	1,980	6.4%
Supplier G	Manufacturer of highly complex precision machining, sheet metal components and modular assembly for the semiconductor, analytical, oil and gas and industrial automation industries	2012	Fabricated parts	60 days by bank remittance	1,566	5.1%
Supplier A	Supplier of precision motion controls, mechanical drive components, precision heating, distributed control systems and precision force/torque measurement products	2007	Standard components	120 days by bank remittance	1,560	5.1%
Supplier B	Supplier of precision engineering and related products and services	2006	Fabricated parts	180 days by bank remittance	1,286	4.2%
Supplier D	Supplier of industrial and automatic precision design and fabrication including sheet metal fabrication, process trim & form die sets system	2006	Fabricated parts	60 days by bank remittance	1,000	3.2%
					<u>7,392</u>	<u>24.0%</u>

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Top five suppliers for the year ended 31 December 2016

Supplier	Business nature	Business relationship since Year	Product/services supplied to our Group	Credit term and payment method	Cost incurred MYR'000	Percentage of total purchase
Supplier H	Manufacturer of systems to engineers and scientists that accelerate productivity, innovation and discovery, integrated software and modular hardware that speed up the development of systems needing measurement and control	2012	Standard components	30 days by bank remittance	11,375	14.7%
Supplier I	Manufacturer of advanced light sources that enable the manufacture and analysis of nano-scale structures and products	2016	Standard components	30 days by bank remittance	2,561	3.3%
Supplier J	Supplier of fabrication, hardware including aluminium profiles, accessories and mechanical parts on motion control solution	2006	Standard components	60 days by bank remittance	2,317	3.0%
Supplier A	Supplier of precision motion controls, mechanical drive components, precision heating, distributed control systems and precision force/ torque measurement products	2007	Standard components	120 days by bank remittance	2,197	2.8%
Supplier E	Supplier of products including air valve, solenoid valve, pneumatic valve, thermo chiller, heat exchanger, electric actuator and linear actuator	2007	Standard components	60 days by bank remittance	2,099	2.7%
					<hr/> <u>20,549</u>	<hr/> <u>26.5%</u>

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Top five suppliers for the six months ended 30 June 2017

Supplier	Business nature	Business relationship since Year	Product/services supplied to our Group	Credit term and payment method	Cost incurred MYR'000	Percentage of total purchase
Supplier K	Manufacturer of business and industrial imaging products, optical devices as well as lenses and LCD film	2016	Standard components	45 days by bank remittance	24,122	16.6%
Supplier H	Manufacturer of systems to engineers and scientists that accelerate productivity, innovation and discovery, integrated software and modular hardware that speed up the development of systems needing measurement and control	2012	Standard components	30 days by bank remittance	22,406	15.4%
Supplier I	Manufacturer of advanced light sources that enable the manufacture and analysis of nano-scale structures and products	2016	Standard components	30 days by bank remittance	16,585	11.4%
Supplier L	Manufacturer of high precision die and mold parts, precision jigs and fixture, fabrication of automation parts, precision engineering plastic (socket and adaptors) and module assembly and OEM manufacturing	2013	Fabricated parts	60 days by bank remittance	5,734	3.9%
Supplier A	Supplier of precision motion controls, mechanical drive components, precision heating, distributed control systems and precision force/torque measurement products	2007	Standard components	120 days by bank remittance	5,619	3.9%
					<u>74,466</u>	<u>51.2%</u>

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Our Group maintains a diverse group of suppliers and does not rely on any single source. In the unlikely event where our relationship with a main supplier ceases, our Directors believe we will be able to source necessary materials from alternative suppliers. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant increase on prices of materials.

As at the Latest Practicable Date, to the best of our Directors' knowledge, none of our Directors or any of their respective close associates, or any existing Shareholders who owns more than 5.0% of the issued share capital of our Company, had any interest in any of our top five suppliers for each of the three years ended 31 December 2016 and the six months ended 30 June 2017.

Key terms and conditions for the transactions with our suppliers

Generally, as part of our inventory management, we procure necessary materials and/or components after confirming that such materials and components are not available on stock. During the Track Record Period and up to the Latest Practicable Date, our Group did not enter into any long-term agreement with any of our suppliers. Each purchase order to our suppliers provides for the terms and conditions covering pricing terms, specification of raw materials required, quantity, payment terms and date of delivery and such purchase order is legally binding once it is accepted by the suppliers. Our suppliers generally grant us credit terms up to 120 days after receipt of invoice and the right to replace or refund the delivered goods in case of defective products. We generally settle our payments to our suppliers by bank remittance or cheque.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage or delay in the supply.

Supplier selection

We maintain a list of approved suppliers for each type of sourced items. The criteria to qualify as an approved supplier of our Group are set out below:

- (i) the supplier must be a legally registered business entity;
- (ii) the supplier must have stable financial conditions;
- (iii) the supplier must be able to provide service and respond to our enquiries effectively;
- (iv) the supplier must be able to provide sustainable supply; and
- (v) the supplier must be able to provide competitive prices for the items it supplies.

All our suppliers are required to apply for the registration as an approved supplier prior to any engagement. The applications are subject to the approval by the manager of our procurement department, our chief financial officer and our Directors according to the criteria set out above. Once approved, the supplier will be registered on our list of approved suppliers.

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Our procurement department conducts annual assessment on our major suppliers based on the quality of items supplied, record of on-time delivery, service performance and pricing. Any supplier with poor rating under the assessment will be subject to request by our procurement department for improvement or discontinuation of engagement in the future.

For each transaction, we will consider the following factors when selecting the suitable supplier from the approved supplier list such as pricing, lead time required, shipment term, payment term, services and support provided, product quality and warranty as well as any minimum order quantity requirement.

12. INVENTORY MANAGEMENT

As our products and solutions are customised and manufactured based on customers' purchase orders, save for some demonstration units of existing products and/or solutions built for target customers or exhibition purposes (which can be reconfigured for future sales to customers), our work-in-progress and finished goods are attributable to designated customers and our inventory management focuses on materials purchased from suppliers. In general, our customers do not place purchase orders in advance. Nevertheless, established customers may provide us with rolling forecast on their potential demand for our products and solutions, which enables us to plan ahead for our production schedule and procurement of materials.

In order to ensure the accuracy and completeness of stock-in and stock-out record of materials purchased, we have developed and maintained an internal resource planning system, as part of our ERP system, to monitor and manage our inventory. Further, we conduct monthly review on our inventory to identify any slow moving or excess stocks. Provision or write-off will be carried out for material found obsolete. The table below sets out our measures taken on such slow moving or excess inventory.

Period during which the inventory items have not been used	Measures taken on such inventory items <i>(Note)</i>
More than one year but less than two years	Operations department to closely monitor the inventory items and initiate usage of them whenever appropriate
More than two years but less than five years	Provision for stock obsolescence on the inventory items, subject to periodic review for addition or reduction
More than five years	Write-off on the inventory items

Note: Any provision or write-off is subject to the review by the chief financial officer and approval by our Chairman.

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13. TAX INCENTIVES

Pioneer Status

Our Group has received Pioneer Status granted by MIDA for participating in business activities or producing products that fall into certain promoted category defined by MIDA. Details of our Pioneer Status are set out in the paragraph headed “Promotion of Investments Act 1986 (“PIA”)” under the section headed “Regulatory overview” of this prospectus. The table below sets forth the list of Pioneer Status effective during the Track Record Period.

Holding subsidiary	Our products/ business activities	Effective date	Expiry date
Pentamaster Technology	Smart devices test solution for internet of things industry and related modules	1 April 2016	1 April 2026 <i>(Note 1)</i>
Pentamaster Equipment	Intelligent automated robotic manufacturing system and related modules	14 April 2016	14 April 2026 <i>(Note 1)</i>
Pentamaster Instrumentation	Development and production of test and measurement system for E&E industry	28 November 2006	28 November 2016 <i>(Note 2)</i>

Notes:

1. The effective period of the relevant pioneer status is ten years subject to renewal before the fifth anniversary of its effective date.
2. The relevant product had enjoyed the maximum period of pioneer status of ten years and would not be able to renew after such expiry date.

For financial analysis in relation to our Group’s Pioneer Status, please refer to the paragraph headed “4. Major factors affecting our Group’s results of operations and financial conditions” under the section headed “Financial information” of this prospectus for further details.

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Licences for tax benefits

Our Group has obtained warehouse licences and manufacturing warehouse licences required under the Customs Act 1967. Details of the licensing requirement are set out in the paragraph headed “Customs Act 1967 (“CA 1967”)” under the section headed “Regulatory overview” of this prospectus. As at the Latest Practicable Date, our Group had been granted with six such licences as set out in the table below.

Holding subsidiary	Type of licence	Date of first grant/approval	Expiry date
Pentamaster Technology	Manufacturing warehouse licence	1 September 2013	31 August 2019
Pentamaster Technology	Warehouse licence	23 August 2013	31 August 2019
Pentamaster Instrumentation	Manufacturing warehouse licence	1 September 2014	31 August 2018
Pentamaster Instrumentation	Warehouse licence	1 September 2014	31 August 2018
Pentamaster Equipment	Manufacturing warehouse licence	1 November 2012	31 October 2018
Pentamaster Equipment	Warehouse licence	1 November 2012	31 October 2018

14. INTELLECTUAL PROPERTIES

Our Group’s intellectual properties are valuable assets of our Company and its operations. As at the Latest Practicable Date, we had (i) four trademarks and three patents registered in Malaysia; (ii) two patents registered in the U.S.; and (iii) two trademarks and one patent registered in the PRC.

Our patents entailed:

- (i) Pressurised air-chamber testing device for semiconductor elements and a method thereof;
- (ii) Apparatus/test handler for testing un-molded IC devices using air-flow system and the method of testing the same;

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- (iii) An improved device for high-speed inspection of ICs and a method therefor;
- (iv) An apparatus for burn-in test;
- (v) Apparatus/test handler for testing un-molded IC devices using air-flow system and the method of testing the same; and
- (vi) Apparatus and method for isolating articles.

When considering whether to patent a technology, our Group would take into account, amongst others, the benefits of the protection offered from successful registration, the potential trade-off from having to release the intricacies of our innovation to the public, our confidentiality obligation to our customers as well as the estimated costs, time and efforts pertaining to the registration process.

Our Group also currently owns the domain name *www.pentamaster-international-ltd.com*, being the website of our Group.

For further details of our Group's intellectual properties, please refer to the paragraph headed "B. Information about our business" in Appendix V to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us and we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the material infringement of any intellectual property rights of third parties.

15. LICENCES

As mentioned in the paragraph headed "Industrial co-ordination Act 1975 ("ICA 1975")" under the section headed "Regulatory overview" of this prospectus, we are required to obtain certain licences to undertake our business in Malaysia.

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The table below sets out the material licences held by our Group as at the Latest Practicable Date.

List of our licences as at the Latest Practicable Date					
No.	Holding entity	Type of licence	Regulatory body	Effective date	Expiry date
1	Pentamaster Technology	Manufacturing licence for automated machines and parts thereof	MITI	17 September 2003	N/A <i>(Note 1)</i>
2	Pentamaster Technology	Manufacturing licence for smart devices test solution	MITI	16 June 2016	N/A <i>(Note 1)</i>
3	Pentamaster Technology <i>(Note 2)</i>	Business premises licence	Penang City Council	18 September 2017	31 December 2017 <i>(Note 3)</i>
4	Pentamaster Instrumentation	Manufacturing licence for precision power supplying, strip test handler and machine spare parts	MITI	6 July 2015	N/A <i>(Note 1)</i>
5	Pentamaster Instrumentation <i>(Note 2)</i>	Business premises licence	Penang City Council	14 September 2017	31 December 2017 <i>(Note 3)</i>
6	Pentamaster Equipment	Manufacturing licence for automated equipment, sub- assembly module and parts for semiconductor and medical and pharmaceutical industries	MITI	27 April 2015	N/A <i>(Note 1)</i>
7	Pentamaster Equipment	Manufacturing licence for intelligent automated robotic manufacturing system	MITI	16 June 2016	N/A <i>(Note 1)</i>
8	Pentamaster Equipment <i>(Note 2)</i>	Business premises licence	Penang City Council	14 September 2017	31 December 2017 <i>(Note 3)</i>

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Notes:

1. Manufacturing licences in Malaysia do not have an expiry date.
2. PCB used to hold the licence as the tenant of the business premises as the holding company of the Pentamaster Group. Following the approval by the Penang City Council on 11 September 2017, the business premises have been divided into three areas for licencing purpose and these areas are licenced under Pentamaster Technology, Pentamaster Instrumentation and Pentamaster Equipment respectively.
3. The business premises licences are subject to annual renewal and our Group will renew such licences under Pentamaster Technology, Pentamaster Instrumentation and Pentamaster Equipment upon receipt of the renewal notification from Penang City Council and within the deadline provided therein, by paying applicable assessment rates ascribed by Penang City Council, which are expected to be approximately MYR4,000, MYR880 and MYR3,920 respectively based on the fees paid for the current valid licences.

Our legal advisers as to Malaysian law confirmed that our Group has obtained all relevant licences and permits to carry out our business and that there is no legal impediment likely to hinder us in the future for the renewal of the above licences (where applicable) as and when it becomes necessary.

16. EMPLOYEES

For details of our employees, please refer to the section headed “Directors, senior management and employees” of this prospectus.

17. PROPERTIES

Owned properties

The address of our principal place of business is Plots 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas Phase IV, 11900 Penang, Malaysia. We currently hold this premise by lease as our headquarter. As at the Latest Practicable Date, our Group had two leasehold properties both located in Penang, Malaysia. The valuation report of these properties as at 30 November 2017 is set out in Appendix III to this prospectus. Details of these properties are set out below.

Location	Property status	Usage	Approximate gross floor area sq.ft. (approximate)	Appraised value as at 30 November 2017 MYR'000
Plots 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang, Malaysia	60 years leasehold expiring on 1 July 2062 (Plot 18) and 21 July 2062 (Plot 19)	Production plant and offices (Existing Production Plant)	90,310	37,200
HS(D) 47991, PT 5917, Mukim of 13, District of Seberang Perai Selatan, Penang, Malaysia	60 years leasehold expiring on 6 December 2075 with the building pending for development and expected to commence operations in mid-2018.	Production plant and offices (New Production Plant)	– (Note)	5,630

Note: There is an expected gross floor area of approximately 97,033 sq.ft. as the building is pending for development currently. The land area of the property is approximately 140,739 sq.ft..

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Pentamaster Technology is the registered owner of the lands on which our Existing Production Plant is situated. Under the relevant land title documents, Pentamaster Technology is required to maintain 30.0% Bumiputera participation at every stage of management in Pentamaster Technology's business (the "**Condition**"). Any non-fulfilment of the Condition may cause the property to be liable to forfeiture by the State Authority, unless the land administrator elects to impose a fine (and rectification of the non-fulfilment) or require the non-fulfilment (which is capable of being remedied) to be remedied. As at the Latest Practicable Date, the Bumiputera participation ratio of Pentamaster Technology was 23.2% and we have, in September 2017, submitted an application for a waiver of the Condition from the State Authority, which is the competent government authority to approve the applications in relation to varying any conditions endorsed on the relevant land title documents as provided under Section 124(1)(b) the National Land Code Act 1965. Our legal advisers as to Malaysian law advised that the waiver is expected to be granted in June 2018, which is around nine months from the date of application. In this regard, Penang Development Corporation (being the vendor of the said lands), which is chaired by the Chief Minister of State (being the same person as the chairman of the State Executive Committee, in which the powers of the State Authority are vested in), has confirmed in August 2017 that it has no objection to our application for waiver of the Condition. As at the Latest Practicable Date, our application for the aforementioned waiver was in the process of being submitted by the District Office and Land Office, South West District to the Office of Directors of Lands and Mines before being presented to the State Executive Committee for approval.

Our legal advisers as to Malaysian law, in view of the above and upon consultation with the relevant officer at the District Office and Land Office, South West District in Penang under The Office of Director of Land and Mines of Penang, which is ultimately answerable to the State Authority, are of the view that (i) there is unlikely to be any impediment in obtaining an approval for the above waiver; (ii) it is unlikely for Pentamaster Technology to be penalised or fined for such non-fulfilment; and (iii) in the unlikely event where waiver is not obtained, forfeiture of the said lands is remote as failure to fulfil such condition is capable of being remedied.

Our legal advisers as to Malaysian law have confirmed that there is no defect in the title for all the properties owned by our Group and that Pentamaster Technology is the registered owners of the relevant properties, free and clear of any restriction or encumbrances on the rights to use the properties under the Malaysian law.

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Leased properties

As part of our business operations, our staff may be required to attend to our customers onsite, who are located outside our headquarters in Penang, Malaysia. Under such circumstances, our Group provides them accommodation via leases. As at the Latest Practicable Date, we rented hostels in Malaysia, Singapore and the PRC as accommodation for our staff.

In addition, as at the Latest Practicable Date, our Group rented two offices in the PRC for customer liaison support, details of which are set out below.

Location	Purpose	Tenure	Monthly rent <i>RMB</i>
Jing An District, Shanghai, PRC	Office	From 1 August 2017 to 31 July 2018	1,100
Gao Xing District, Suzhou, PRC	Office	From 19 March 2016 to 24 March 2018	4,800

For the three years ended 31 December 2016 and six months ended 30 June 2017, our leasing expenses incurred amounted to approximately MYR85,000, MYR67,000, MYR176,000 and MYR224,000 respectively. As at the Latest Practicable Date, our Group did not share or sub-lease any of our leased properties.

18. INSURANCE

As at the Latest Practicable Date, our Group had maintained the following insurance policies (i) group hospital and surgical policy, group term life insurance scheme and group personal accident policy for our employees; (ii) burglary policy; (iii) standard fire policy; (iv) public liability – premises policy; (v) consequential loss or loss of profits policy; (vi) marine open cover insurance; and (vii) company car insurances. Our Directors believe our insurance coverage is adequate for our operations and is in line with industry norm. For details on the risks relating to our insurance coverage, please refer to the paragraph headed “Our insurance may be insufficient to cover all losses associated with our business operations” under the section headed “Risk factors” of this prospectus. During the Track Record Period, we did not experience any claims from third parties nor did we make any insurance claims that would have a material impact on our business, financial conditions or results of operations.

19. HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

Our business is subject to relevant laws and regulations in Malaysia with regards to health, work safety and environment. Details of such laws and regulations are set out under the section headed “Regulatory overview” of this prospectus.

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In order to ensure compliance with these laws and regulations, our Group has established an internal policy to monitor and control health and work safety issues. Our Group's internal health and safety officer and committee are responsible for the development and implementation of health and safety rules as well as a safe system of work. Their responsibilities include carrying out studies on the trend of accident and its prevention, reviewing the effectiveness of our current health and safety system and making recommendations to our management for any improvement on relevant policies. Health and safety inspection will also be carried out by our management once every quarter. In addition, information, instruction, training and supervision relating to health and safety issues are provided to all of our employees and any jobs with potential safety issue, such as welding, cutting, brazing or other jobs creating sparks, are subject to approval by the management.

In respect of environmental matters, it is our Group's policy to ensure appropriate response to any situations involving leakage of chemicals or hazardous gas emission as well as prevention or mitigation of the environmental impacts associated with the above situations. Further, we also dispose of our scrap materials and electrical wastes through companies approved by the government to handle such items.

During the Track Record Period and up to the Latest Practicable Date, (i) we did not experience any accident in our operations that would have a material impact on our business, financial conditions or results of operations; (ii) there had been no material violation of any health, work safety and environmental laws and regulations applicable to our operations; and (iii) there had been no claim or penalty imposed on our Group as a result of violation of health, work safety and environmental laws and regulations. Our legal advisers as to Malaysian law have confirmed that our Group had complied with all applicable health, work safety and environmental laws and regulations in material aspects during the Track Record Period and up to the Latest Practicable Date.

20. LITIGATION

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

21. COMPLIANCE MATTERS

Our Directors have confirmed that there has been no material breach of applicable laws and regulations on our part during the Track Record Period and up to the Latest Practicable Date. Our Directors have also confirmed that, to the best of their knowledge, both Bursa Malaysia and the Securities Commission Malaysia have not raised enquiry or investigation on the members of the Group as subsidiaries of PCB during the Track Record Period and up to the Latest Practicable Date.

22. RISK MANAGEMENT AND INTERNAL CONTROL

We believe that by maintaining and upholding a rigorous set of internal controls, it will build our reputation in the market and increase customers' confidence in our Group. We maintain internal manuals setting out operating procedures, internal control procedures and other policies and guidelines. Our Directors and senior management are responsible for the implementation of these policies and guidelines and they believe that such policies and guidelines can ensure our Group's ability to carry out our business in an orderly and efficient manner, to ensure that there is no leakage of confidential information, to safeguard our Group's and our customers' interests and to comply with all applicable laws and regulatory requirements.

In the ordinary course of our business, we are exposed primarily to (i) operational risk relating to our internal processes and our staff; (ii) credit risk in respect of receivables from our customers; (iii) treasury risk arising from our foreign currency exposure and liquidity risk; and (iv) IT risk given our reliance on our IT system in the day-to-day operations of our business.

Operational risk management

Our Executive Directors and senior management are responsible for monitoring our daily operations and assessing the relevant operational risks. We have control measures on inventory, product quality and pricing, which will be reviewed by our Directors and senior management on a regular basis. Our Group also emphasises on ethical value and maintain all confidential information within our Group. To achieve the above, all our employees, including management of our Group, are required to read our employee handbook and internal policies. As mentioned in the paragraph headed "Employees" under the section headed "Directors, senior management and employees", all our employees are also required to sign a non-disclosure agreement. Further, sensitive information is under restricted access and is shared on a need-to-know basis only. Such procedures allow us to mitigate the risk associated with potential unethical behaviours, wrongdoings, frauds or unauthorised access to and leakage of confidential information.

Credit risk management

Our Group is exposed to the risk of failing to collect the receivables from our customers which may result in a financial loss of our Group. The finance department prepares weekly reports on outstanding overdue payments for our Directors and senior management and alert them on new overdue payments. Our Directors and senior management will then closely monitor, evaluate the risk level and decide on follow-up actions depending on, amongst others, the relationship with the customer and payment history. In addition, before entering into contracts with a new customer, we perform searches and credit assessments to evaluate, amongst others, the new customer's background, financial conditions and reputation.

Treasury risk management

Foreign currency risk management

Our Group operates in Malaysia with a majority of receivables in US\$ and as such our Group is exposed to foreign currency risks. Since the exchange rate of MYR against the US\$ is subject to the risk of market fluctuation, we enter into foreign currency forward contracts to mitigate our exposure. For details, please refer to the paragraphs headed “Fluctuations in foreign currency exchange rate” and “12.1 Foreign currency exchange risk” under the section headed “Financial information” of this prospectus.

Our Group enters into forward contracts only to mitigate the above risk and we have not used and shall not use any such contracts to engage in any speculative activities. For details on laws and regulations relating to foreign currency speculative activities in Malaysia, please refer to the paragraph headed “Financial Services Act 2013 (“FSA”)” under the section headed “Regulatory overview” of this prospectus. On a fortnightly basis, our finance department will prepare a report on our foreign currency exposure taking into account factors such as trade receivables, trade payables and cash position denominated in US\$ for our Directors’ review. Approval must be obtained from both our Chairman and our chief financial officer prior to entering into any forward contracts.

Liquidity risk management

Our internal treasury management policy sets out overall principles as well as detailed approval and monitoring processes of our treasury activities. In accordance with such policy, a management committee, comprising our Executive Directors and the non-executive Director, has been formed to review and assess any new opportunities of treasury activities to optimise the utilisation of our surplus liquidity, if any, based on the following criteria:

- treasury activity should only be undertaken when our Group has surplus cash balances to the extent that adequate liquid capital is maintained (i.e. not required for short or medium term use);
- treasury activity in low liquidity or high risk financial products should be avoided; and
- treasury activity should be able to earn reasonable after-tax returns.

Our management committee is responsible for the initial assessment and analysis on the expected benefit and potential risk of our treasury activities and compilation of relevant data and information. Decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to, our short and medium term liquidity requirements, the market conditions, the economic developments, the anticipated investment conditions, the investment costs, the duration of the investment and the expected benefit and potential loss of the investment.

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For any investments, formal approval must be obtained from the Board before the acquisition or disposal of any investment. Our finance department is also responsible for reporting the status of our investment activities, if any to the Directors at least on a monthly basis.

IT risk management

We are under the contractual obligations to preserve confidential information for our customers. Therefore, to ensure the adherence to such obligations, we implement a number of internal control measures on our IT system, including annual review of the IT infrastructure system to ensure it is up-to-date. We have installed various firewalls and anti-virus softwares to protect our IT system from cyber security breaches such as unauthorised access, hacking and computer viruses. Moreover, we perform system backups on a daily basis.

We will continuously monitor and improve our internal control procedures to ensure that it is in line with the growth of our business and good corporate governance practice.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board currently comprises six Directors, being two Executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with each of our Executive Directors. We have also entered into a letter of appointment with each of our non-executive Director and independent non-executive Directors.

The table below shows certain information with respect to our Directors and senior management:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors and senior management
<i>Executive Directors</i>						
Chuah Choon Bin	56	18 March 1995	12 June 2017	Executive Director and Chairman	Overall management, strategic planning, overseeing the management and business development of our Group	Mr. Chuah is the brother-in-law of Ms. Gan
Gan Pei Joo	41	1 April 2003	12 June 2017	Executive Director and chief financial officer	Overall management, corporate affairs, finance, control functions and budgeting of our Group	Ms. Gan is the sister-in-law of Mr. Chuah
<i>Non-executive Director</i>						
Leng Kean Yong	42	7 August 2017	7 August 2017	Non-executive Director	Supervising and providing advice to the Board	Nil
<i>Independent non-executive Directors</i>						
Chuah Jin Chong (蔡仁鐘)	55	19 December 2017	19 December 2017	Independent non-executive Director	Supervising and providing independent advice to the Board	Nil
Sim Seng Loong @ Tai Seng	50	19 December 2017	19 December 2017	Independent non-executive Director	Supervising and providing independent advice to the Board	Nil
Chan May May	51	19 December 2017	19 December 2017	Independent non-executive Director	Supervising and providing independent advice to the Board	Nil

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Members of our senior management

Name	Age	Date of joining our Group	Existing position(s) in our Group	Roles and responsibilities	Relationship with Directors and other senior management
Teh Eng Chuan	43	11 January 1996	Chief operating officer of Pentamaster Technology	Overseeing the daily operations of Pentamaster Technology	Nil
Ng Chin Keng	38	24 January 2000	Chief operating officer of Pentamaster Equipment	Overseeing the daily operations of Pentamaster Equipment	Nil
Teoh Siow Kiang	60	3 January 2006	Senior general manager of Pentamaster Instrumentation	Overseeing the daily operations of Pentamaster Instrumentation	Nil
Hon Tuck Weng	46	18 March 1995	Operations director	Overseeing the daily operations of our Group	Nil
Ng Yen Mei	40	15 June 2004	Corporate procurement logistic manager	Overseeing the procurement and logistic functions of our Group	Nil
You Chin Teik	40	5 January 1998	Vice president	Overseeing the R&D of our Group	Nil

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. Chuah Choon Bin, aged 56, was appointed as our Director on 12 June 2017 and was re-designated as our Executive Director on 5 September 2017. Mr. Chuah is the Chairman of our Group and is primarily responsible for the overall management, strategic planning and overseeing the management and business development of our Group. Mr. Chuah is a co-founder of the Pentamaster Group and was appointed as an Executive Director and the executive chairman of PCB in November 2002 and August 2003, respectively. He also holds directorship in all the subsidiaries of our Group as well as in Penang Automation Cluster, an associate of Pentamaster Technology. On 19 December 2017, he was re-designated as a non-executive chairman and a non-executive director of PCB. Prior to setting up the Pentamaster Group in 1995, he served as a processing engineer and then an automation engineer for certain multinational semiconductor and technology manufacturers based in Penang. With more than 30 years of experience in the automation solutions industry, Mr. Chuah has developed our Group to its present level of success, from a local start-up focusing on software vision automation system in semiconductor sector to a tech company with over 270 in-house engineers as at the Latest Practicable Date providing a broad range of products and solutions in automated equipment and automated manufacturing solutions. He is a recognised entrepreneur and has won the Ernst & Young Emerging Entrepreneur of the Year Award Malaysia 2002.

Mr. Chuah obtained a bachelor's degree in engineering with honours in May 1985 and a master's degree in engineering majoring in electrical and electronics in May 1989, both from the University of Auckland, New Zealand.

In addition to the above, Mr. Chuah was a director of the following companies, which were incorporated in Malaysia and were solvent and dormant prior to them being voluntarily struck off by their respective directors as the companies have ceased to conduct business:

Company	Status of dissolution	Date of dissolution
Asia Pacific Customer Care Centre Sdn. Bhd.	Struck off by Companies Commission of Malaysia	6 December 2007
Pentamaster Contract Manufacturing Sdn. Bhd.	Dissolved by members' voluntary winding up	27 September 2013
Pentamaster Precision (M) Sdn. Bhd.	Dissolved by members' voluntary winding up	27 September 2013

Mr. Chuah confirmed that, as at the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolution of the above companies.

Ms. Gan Pei Joo, aged 41, was appointed as our Director on 12 June 2017 and was re-designated as our Executive Director on 5 September 2017. Ms. Gan is also the chief financial officer of our Group and is primarily responsible for the overall management,

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

corporate affairs, finance and control functions and budgeting of our Group. She has been a director of Pentamaster Technology and Pentamaster Equipment since January 2016. In June 2017, she was appointed as a director of Pentamaster Instrumentation. Ms. Gan joined the Pentamaster Group as the group accountant in April 2003 and held various positions prior to her promotion as group financial controller of PCB in November 2009, where she was responsible for leading the overall management of the finance, treasury and accounting operations of the Pentamaster Group. From March 2014 to 19 December 2017, she was an executive director of PCB. Prior to joining the Pentamaster Group, Ms. Gan worked at PricewaterhouseCoopers from February 2000 to March 2003, where she last served as a senior associate.

Ms. Gan obtained a bachelor's degree of commerce in accounting from Curtin University of Technology, Australia, in February 1999. She was admitted as a member of the Certified Practising Accountants, Australia and a Chartered Accountant from the Malaysian Institute of Accountants in July and November 2002, respectively.

Non-executive Director

Mr. Leng Kean Yong, aged 42, was appointed as our Director on 7 August 2017 and was re-designated as our non-executive Director on 5 September 2017. Mr. Leng is primarily responsible for providing strategic advice and overseeing the corporate governance, finance and control functions of our Group. He is also a member of the audit committee and the remuneration committee. He has been a non-executive independent director of PCB since August 2014. Mr. Leng has over 21 years of experience in the finance and marketing industry. Prior to joining the Pentamaster Group, he worked at BBMB Securities Sdn. Bhd., a securities firm, from June 1996 to July 2000, where he last served as senior manager of institutional sales. From August 2000 to September 2003, he successively served as manager and senior manager for ACNielsen (Malaysia) Sdn. Bhd., a market research company. During his tenure at ACNielsen (Malaysia) Sdn. Bhd., he was awarded with three ACNielsen awards for his contribution in implementing and executing key strategies. From October 2003 to March 2005, he was a project director at Synovate Sdn. Bhd., a company principally engaged in research and consultancy, where he was responsible for strategic business development and management of key accounts and projects. He also served as a director of H2O Capital Sdn. Bhd., a company which primarily provides management consulting services, from March 2005 to April 2011, during which he was responsible for strategic development and management of financial operations. From May 2013 to June 2017, Mr. Leng was a director at L3 Consulting Sdn. Bhd., a consulting and advisory services provider, where he was responsible for strategic planning and overall management. From December 2016 to April 2017, he was also an independent non-executive director of Jack-In Group Limited, a company principally engaged in the hydraulic jack-in piles system listed on the Australian Securities Exchange (ASX: JIP).

Mr. Leng graduated from the Western Michigan University (cum laude), the United States, with a bachelor in business administration degree in April 1996.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Leng was also the director of Tangs Delight Sdn. Bhd. which was a company incorporated in Malaysia and dissolved by way of members' voluntary striking off as a defunct solvent company in December 2013. Mr. Leng has confirmed that, as at the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolution of Tangs Delight Sdn. Bhd..

Independent non-executive Directors

Dr. Chuah Jin Chong (蔡仁鐘), aged 55, was appointed as our independent non-executive Director on 19 December 2017. He is also the chairman of the nomination committee and a member of the remuneration committee. He is primarily responsible for supervising and providing independent judgment to our Board. Dr. Chuah has over 28 years of professional experience in the medical industry since he was registered as a medical practitioner in Queensland, Australia and New Zealand in 1989. From December 1991 to July 2003, he was employed by the Hospital Authority in Hong Kong and retired as an associate consultant in the department of anaesthesia in the Queen Elizabeth Hospital, Hospital Authority. He is currently a registered medical practitioner in Hong Kong.

Dr. Chuah graduated from the University of Queensland, Australia, with the degree of bachelor of medicine and bachelor of surgery in December 1987. He was admitted as a fellow of the Hong Kong Academy of Medicine in the specialty of Anaesthesiology and a fellow of the Australian and New Zealand College of Anaesthetists in May 2001 and June 2001, respectively.

Mr. Sim Seng Loong @ Tai Seng, aged 50, was appointed as our independent non-executive Director on 19 December 2017. He is also the chairman of the audit committee and the remuneration committee and a member of the nomination committee. He is primarily responsible for supervising and providing independent judgment to our Board. He was a non-executive independent director of PCB from August 2014 to 19 December 2017. He is currently the chief financial officer for Petrol One Resources Berhad, an oil and gas storage and offshore support services company listed on the Main Market of the Bursa Malaysia (stock code: 7027), since November 2011, and the director of its subsidiary, Petrol One Holdings Sdn. Bhd., since April 2015. From November 1988 to March 2007, Mr. Sim worked in a number of accounting firms in Malaysia. He subsequently joined Vickers Systems Pty Ltd. (also known as Eaton Fluid Power), a power management company, in March 2007 as a corporate accountant. From May 2009 to February 2010, he served as the financial controller in Shanghai Eaton Engine Components Ltd (China) (上海伊頓發動機零部件有限公司), a company principally engaged in manufacturing of engine valves and hydraulic valve, where he was responsible for the finance function for the manufacturing campus. From February 2012 to October 2013, he served as the chief operating officer and chief financial officer for The BIG Group Sdn. Bhd., a restaurant group, where he was responsible for the day-to-day operations of the group's restaurants and supermarket.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Sim completed his four-year training contract with Ernst & Young in October 1992. He was admitted as a member of the Malaysia Association of Certified Public Accountant, a Chartered Accountant under Malaysian Institute of Accountants and member of the Certified Practising Accountants of Australia in May 1994, March 1995 and March 2008, respectively.

Mr. Sim was also the director of Bayu Projek Sdn. Bhd. which was company incorporated in Malaysia and dissolved by deregistration from the Companies Commission of Malaysia as defunct company and such company was dissolved in or about 2007. Mr. Sim has confirmed that, as at the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolution of Bayu Projek Sdn. Bhd..

Ms. Chan May May, aged 51, was appointed as our independent non-executive Director on 19 December 2017. She is also a member of the audit committee and the nomination committee. She is primarily responsible for supervising and providing independent judgment to our Board. She has over 20 years of experience in the legal field. She is currently the chief executive officer of ZICOInsource Inc. since July 2015, which is engaged in the provision of insourcing and consultancy services relating to legal, human resource and communications. From 2005 to 2012, she worked at Media Chinese International Ltd., a company listed on both the Stock Exchange (stock code: 685) and Bursa Malaysia (stock code: 5090), where she last served as the general manager of group project operations. Ms. Chan was the head of group corporate communication in Dialog Group Berhad from December 2012 to January 2015. Since July 2017, she has been an independent non-executive director of BGMC International Limited (璋利國際控股有限公司), a construction services company listed on the Main Board of the Stock Exchange (stock code: 1693).

Ms. Chan graduated from the University of Malaya in Malaysia with a degree of bachelor of laws with honours in August 1990. She has been admitted to the Malaysian Bar in March 1991.

Save as disclosed above, each of our Directors has not been involved in any of the events described under Rule 13.51(2)(h) to (v) of the Listing Rules and none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

Mr. Teh Eng Chuan, aged 43, has been the chief operating officer of Pentamaster Technology since January 2015. Mr. Teh is primarily responsible for overseeing the daily operations of Pentamaster Technology. He joined our Group in January 1996 as a vision software engineer of Pentamaster Technology and has over 20 years of experience in the machine vision, design and control. Mr. Teh completed a course of higher diploma in computer science in Kolej Damansara Utama (currently known as KDU Penang University College), Malaysia, in April 1995.

Mr. Ng Chin Keng, aged 38, has been the chief operating officer of Pentamaster Equipment since January 2015. Mr. Ng is primarily responsible for overseeing the daily operations of Pentamaster Equipment. He joined our Group as an automation software programmer of Pentamaster Technology in January 2000. Mr. Ng obtained a bachelor's degree of science in computing and information systems with honours from University of Lincolnshire & Humberside, United Kingdom, in July 2001. He later obtained a higher diploma in computer studies and a graduate diploma in information technology from Kolej Damansara Utama (currently known as KDU Penang University College), Malaysia, in March 2000 and April 2001, respectively.

Mr. Teoh Siow Khiang, aged 60, has been the senior general manager of Pentamaster Instrumentation since January 2017. He is primarily responsible for overseeing the daily operations of Pentamaster Instrumentation. He joined our Group in January 2006 as a general manager of Pentamaster Instrumentation. From 1982 to shortly prior to joining our Group in 2006, he worked with a number of multinational corporations based in Malaysia. Mr. Teoh obtained an honours class bachelor's degree of engineering majoring in electrical and a master's degree of engineering from University of Malaya in June 1982 and July 1991, respectively.

Mr. Hon Tuck Weng, aged 46, has been the operation director of Pentamaster Technology since May 2007 and is primarily responsible for overseeing the daily operation of our management information system, quality assurance and control, facilities and internal control functions. He is also a director of Pentamaster Technology since September 2003. Mr. Hon joined our Group in March 1995 as the software programmer of Pentamaster Technology. Mr. Hon has more than 24 years of experience in automation solutions industry. Prior to joining our Group, from April 1993 to May 1994, he served as a software programmer in IFCA Systems (Penang) Sdn. Bhd., a company principally engaged in developing software for property and hospitality industry, where he was primarily responsible for software programming.

Mr. Hon graduated from the Kolej Damansara Utama in Malaysia (currently known KDU Penang University College) with a higher diploma in computer studies, moderated and assessed by the University of Humberside in United Kingdom, in September 1993 through a distance learning course. He later obtained a postgraduate certificate in engineering business management from the University of Warwick, United Kingdom, in June 2011 through a distance learning course.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Ng Yen Mei, aged 40, is our corporate procurement logistic manager and is primarily responsible for overseeing the procurement and logistic functions of our Group. Ms. Ng joined our Group in June 2004 and has served on various positions including but not limited to the corporate procurement manager. She has approximately 20 years of experience in procurement and accounting. From July 1997 to December 1997, she was an accounts clerk in Rich Focus Corporation Sdn. Bhd., a properties development and construction company. From December 1997 to July 1998, she worked at Fila Sport (Malaysia) Sdn. Bhd., where she served as a warehouse coordinator. From August 1998 to April 1999, she served as an administrative assistant in New Bob Rent-A-Car & Tours Sdn. Bhd., a car rental company. From July 1999 to July 2000, she was a materials planner in OTC Electronics Sdn. Bhd. (formerly known as Overseas Trading Company), a company primarily engaged in electronic and electrical assembly. From September 2000 to March 2001, she served as planner-buyer in OSRAM Opto Semiconductors (Malaysia) Sdn. Bhd.. From April 2001 to December 2001, she served as materials specialist in Dell Asia Pacific Sdn., where she provided support for business operations procurement. From March 2002 to June 2004, she served as an administrative & accounts executive in IP-Master Technology (M) Sdn. Bhd.. Ms. Ng obtained a master's degree of business administration from Paramount University of Technology, the United States in April 2007 through a distance learning course.

Mr. You Chin Teik, aged 40, is our vice president of new business development and is primarily responsible for overseeing the R&D of our Group. He joined our Group as a vision engineer of Pentamaster Technology in January 1998. Mr. You obtained a higher diploma in computer studies from Kolej Damansara Utama (currently known as KDU Penang University College), Malaysia, in February 1998. He later obtained a degree of master of business administration from University of South Australia, Australia, in March 2009 through a distance learning course.

COMPANY SECRETARY

Ms. Tsui Sum Yi (徐心兒) was appointed as our company secretary on 30 August 2017. Ms. Tsui is currently a senior associate at Vistra (Hong Kong) Limited, where she is responsible for providing a full range of company secretarial and compliance services to listed and private companies. Ms. Tsui has over ten years of company secretarial experience. Prior to joining Vistra (Hong Kong) Limited in October 2015, she served as an assistant in the secretarial division of Kingston C.P.A. Limited from June 2007 to May 2010, a company secretary in Gary Cheng Secretaries Limited from May 2010 to October 2011, a secretarial officer in KCS Hong Kong Limited from November 2011 to October 2014 and a company secretarial officer in Country Garden Group from January 2015 to September 2015. Since April 2017, she has been the company secretary of Icicle Group Holdings Limited (stock code: 8429), a company listed on the Growth Enterprise Market of the Stock Exchange.

Ms. Tsui obtained a bachelor's degree in business administration in corporate administration and a master of corporate governance degree from the Open University of Hong Kong in June 2010 and June 2013, respectively. Ms. Tsui was admitted as an associate of The Institute of Chartered Secretaries and Administrators and an associate of The Hong Kong Institute of Chartered Secretaries in October 2013.

BOARD COMMITTEE

Audit Committee

We have established an audit committee on 19 December 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules. The audit committee consists of two independent non-executive Directors, namely Mr. Sim Seng Loong @ Tai Seng (being the chairman of the audit committee who has a professional qualification in accountancy) and Ms. Chan May May and one non-executive Director, namely Mr. Leng Kean Yong. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee on 19 December 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the CG Code as set forth in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, two of whom are independent non-executive Directors, being Mr. Sim Seng Loong @ Tai Seng and Dr. Chuah Jin Chong; and one of whom is our non-executive Director, being Mr. Leng Kean Yong. The remuneration committee is chaired by Mr. Sim Seng Loong @ Tai Seng. The primary duties of the remuneration committee include, but without limitation, (i) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; and (iii) reviewing and approving the management’s remuneration proposals with reference to the Board’s corporate goals and objectives.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on 19 December 2017 with written terms of reference. The nomination committee consists of three independent non-executive Directors, namely Dr. Chuah Jin Chong, Mr. Sim Seng Loong @ Tai Seng and Ms. Chan May May. The chairman of the nomination committee is Dr. Chuah Jin Chong. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Company intends to comply with the code provisions set out in the CG Code in Appendix 14 to the Listing Rules after Listing.

Our Directors will review our corporate governance policies and compliance with the CG Code each financial year and comply with the “comply or explain” principle in our interim reports and our corporate governance report which will be included in our annual reports upon Listing.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Executive Directors, who are also our employees, receive in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, bonuses, contributions to pension schemes, allowances and benefits in kind which were paid by our Group to our Directors for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 was nil, approximately MYR0.5 million, MYR0.4 million and MYR0.3 million, respectively.

The aggregate amount of remuneration including fees, salaries, bonuses, contributions to pension schemes, allowances and benefits in kind paid by our Group to the five highest paid individuals for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 was approximately MYR1.5 million, MYR1.9 million, MYR2.7 million and MYR1.0 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, allowances and benefits in kind) of our Directors for the year ending 31 December 2017 is estimated to be approximately MYR1.2 million.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SHARE AWARD SCHEME

PCB, our Controlling Shareholder, subsequent to obtaining approval from its shareholders on 16 November 2017, adopted the Share Award Scheme on 8 December 2017 to which certain members of our Directors, senior management and employees were entitled. For details of the Share Award Scheme, please refer to the paragraph headed “D. Other information 1. Share Award Scheme” in Appendix V to this prospectus.

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 397 employees, most of which were based in Malaysia whilst the rest were stationed in the PRC for customer liaison support purpose. Our employees include a substantial number of engineers with expertise in various areas such as robotics, mechanical engineering, vision inspection, control optimisation, optics, software automation and firmware programming. The table below sets out a breakdown of the number of our employees by region and function during the Track Record Period and up to the Latest Practicable Date:

	Number of employees as at			
	31	31	31	the Latest
	December	December	December	Practicable
	2014	2015	2016	Date
Malaysia				
<i>Directors and senior management</i>	6	8	8	8
<i>Administration and finance</i>	42	32	48	75
Engineering team				
– <i>Manager</i>	15	19	19	28
– <i>Project management</i>	7	11	12	18
– <i>Design engineer</i>	78	79	101	143
– <i>Production engineer</i>	16	18	17	43
– <i>Quality control</i>	6	9	12	17
Technician	14	18	19	46
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	184	194	236	378
PRC				
Engineering team				
– <i>Customer liaison support</i>	7	10	10	19
	<hr/>	<hr/>	<hr/>	<hr/>
Total	191	204	246	397
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The continuous success of our business is dependent on our engineers. Our engineers keep abreast of the latest technology trend and apply such know-how to our products and solutions throughout our business workflow from conceptualisation to design and manufacturing. To protect our intellectual properties and R&D efforts, we enter into non-disclosure agreements with all our employees.

In order to attract and retain technical talents, we offer our employees attractive and competitive remuneration packages, comprehensive training and internal promotion opportunities.

Our employees are remunerated according to their job scopes and responsibilities and are entitled to annual bonuses as well as performance incentives. In addition, we provide free on-site child care facility operated by a qualified child care operator, an Independent Third Party, in the Existing Production Plant. In Malaysia, we provide social security benefits such as medical insurance, occupational injury insurance to our employees as required under the Employees' Social Security Act 1969. We also provide employee pension fund to our employees in Malaysia as required under the Employees Provident Fund Act 1991.

As shown in the table above, as at the Latest Practicable Date, our Group had 19 employees in the PRC who provide liaison support to our customers in that region. Our legal advisers as to PRC law has confirmed such employments comply with the relevant employment laws and regulations in the PRC. For our employees in the PRC, we provide them with social security funds including pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave and housing provident fund contributions as required under the relevant PRC laws and regulations.

The aforementioned employee benefit and pension expenses in aggregate amounted to approximately MYR12.7 million, MYR15.4 million, MYR20.5 million and MYR9.7 million for the three years ended 31 December 2016 and the six months ended 30 June 2017 respectively.

We undertake various initiatives to recruit talents, in particular engineers by offering undergraduate and graduate internship programs as well as participating in career fairs of recognised colleges and universities. Our human resource department provides orientation training programme to new employees, followed by inclusive on-the-job training covering both technical and soft skills. Our management periodically review the performances of our employees and adjust the training program according to each employee's self-development as necessary. Further, we offer continuous training development courses for our employees.

To attract and retain talents, we continue to provide competitive remuneration package as well as training and development programme to our employees as mentioned above. During the Track Record Period and as at the Latest Practicable Date, we did not experience any material difficulty in recruiting and retaining suitable employees, nor did we experience any material labour disputes, strikes or industrial actions relating to employment which may have a material adverse effect on our business, financial conditions and results of operations.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

We have appointed Altus as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

OVERVIEW

Immediately upon completion of the Share Offer and the Capitalisation Issue, PCB will beneficially own approximately 63.10% of the issued share capital of our Company. Accordingly, our Company will remain a subsidiary of PCB and PCB will be the Controlling Shareholder of our Company. PCB is listed on the Main Market of Bursa Malaysia. Please refer to the section headed “History, Reorganisation and corporate structure” of this prospectus for further details on the corporate structure of our Group.

Save as disclosed above, no other person or group of persons will, immediately upon completion of the Share Offer and the Capitalisation Issue, be entitled to exercise or control the exercise of 30.00% or more of the voting power at general meetings of the Company.

INDEPENDENCE FROM CONTROLLING SHAREHOLDER

Having considered the following factors, we believe our Group is capable of carrying on our business independently of our Controlling Shareholder and its respective close associates (other than our Group) after the Listing.

Management independence

Each of our Company and PCB has a board of directors which functions independently of each other. The following table sets forth the details of the directorships of our Company and PCB immediately upon Listing:

Name	Our Company	PCB
Mr. Chuah	Chairman and Executive Director	Non-executive chairman and non-executive director
Ms. Gan	Executive Director	–
Mr. Leng Kean Yong	Non-executive Director	Non-executive independent director
Dr. Chuah Jin Chong	Independent non-executive Director	–
Mr. Sim Seng Loong @ Tai Seng	Independent non-executive Director	–
Ms. Chan May May	Independent non-executive Director	–

Our Board consists of six Directors, being two Executive Directors, one non-executive Director and three independent non-executive Directors. Only one Executive Director, namely Mr. Chuah, and one non-executive Director, namely Mr. Leng Kean Yong, also serve on the board of PCB. As advised by our legal advisers as to Malaysian law, Mr. Leng’s role as a non-executive Director of our Company does not fall under any of the factors which would be taken by Bursa Malaysia as having an impact on his independence and therefore continued role as a non-executive independent director of PCB upon the Listing. Save for the above, there are no overlapping directors and senior management between our Group and PCB Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Given (i) Mr. Chuah will not participate in the daily operations of PCB Group; and (ii) Mr. Leng Kean Yong will not participate in the daily operations of our Group and is responsible only for providing independent advice to the board of directors of PCB, our Board considers that the partial overlap of directorships between our Company and PCB will not impair the independence of our Board.

Each of our Directors, in particular Mr. Chuah and Mr. Leng Kean Yong, is aware of his/her fiduciary duties as a Director which requires, amongst other things, that he/she acts honestly and in good faith and in the best interests of our Company. In the event there is any potential conflict of interest arising out of any transaction to be entered into between our Company and PCB, or where a Director has a material interest in any contract, arrangement or proposal considered by our Board, the relevant or interested Director(s) shall abstain from voting at the relevant board meetings and shall not be counted in the quorum of the relevant board meetings. In the event that any Director is required to absent himself/herself from any board meeting on any matter which may give rise to a potential conflict of interest, our remaining Directors will have sufficient expertise and experience to fully consider any such matter.

In addition, the independent non-executive Directors have extensive experience in various areas and have been appointed in accordance with the requirements under the Listing Rules. They shall be able to ensure that the decision of the Board will only be made after due consideration of independent and impartial opinions.

Having considered the above, our Directors consider that they will be able to perform their roles as Directors independently and manage our business independently from our Controlling Shareholder after the Listing.

Financial independence

Our Group has established and maintained independent internal control and accounting systems, accounting and finance departments and independent treasury function.

In addition, we have independent access to third-party financing and our Group does not rely on our Controlling Shareholder and/or its close associates for provision of financial assistance. All loans, advances and balances due to our Controlling Shareholder will be fully repaid before Listing. All guarantees provided by our Controlling Shareholder on our Group's borrowings will be replaced by corporate guarantees by our Company before Listing; and all guarantees provided by our Group on our Controlling Shareholder's borrowings will be released before Listing. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholder.

Having considered the above, our Directors consider that our Group is able to maintain financial independence upon the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Operational independence

We have independent access to suppliers and customers; we have an independent management team to handle our day-to-day operations; and we are in possession of all relevant licences necessary to carry on and operate our business. In addition, upon Listing we will not share operational capabilities with our Controlling Shareholder. Based on the above, our Directors are of the view that we can operate independently from our Controlling Shareholder.

Clear delineation of business

There is clear and distinct delineation of the business of our Group and that of PCB Group. Upon Listing, PCB Group will be principally engaged in the business of project management which involves the management of property development projects in Malaysia and smart home solutions with key selling features to home buyer market such as pre-setting, scheduling, monitoring and security to ensure the mannerism of home devices and appliances are customised according to individual preference. Meanwhile, our Group is and will be principally engaged in providing (i) automated equipment including MEMS (microelectromechanical systems) and smart sensor test handler solutions, automated vision inspection handler solutions, intelligent sortation system and end product testing solutions; and (ii) automated manufacturing solutions including AMS (automated manufacturing solutions) modules and i-ARMS solutions to multinational manufacturers or their value chain from various sectors, including semiconductor, telecommunications, consumer electronics, automotive, food and beverage as well as medical devices spanning North America, Europe and APAC. We do not consider there to be any overlap of the businesses conducted by PCB Group and our Group.

NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholder has undertaken to us in the Deed of Non-Competition that it will not, and will procure its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes, or may compete, with our business or undertaking (the “**Restricted Activity**”), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholder holds less than 5.0% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10.0% or more of the board of directors of such company.

Further, our Controlling Shareholder has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to it or any of its close associates, it shall, and shall procure that its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from voting at and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans as well as the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such Competing Business Opportunity;
- the Independent Board shall, within 30 business days of receipt of the Offer Notice, inform our Controlling Shareholder in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- our Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days’ period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholder, it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholder and its close associates cease to hold, in aggregate, whether directly or indirectly, 30.00% or more of our Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholder;
- our Controlling Shareholder has undertaken to us, and will procure its relevant close associates that it or any of its close associates will provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- we will disclose the review by our independent non-executive Directors on the compliance with and the enforcement of the Deed of Non-Competition as well as the decisions on matters reviewed by our independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public in compliance with the Listing Rules;
- our Controlling Shareholder will make an annual declaration on the compliance with the Deed of Non-Competition in our annual report in accordance with the principle of voluntary disclosure in the corporate governance report; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholder and its respective close associates may not compete with us as provided in the Deed of Non-Competition. Our Controlling Shareholder has confirmed that it fully comprehends its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Share Offer, we have amended our Articles to comply with the Listing Rules. In particular, our Articles provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed one non-executive Director and three independent non-executive Directors and we believe our non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our non-executive Directors are set out under the section headed "Directors, senior management and employees" of this prospectus;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- (c) our Company has set up an audit committee on 19 December 2017 to review and supervise our Company's financial reporting process, internal control and risk management systems of our Group and to monitor any continuing connected transactions, all members of which are independent non-executive Directors; and

- (d) we have appointed Altus as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial Shareholders and chief executive or those of our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademark Licence Agreement

On 19 December 2017, Pentamaster Technology entered into a trademark licence agreement (the “**Trademark Licence Agreement**”) with PCB, pursuant to which Pentamaster Technology granted to PCB an irrevocable right to use the trademarks (the “**Trademarks**”), as set out in the paragraph headed “B. Information about our business 2. Intellectual property rights of our Group (b) Trademarks” in Appendix V to this prospectus, for use in PCB Group’s day-to-day business on a non-transferable, non-exclusive and royalty-free basis, for an indefinite term until PCB ceases to be a Controlling Shareholder.

As required by Rule 14A.52 of the Listing Rules, the period for continuing connected transactions must not exceed three years, except in cases where the nature of the transaction requires the contract to be of a duration longer than three years. As the Trademarks have been widely adopted in all the businesses and activities managed and operated by the Pentamaster Group and are generally known and recognized by the public, the Trademarks have become an important means of promoting the Pentamaster Group’s brand and image and a key icon in all of the Pentamaster Group’s external promotion and marketing activities. The continual use of the Trademarks will ensure the continuity of the brand and image of the Pentamaster Group, thereby ensuring the long-term development and continuity of the Pentamaster Group’s business. Having considered the foregoing, our Directors consider that it is reasonable to license the Trademarks to PCB to enable it to sustain the PCB Group’s business operations and an indefinite duration of the agreement (until PCB ceases to be a Controlling Shareholder) is justifiable. Our Directors are of the view that the Trademark Licence Agreement has been entered into on normal commercial terms which are fair and reasonable and in the interests of the Pentamaster Group and our Shareholders as a whole. The Sponsor agrees with our Directors’ reasons for requiring a longer term for the Trademark Licence Agreement and is of the view that entering into the Trademark Licence Agreement with a duration of over three years is in line with normal business practice for agreements of this type.

CONNECTED TRANSACTIONS

Lease agreements in respect of office premises

On 19 December 2017, Pentamaster Technology as landlord entered into two lease agreements, one with each of PCB and Pentamaster Smart Solution Sdn. Bhd. (“**Pentamaster Smart Solution**”), a subsidiary of PCB respectively, as tenant (together the “**Lease Agreements**”), pursuant to which Pentamaster Technology agreed to lease the premises situated at Plot 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang, Malaysia with a gross floor area of 7,368 sq.ft and 3,000 sq.ft respectively (the “**Office Premises**”) to each of PCB and Pentamaster Smart Solution for office use.

The Lease Agreements have a term of three years commencing from the Listing Date at an annual rental (including government and local council taxes) of MYR265,248 and MYR108,000, respectively. The historical rental paid by PCB to Pentamaster Technology amounted to approximately MYR134,000, MYR214,000, MYR265,000 and MYR133,000 (including government and local council taxes) for the years ended 31 December 2014, 31 December 2015, 31 December 2016 and the six months ended 30 June 2017 respectively. The historical rental paid by Pentamaster Smart Solution to Pentamaster Technology amounted to nil, MYR45,000, MYR108,000 and MYR54,000 (excluding the electricity and service charge) for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the six months ended 30 June 2017 respectively.

The rental to be paid to Pentamaster Technology under each of the Lease Agreements was negotiated on an arm’s length basis and on normal commercial terms determined based on the historical rental for the Office Premises and the prevailing market rent of similar premises. Since the transactions contemplated under the Lease Agreements are similar in nature, such transactions should be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio for the Lease Agreements in aggregate calculated for the purpose of Chapter 14A of the Listing Rules is less than 5.0% and the annual consideration is less than HK\$3.0 million, such continuing connected transactions are within the *de minimis* threshold stipulated in the Rule 14A.76(1) of the Listing Rules.

Listing Rules implications

As PCB is our Controlling Shareholder and Pentamaster Smart Solution is a subsidiary of PCB, PCB and Pentamaster Smart Solution are connected persons of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Trademark Licence Agreement and the Lease Agreements will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As (a) the applicable percentage ratios for the Trademark Licence Agreement is expected to be less than 0.1% on an annual basis; (b) the applicable percentage ratios for the Lease Agreements in aggregate are expected to be less than 5.0% on an annual basis and the appropriate annual caps for the continuing connected transactions contemplated under the Lease Agreements will be less than HK\$3.0 million, such transactions are fully exempt from the reporting, annual review, announcement, circular, independent financial advice and the independent shareholders’ approval requirement under Rule 14A.76(1) of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors as of the Latest Practicable Date, the following person will, immediately prior to and following the completion of the Share Offer and the Capitalisation Issue, have interests or short positions in our Shares or underlying Shares which fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of interest	Shares held as at the date of submission of the application proof of this prospectus		Shares held immediately following the completion of the Share Offer and the Capitalisation Issue	
		Number	Percentage (approximate)	Number	Percentage (approximate)
PCB	Beneficial owner	926	92.60%	1,009,536,000	63.10%
GEMS	Beneficial owner	74	7.40%	104,192,000	6.51%

Except as disclosed in this section, our Directors are not aware of any person who will, immediately prior to and following the completion of the Share Offer and the Capitalisation Issue, have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Share Offer and the Capitalisation Issue:

	Nominal value
	<i>HK\$</i>
Authorised share capital:	
<u>5,000,000,000</u> Shares of HK\$0.01 each	<u>50,000,000</u>
	Nominal value
	<i>HK\$</i>
Shares issued and to be issued, fully paid or credited as fully paid	
238,096 Shares in issue as at the date of this prospectus	2,380.96
1,407,761,904 Shares to be allotted and issued pursuant to the Capitalisation Issue	14,077,619.04
<u>192,000,000</u> Shares to be allotted and issued under the Share Offer	<u>1,920,000</u>
<u>1,600,000,000</u> Total	<u>16,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and Capitalisation Issue are made. It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (1) 20.00% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue; and
- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the paragraph headed "A. Further information about our Group 3. Resolutions in writing of our Shareholders passed on 19 December 2017" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10.00% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue.

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further information about our Group 6. Repurchases of our Shares" in Appendix V to this prospectus.

SHARE CAPITAL

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the paragraph headed "A. Further information about our Group 3. Resolutions in writing of our Shareholders passed on 19 December 2017" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing special resolution. For further details, see the paragraph headed "2.5 Alteration of capital" in Appendix IV to this prospectus.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, see the paragraph headed "2.4 Variation of rights of existing shares or classes of shares" in Appendix IV to this prospectus.

FINANCIAL INFORMATION

Prospective investors should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with the accounting policies which conform with IFRSs. Prospective investors should read the entire Accountants' Report and not merely rely on the information contained under this section of the prospectus.

The following discussion and analysis contained certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risk and uncertainties over which our Group does not have control. For further information, prospective investor should refer to the section headed "Risk factors" of this prospectus.

1. OVERVIEW

We provide automation technology and solutions to multinational manufacturers mainly in the semiconductor, telecommunications, automotive and consumer electronics sectors spanning APAC, North America and Europe. Our broad range of integrated automation products and solutions entail innovating, designing, manufacturing and installing automated equipment and/or automated manufacturing solutions. During the three years ended 31 December 2016 and six months ended 30 June 2017, our Group derived approximately 74.0%, 61.7%, 71.7% and 85.6% of our total revenue from the automated equipment segment respectively. Details of the breakdown of our Group's revenue by business activities are set out in the paragraph headed "5.1 Revenue" under this section.

2. BASIS OF PREPARATION

The financial information has been prepared by our Directors based on accounting policies that conform with International Financial Reporting Standards ("IFRSs") which includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"), on the basis of presentation as set out in note 1 of the Accountants' Report contained in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information.

3. CRITICAL ACCOUNTING POLICIES

The preparation of financial information is in conformity with the IFRSs and requires our management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Our significant accounting policies and estimates which are important for an understanding of our financial conditions and results of operations, are set forth in notes 2 and 3 of the Accountants' Report contained in Appendix I to this prospectus.

FINANCIAL INFORMATION

4. MAJOR FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our results of operations and financial conditions are significantly affected by the following factors:

(i) Fluctuations in foreign currency exchange rate

During the three years ended 31 December 2016 and six months ended 30 June 2017, approximately 59.3%, 61.8%, 80.4% and 83.1% of our total revenue and approximately 15.3%, 10.8%, 34.9% and 41.6% of our total purchases were denominated in US\$ respectively. Meanwhile, our Group's financial statements is presented in MYR. As a result, our Group is mainly exposed to currency risk in US\$ and the fluctuations in the exchange rate between MYR and US\$ could materially impact our results of operations. As at 31 December 2014, 2015, 2016 and 30 June 2017, our Group had net exposure in US\$ (being trade receivables and cash and cash equivalent net of trade payables denominated in US\$ as at the respective reporting dates) of approximately MYR10.3 million, MYR10.5 million, MYR32.6 million and MYR25.0 million respectively.

As part of our treasury risk management, our Group closely monitors our foreign exchange exposure arising from our normal business operations and enters into foreign currency forward contract to manage and mitigate risk of foreign exchange rate fluctuations as and when necessary. Please refer to the paragraph headed "22. Risk management and internal control" under the section headed "Business" of this prospectus for further details. Meanwhile, our Group has not used and shall not use any such contract to engage in any speculative activities in accordance with the relevant Malaysian law. Please refer to the paragraph headed "Financial Services Act 2013 ("FSA")" under the section headed "Regulatory overview" of this prospectus for details relating to the Malaysian government policy on foreign exchange. For such reason, the gain/loss from changes in fair value of foreign currency forward contracts recorded during the Track Record Period should be considered in conjunction with our net gain/loss on foreign exchange, which are summarised below.

	Year ended 31 December			Six months ended	
	2014	2015	2016	30 June	
	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
(Loss)/Gain from changes in fair value of foreign currency forward contracts	(941)	870	(3,334)	227	3,554
Net gain/(loss) on foreign exchange	747	491	3,332	(33)	(4,560)

FINANCIAL INFORMATION

Net gain/loss on foreign exchange comprises a combination of realised and unrealised gain/loss on foreign exchange. The realised portion is derived from the gain/loss in foreign exchange arising from (i) the differences in exchange rate used to record the sale or purchase transaction denominated in foreign currencies versus the rate as at the settlement date; and (ii) the differences in value of the foreign currency forward contracts settled during the relevant financial year/period between the respective contract and settlement dates. The unrealised portion is derived from converting monetary assets and liabilities denominated in foreign currencies to MYR as at the end of respective reporting periods during the Track Record Period.

As illustrated in the above table, except for the year ended 31 December 2015, the gain/loss from changes in fair value of foreign currency forward contracts generally cushioned the movement of net gain/loss on foreign exchange during the Track Record Period. The exception recorded for the year ended 31 December 2015 was primarily attributable to the material fluctuations in exchange rate between MYR and US\$ within short intervals during the year, which lessened the effects of matching.

For illustrative purpose, the following table sets out sensitivity analysis on fluctuations in MYR against US\$, with all other variables being held constant, on our Group's assets and liabilities denominated in US\$ at the end of each balance sheet date during the Track Record Period. The sensitivity rates were selected based on the range of exchange rate fluctuations during the corresponding years/period.

	Sensitivity rate	Decrease/Increase in profit after tax <i>MYR'000</i>
As at 31 December 2014	+/-11%	-/+846
As at 31 December 2015	+/-24%	-/+1,895
As at 31 December 2016	+/-15%	-/+3,715
As at 30 June 2017	+/-5%	-/+949

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

FINANCIAL INFORMATION

(ii) Taxation

The table below sets out Malaysia's statutory tax rates and our Group's effective tax rates during the Track Record Period.

	Year ended 31 December			Six months ended	
	2014	2015	2016	30 June 2016	2017
Statutory tax rate	25.0%	25.0%	24.0%	24.0%	24.0%
Effective tax rate	15.7%	15.8%	(3.2)%	11.5%	10.6%

Our Group's lower effective tax rates as compared to the statutory tax rates during the Track Record Period were primarily attributable to (i) tax savings arising from the Pioneer Status enjoyed by our Group; and (ii) utilisation of unabsorbed tax losses and capital allowances. Please refer to the paragraph headed "5.8 Taxation" under this section for further analysis. If we are unable to satisfy the annual compliance review by MIDA or our innovation is unable to qualify for Pioneer Status going forward or upon expiry of our existing Pioneer Status, we may not be able to continue to enjoy tax reduction benefits derived therefrom, which could adversely affect our financial conditions and results of operations. For further details of our Group's Pioneer Status, please refer to the paragraph headed "13. Tax incentives" under the section headed "Business" and the paragraph headed "Promotion of Investments Act 1986 ("PIA")" under the section headed "Regulatory overview" of this prospectus.

FINANCIAL INFORMATION

Revenue analysis by Pioneer Status

To further illustrate the tax benefits arising from our Group's Pioneer Status, set out below is the breakdown of revenue by each subsidiary which benefited from the Pioneer Status during the Track Record Period.

For the year ended 31 December 2014

	Pentamaster Technology		Pentamaster Equipment		Pentamaster Instrumentation		Total	
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
Pioneer	–	–	–	–	9,270	12.3	9,270	12.3
Non-pioneer	46,218	61.6	19,526	26.0	58	0.1	65,802	87.7
Total	<u>46,218</u>	<u>61.6</u>	<u>19,526</u>	<u>26.0</u>	<u>9,328</u>	<u>12.4</u>	<u>75,072</u>	<u>100.0</u>

For the year ended 31 December 2015

	Pentamaster Technology		Pentamaster Equipment		Pentamaster Instrumentation		Total	
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
Pioneer	–	–	–	–	5,114	6.9	5,114	6.9
Non-pioneer	40,297	54.7	28,249	38.3	23	0.1	68,569	93.1
Total	<u>40,297</u>	<u>54.7</u>	<u>28,249</u>	<u>38.3</u>	<u>5,137</u>	<u>7.0</u>	<u>73,683</u>	<u>100.0</u>

For the year ended 31 December 2016

	Pentamaster Technology		Pentamaster Equipment		Pentamaster Instrumentation		Total	
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
Pioneer	54,993	38.8	12,429	8.8	10,901	7.7	78,323	55.3
Non-pioneer	33,552	23.7	27,696	19.5	2,249	1.5	63,497	44.7
Total	<u>88,545</u>	<u>62.5</u>	<u>40,125</u>	<u>28.3</u>	<u>13,150</u>	<u>9.2</u>	<u>141,820</u>	<u>100.0</u>

For the six months ended 30 June 2017

	Pentamaster Technology		Pentamaster Equipment		Pentamaster Instrumentation		Total	
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
Pioneer	68,355	70.7	8,084	8.4	–	–	76,439	79.1
Non-pioneer	6,117	6.4	5,860	6.0	8,215	8.5	20,192	20.9
Total	<u>74,472</u>	<u>77.1</u>	<u>13,944</u>	<u>14.4</u>	<u>8,215</u>	<u>8.5</u>	<u>96,631</u>	<u>100.0</u>

FINANCIAL INFORMATION

Analysis on tax savings effect resulted from Pioneer Status

For the year ended 31 December 2014

	Pentamaster Technology <i>MYR'000</i>	Pentamaster Equipment <i>MYR'000</i>	Pentamaster Instrumentation <i>MYR'000</i>	Total <i>MYR'000</i>
Reduction in tax chargeable income (<i>Note 1</i>)	–	–	4,088	4,088
Exempt pioneer income (<i>Note 2</i>)	–	–	1,022	1,022

For the year ended 31 December 2015

	Pentamaster Technology <i>MYR'000</i>	Pentamaster Equipment <i>MYR'000</i>	Pentamaster Instrumentation <i>MYR'000</i>	Total <i>MYR'000</i>
Reduction in tax chargeable income (<i>Note 1</i>)	–	–	1,536	1,536
Exempt pioneer income (<i>Note 2</i>)	–	–	384	384

For the year ended 31 December 2016

	Pentamaster Technology <i>MYR'000</i>	Pentamaster Equipment <i>MYR'000</i>	Pentamaster Instrumentation <i>MYR'000</i>	Total <i>MYR'000</i>
Reduction in tax chargeable income (<i>Note 1</i>)	18,067	2,029	5,388	25,483
Exempt pioneer income (<i>Note 2</i>)	4,336	487	1,293	6,116

For the six months ended 30 June 2017

	Pentamaster Technology <i>MYR'000</i>	Pentamaster Equipment <i>MYR'000</i>	Pentamaster Instrumentation <i>MYR'000</i>	Total <i>MYR'000</i>
Reduction in tax chargeable income (<i>Note 1</i>)	10,083	108	–	10,192
Exempt pioneer income (<i>Note 2</i>)	2,420	26	–	2,446

Notes:

- Reduction in tax chargeable income is calculated based on (i) revenue qualified for Pioneer Status as illustrated above; and (ii) adjusted for cost of goods sold and other relevant tax deductible expenses/allowances.
- Exempt pioneer income is calculated based on reduction in tax chargeable income (as presented above) multiplied by the statutory tax rate. For further details of our Group's reconciliation of tax expenses, please refer to note 9 of the Accountants' Report contained in Appendix I to this prospectus.

As illustrated in the above tables, exempt pioneer income (i.e. the amount of tax savings due to the Pioneer Status) generally tracks the respective revenue qualified for the Pioneer Status during the Track Record Period with the exception of the first half of 2017, whereby the exempt pioneer income decreased significantly from approximately MYR6.1 million in 2016 to MYR2.4 million in the first half of 2017 despite our Group recording comparable revenue qualified for Pioneer Status for the two periods. This was mainly due to the gross profit margin for qualifying products and/or solutions under Pentamaster Technology in the first half of 2017 on average being lower than that in 2016, leading to a lower reduction in tax chargeable income and in turn the level of exempt pioneer income over the same period.

FINANCIAL INFORMATION

For illustrative purpose, the following table demonstrates the impact on our profit after tax and effective tax rate under the hypothetical scenario assuming tax reduction benefits under our Pioneer Status does not apply during the Track Record Period with all other variables being held constant.

	Year ended 31 December			Six months ended	
	2014	2015	2016	30 June	2017
	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>
Decrease in our profit after tax	1,022	384	8,012 <i>(Note)</i>	1,803	2,446
Adjusted effective tax rate	23.8%	19.1%	21.3%	25.3%	22.2%

Note: This figure takes into account the reversal of deferred tax of approximately MYR1.9 million, as our Group had successfully obtained certificates of Pioneer Status in relation to the production of certain products and solutions during the year. Please refer to the paragraph headed “5.8 Taxation” under this section for further details.

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

(iii) Cyclicity of the semiconductor and end user industries

During the Track Record Period, our Group’s revenue was principally derived from the provision of integrated automation solutions to manufacturers or suppliers from various sectors such as semiconductor, telecommunications and consumer electronics, as well as various parties along the value chain of the sector. As further elaborated under the section headed “Business” of this prospectus, any technological breakthrough in the relevant industries together with changes in consumer demand may affect the demand of our Group’s products and solutions and in turn, affect our revenue, our results of operations and financial conditions.

5. RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth a summary of our combined statements of profit or loss and other comprehensive income for the three years ended 31 December 2016 and the six months ended 30 June 2016 and 2017 respectively, as derived from the Accountants’ Report set out in Appendix I to this prospectus.

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Summary of combined statements of profit or loss and other comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(unaudited)</i>	<i>MYR'000</i> <i>(audited)</i>
Revenue	75,072	73,683	141,820	63,014	96,631
Cost of goods sold	<u>(53,385)</u>	<u>(53,009)</u>	<u>(96,682)</u>	<u>(44,431)</u>	<u>(67,370)</u>
Gross profit	21,687	20,674	45,138	18,583	29,261
Other income	2,454	3,139	5,586	1,062	4,674
Distribution costs	(1,966)	(2,196)	(2,939)	(1,581)	(1,840)
Administrative expenses	(9,376)	(9,779)	(14,935)	(4,946)	(11,023)
Other operating expenses <i>(Note 1)</i>	<u>(10)</u>	<u>(16)</u>	<u>(47)</u>	<u>(38)</u>	<u>(8)</u>
Operating profit	12,789	11,822	32,803	13,080	21,064
Finance costs	(258)	(7)	(15)	(5)	(7)
Share of results of an associate <i>(Note 2)</i>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(16)</u>
Profit before taxation	12,531	11,815	32,788	13,075	21,041
Taxation	<u>(1,964)</u>	<u>(1,872)</u>	<u>1,043</u>	<u>(1,504)</u>	<u>(2,223)</u>
Profit for the year/period	<u><u>10,567</u></u>	<u><u>9,943</u></u>	<u><u>33,831</u></u>	<u><u>11,571</u></u>	<u><u>18,818</u></u>

Notes:

- Other operating expenses mainly included donations and gifts to charitable organisations as well as indirect taxes.
- This represented our Group's share of results of an associate which we invested in January 2017. The said associate was incorporated in June 2016 and has yet to commence operations. For further details of the associate, please refer to the paragraph headed "11. Suppliers" under the section headed "Business" of this prospectus and note 16 of the Accountants' Report contained in Appendix I to this prospectus.

Our Group recorded substantial growth in results of operations from 2015 to 2016 and such trend continued for the six months ended 30 June 2017. This was primarily due to the strong growth in demand for our products and solutions, in particular, our MEMS & smart sensor test handler solutions in line with the proliferation of smart sensors in smart mobile devices as smartphone manufacturers differentiated themselves in the face of aggressive competition by adding features such as fingerprint/facial recognition and dual cameras to facilitate depth of field photographic functions over the course of the Track Record Period. In order to cater to such growth, our Group had over the same period invested in additional human resources and capital assets. We had also acquired a plot of land in 2015 to construct our New Production Plant, which is expected to commence operations by mid-2018.

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5.1 Revenue

Our Group's revenue was principally derived from two business segments, being (i) automated equipment; and (ii) automated manufacturing solutions. For further details of our Group's business segments, please refer to the paragraph headed "4. Our business model" under the section headed "Business" of this prospectus.

5.1.1 Revenue analysis by products and solutions as well as customer segments

Set out below is the breakdown of revenue by products and solutions during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2014	2015		2016		2016	2017			
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
Automated equipment										
- MEMS & smart sensor test handler solutions	10,802	14.4	10,186	13.8	22,509	15.9	2,639	4.2	55,432	57.4
- Automated vision inspection handler solutions	19,259	25.7	9,467	12.9	7,615	5.4	4,454	7.1	8,918	9.2
- Intelligent sortation system	5,900	7.9	11,226	15.2	38,831	27.4	32,566	51.7	2,247	2.3
- End product test solutions	9,087	12.1	4,512	6.1	9,536	6.7	1,213	1.9	7,019	7.3
- Ancillary products	10,498	13.9	10,043	13.7	23,204	16.3	9,781	15.5	9,071	9.4
Sub-total	55,546	74.0	45,434	61.7	101,695	71.7	50,653	80.4	82,687	85.6
Automated manufacturing solutions										
- AMS modules	16,245	21.6	26,135	35.4	26,977	19.0	9,140	14.5	4,845	5.0
- i-ARMS	-	-	-	-	12,516	8.8	3,070	4.9	8,797	9.1
- Ancillary products	3,281	4.4	2,114	2.9	632	0.5	151	0.2	302	0.3
Sub-total	19,526	26.0	28,249	38.3	40,125	28.3	12,361	19.6	13,944	14.4
Grand total	75,072	100.0	73,683	100.0	141,820	100.0	63,014	100.0	96,631	100.0

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Set out below is the revenue breakdown by customers' segment during the Track Record Period. It should be noted that our customers in certain segments, such as those in semiconductor and LED industries, may be part of the value chain of other industries.

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	%	
Semiconductor	37,922	50.5	35,913	48.7	89,959	63.4	49,282	78.2	17,915	18.5
Telecommunications	18,255	24.3	16,956	23.0	32,554	23.0	6,321	10.0	67,097	69.4
Automotive	7,171	9.6	7,679	10.4	2,303	1.6	987	1.5	1,421	1.5
Consumer electronics	1,933	2.6	11,202	15.2	15,572	11.0	5,093	8.1	9,236	9.6
LED	8,506	11.3	639	0.9	285	0.2	285	0.5	-	-
Medical devices	447	0.6	582	0.8	131	0.1	50	0.1	1	-
Others (Note)	838	1.1	712	1.0	1,016	0.7	996	1.6	961	1.0
Total	75,072	100.0	73,683	100.0	141,820	100.0	63,014	100.0	96,631	100.0

Note: Others include logistics, food & beverage, warehousing, computer and glove manufacturing industries.

Year ended 31 December 2015 compared to year ended 31 December 2014

Our Group recorded revenue of approximately MYR73.7 million in 2015, representing a decrease of approximately 1.9% as compared to 2014. Such nominal decrease was primarily attributable to the approximately 18.2% reduction in revenue from the automated equipment segment and increase of approximately 44.7% in revenue from the automated manufacturing solutions segment.

The reduction in revenue from our automated equipment segment was primarily attributable to (i) the reduction in sales of our automated vision inspection handler solutions due to the fall in demand from a PRC customer in the semiconductor sector in 2015; and (ii) decrease in revenue from our end product test solutions mainly resulting from the fall in demand for one of our solutions for the LED industry, which was the subject of an intellectual property infringement case initiated by our Group which has since been settled.

The increase in revenue derived from the automated manufacturing solutions segment was mainly due to the increase in market's demand for our AMS modules and completion of a project with value of approximately MYR5.5 million in 2015.

From 2014 to 2015, overall revenue contribution from the respective industry segments remained stable with consumer electronics industry recording substantial growth as we had successfully secured a new customer in that segment.

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Year ended 31 December 2016 compared to year ended 31 December 2015

Both segments recorded significant revenue growth in 2016, leading to an approximately 92.5% increase in our Group's total revenue. In particular, revenue for the automated equipment segment increased by approximately 124.0% to approximately MYR101.7 million in 2016 from approximately MYR45.4 million in 2015. Such increase was mainly due to the strong demand for our MEMS & smart sensor test handler solutions as well as intelligent sortation system from the semiconductor and telecommunications sectors during the year. The rise in demand for our MEMS & smart sensor test handlers was underpinned by the increasing prevalence of smart sensors in smart mobile devices for features such as fingerprint recognition and enhanced photograph functions. Revenue derived from our intelligent sortation system increased by approximately 245.9% in 2016 due to the substantial demand from Dixin, originating from an operational expansion of one of its end customers who is part of the value chain for the smart mobile device sector. For further details of our relationships with Dixin, please refer to the paragraph headed "8. Customers" under the section headed "Business" of this prospectus. Moreover, our products and solutions in 2016 generally had more features embedded with complex and high-end technology, which in general were able to command higher sales value.

Revenue for automated manufacturing solutions segment increased by approximately 42.0% in 2016 compared to 2015, primarily due to the introduction of our i-ARMS solutions, which contributed to approximately 31.2% of revenue generated from our automated manufacturing solutions during the year.

Six months ended 30 June 2017 compared to six months ended 30 June 2016

Our revenue continued to grow in the first half of 2017 compared to the corresponding period in 2016. The substantial revenue growth of approximately 53.3% was primarily driven by the approximately 63.2% growth in revenue derived from our automated equipment segment. In particular, our MEMS & smart sensor test handler solutions recorded over 21 times growth from approximately MYR2.6 million to MYR55.4 million over the same period. This was mainly due to strong demand from one of our customers, which is a multinational corporation based in Singapore, principally engaged in the supply of micro-optics systems for smart mobile devices. Such significant growth was in line with the rise in number of sensors in a typical smartphone, which are required for features such as facial recognition. The increase was partially offset by the reduction in revenue derived from our intelligent sortation system due to the slowdown in demand following the significant growth from 2015 to 2016 owing to a one-off demand in 2016 as aforementioned. Our Directors believe following the continuous growth of smart mobile device sector as well as our business strategy to focus on products involving more sophisticated technology, our MEMS & smart sensor test handler solutions will continue to be the major revenue driver for our automated equipment segment.

The slight increase in revenue derived from our automated manufacturing solutions segment was a combined effect of a twofold growth in i-ARMS solutions, partially offset by the decrease in demand for AMS modules. The net increase also contributed to the overall increase in revenue for the six months ended 30 June 2017 compared to the corresponding period in 2016.

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The first half of 2017 saw a shift in revenue contribution from the semiconductor industry to the telecommunications industry, primarily due to the aforesaid strong demand from customer engaged in the smart mobile devices sector.

5.1.2 Revenue analysis by geographical locations

Set out below is the revenue breakdown by geographical locations during the Track Record Period. It should be noted that the following breakdown is based on the location which our purchase orders were derived from. Our customers, in particular multinational corporations, may elect to place purchase orders from various regional offices. The locations where our products and solutions are used may be different from where the purchase order originates.

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	MYR'000 (audited)	% MYR'000 (audited)	MYR'000 (audited)	% MYR'000 (audited)	MYR'000 (audited)	% MYR'000 (audited)	MYR'000 (unaudited)	% MYR'000 (unaudited)	MYR'000 (audited)	% (audited)
Malaysia	28,187	37.6	37,216	50.5	82,906	58.5	43,850	69.6	14,946	15.4
PRC	19,448	25.9	11,427	15.5	14,491	10.2	7,472	11.9	3,957	4.1
Japan	5,811	7.8	6,315	8.6	1,418	1.0	958	1.5	860	0.9
Singapore	4,453	5.9	5,252	7.1	21,598	15.2	1,077	1.7	60,376	62.5
Republic of Ireland	7,380	9.8	3,713	5.0	5,552	3.9	5,252	8.3	5,470	5.7
U.S.	1,145	1.5	5,040	6.8	8,006	5.7	1,940	3.1	2,411	2.5
Others (Note)	8,648	11.5	4,720	6.5	7,849	5.5	2,465	3.9	8,611	8.9
Total	75,072	100.0	73,683	100.0	141,820	100.0	63,014	100.0	96,631	100.0

Note: Others include Philippines, Germany, United Kingdom and Hong Kong.

Majority of our Group's revenue during the three years ended 31 December 2016 was derived from Malaysia. The significant increase in revenue derived from Malaysia in 2016 was primarily attributable to the strong demand from one of our Group's Malaysia-based customers for intelligent sortation system. The revenue derived from Malaysia had subsequently decreased for the six months ended 30 June 2017 as demand from this customer had slowed.

Revenue derived from Singapore had increased significantly from 2015 to 2016 by threefold, such growth trend continued during the six months ended 30 June 2017. This was mainly due to the increase in demand for our MEMS & smart sensor test handler solutions by one of our Singapore-based customers which is principally engaged in the supply of micro-optics systems for smart devices as mentioned above.

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5.1.3 Revenue analysis by nature

Set out below is the breakdown of revenue into products and solutions sold and services provided during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2014	2015		2016		2016		2017		
	MYR'000 (audited)	% MYR'000 (audited)	% MYR'000 (audited)	% MYR'000 (audited)	% MYR'000 (audited)	% MYR'000 (unaudited)	% MYR'000 (unaudited)	% MYR'000 (audited)	% MYR'000 (audited)	
Invoiced value of goods sold less returns and discounts	74,464	99.2	71,439	97.0	135,526	95.6	58,500	92.8	89,835	93.0
Service rendered	608	0.8	2,244	3.0	6,294	4.4	4,514	7.2	6,796	7.0
Total	75,072	100.0	73,683	100.0	141,820	100.0	63,014	100.0	96,631	100.0

During the Track Record Period, our Group generated most of our revenue through the provision of products and solutions to our customers. Service rendered represented provision of service to customers such as (i) upgrading of software programming; (ii) annual maintenance support; (iii) repair and technical services; and (iv) vision integration programming for test handlers.

5.2 Cost of goods sold

Set out below is our cost of goods sold breakdown during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2014	2015		2016		2016		2017		
	MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	% MYR'000	
Automated equipment										
- Direct material cost	26,935	50.5	20,431	38.5	47,117	48.7	26,534	59.7	41,293	61.3
- Labour cost	6,517	12.2	6,828	12.9	9,428	9.8	4,132	9.3	4,594	6.8
- Subcontracting cost	924	1.7	513	1.0	1,725	1.8	1,161	2.6	4,750	7.1
- Factory overhead	3,899	7.3	4,455	8.4	5,751	5.9	2,654	6.0	5,377	7.9
Sub-total	38,275	71.7	32,227	60.8	64,021	66.2	34,481	77.6	56,014	83.1
Automated manufacturing solutions										
- Direct material cost	9,949	18.6	13,728	25.9	23,229	24.1	5,483	12.4	8,386	12.4
- Labour cost	3,102	5.8	4,374	8.2	6,078	6.2	2,828	6.3	1,836	2.8
- Subcontracting cost	1,023	1.9	1,083	2.0	923	1.0	507	1.0	130	0.0
- Factory overhead	1,036	2.0	1,597	3.1	2,431	2.5	1,132	2.7	1,004	1.7
Sub-total	15,110	28.3	20,782	39.2	32,661	33.8	9,950	22.4	11,356	16.9
Grand total	53,385	100.0	53,009	100.0	96,682	100.0	44,431	100.0	67,370	100.0

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Direct material cost

Direct material cost mainly consists of (i) fabricated parts made of metal or plastic; (ii) sheet metal parts for machine structure; and (iii) standard components such as pneumatics, motors, sensors, switches and power supply. During the Track Record Period, our direct material cost was a major component of our cost of goods sold, which accounted for approximately 69.1%, 64.4%, 72.8%, 72.1% and 73.7% of our total cost of goods sold for the three years ended 31 December 2016 and six months ended 30 June 2016 and 2017 respectively. During the Track Record Period, the overall movement of our direct material cost was generally in line with our level of revenue. The cost of direct materials as a percentage of our total cost of goods sold decreased in 2015 partly due to the increase in labour cost and factory overhead as further elaborated below.

Labour cost

Labour cost represents relevant staff cost recorded for projects which revenue was recognised during the respective years/periods. It represented approximately 18.0%, 21.1%, 16.0%, 15.6% and 9.6% of our total cost of goods sold for the three years ended 31 December 2016 and six months ended 30 June 2016 and 2017 respectively. Our labour cost as a percentage of our total cost of goods sold increased in 2015, in line with headcount increase during the year and the overall increase in remuneration as we had sought to retain and recruit talents in preparation of our business expansion.

Subsequently, the proportion of labour cost as a percentage of total cost of goods sold had decreased from 2015 to 2016 as well as the first half of 2017 compared to the corresponding period in 2016, indicating an improvement in operating efficiency. Labour cost incurred for the automated manufacturing solutions segment in the first half of 2017 recorded a decrease from the corresponding period in 2016 as a proportion of cost of goods sold as well as in absolute terms. This was primarily attributable to higher revenue contribution from i-ARMS solutions which was first developed in 2016 generating large sales volume in the first half of 2017. Since costs relating to design and development efforts had been captured in the previous periods, sales of such product in 2017 necessitated less labour in those areas.

Subcontracting cost

Subcontracting cost represents production cost outsourced to third parties, mainly being wiring and assembly work. Our subcontracting cost remained stable as a proportion of our total cost of goods sold for the three years ended 31 December 2016. The rise in proportion in the first half of 2017 was primarily attributable to our Group subcontracting the less technologically intense work during this period in order to enable our in-house engineers to focus on high value-add work such as design and programming to facilitate the business expansion.

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Factory overhead

Factory overhead mainly includes amortisation cost, travelling expenses and depreciation. Our factory overhead represented approximately 9.3%, 11.5%, 8.5% and 9.5% of our total cost of goods sold for the three years ended 31 December 2016 and six months ended 30 June 2016 and 2017 respectively. The higher proportion recorded in 2015 was primarily due to renovations undertaken for facilities maintenance at our Existing Production Plant.

5.3 Gross profit and gross profit margin

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
Automated equipment	17,271	31.1	13,207	29.1	37,675	37.0	16,173	31.9	26,673	32.3
Automated manufacturing solutions	4,416	22.6	7,467	26.4	7,463	18.6	2,410	19.5	2,588	18.6
Total	<u>21,687</u>	28.9	<u>20,674</u>	28.1	<u>45,138</u>	31.8	<u>18,583</u>	29.5	<u>29,261</u>	30.3

Our gross profit margin in general is affected by, amongst others, (i) the product specifications required by our customers, which vary from project to project; (ii) the technological complexity of the specifications; and (iii) whether our customers require us to source materials from designated suppliers and thereby, limiting our mark-ups (please refer to the paragraph headed “We may be reliant on major customers who have no long term commitment with us” under the section headed “Risk factors” of this prospectus).

During the Track Record Period, our Group’s gross profit corresponded to our total level of revenue as discussed earlier. Our Group’s gross profit margin remained relatively stable at approximately 28.9% and 28.1% in 2014 and 2015 respectively. The nominal fluctuation was primarily attributable to the increase in labour cost and factory overhead in 2015 despite the slightly lower revenue as discussed above.

Our Group’s gross profit margin improved to approximately 31.8% in 2016. Such increase was primarily attributable to the significant improvement in gross profit margin of our automated equipment segment from approximately 29.1% to 37.0% from 2015 to 2016. Such increase was mainly due to our Group achieving economies of scale following the substantial growth in sales in 2016, leading to the rate of revenue growth substantially outstripping the rate of increase in fixed cost. This was further augmented by improvement in resources allocation efficiency, where our staff undertook higher value-add production processes such as design and programming, whilst less technologically intense work such as wiring and assembly were subcontracted. Our improvement in operational efficiency could be evidenced by the drop in proportion of labour cost and factory overhead of our cost of goods sold from 2015 to 2016 as further elaborated under the paragraph headed “Cost of goods sold” under this section. The

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increase was partially offset by the decrease in gross profit margin of our automated manufacturing solutions segment from approximately 26.4% to 18.6% from 2015 to 2016, coinciding with the launch of i-ARMS solutions in 2016 which accounted for approximately 31.2% of revenue generated by the automated manufacturing solutions segment. In this regard, it should be noted that as a newly launched product, i-ARMS solutions had necessitated incurrence of design and development costs such as prototype expenses, leading to substantial increase in direct materials for the automated manufacturing solutions segment from 2015 to 2016 as set out in the paragraph headed “5.2 Cost of goods sold” under this section, which affected its gross profit margin. Going forward, the management expects (i) as our Group continues to build on the technological know-how and knowledge database for i-ARMS solutions; and (ii) the addition of the New Production Plant and expansion of the Existing Production Plant will enable us to scale up this business, gross profit margin for i-ARMS solutions will improve in time. Gross profit margin in the first half of 2017 remained stable compared to that recorded in the first half of 2016.

5.4 Other income

	Year ended 31 December						Six months ended 30 June			
	2014	2015		2016		2016	2017			
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
	(audited)		(audited)		(audited)		(unaudited)		(audited)	
Bank interest income	75	3.0	137	4.4	280	5.0	96	9.0	348	7.5
Deferred income released	835	34.0	819	26.1	1,048	18.8	535	50.4	228	4.9
Fair value gain on investment securities	-	-	-	-	529	9.5	-	-	-	-
Net gain on foreign exchange	747	30.4	491	15.6	3,332	59.6	-	-	-	-
Gain on disposal of property, plant and equipment	34	1.4	-	-	11	0.2	11	1.0	-	-
Gain from changes in fair value of foreign currency forward contracts	-	-	870	27.7	-	-	227	21.4	3,554	76.0
Rental income	654	26.7	472	15.0	373	6.7	187	17.6	187	4.0
Reversal of impairment loss on receivables	101	4.1	-	-	-	-	-	-	-	-
Others (Note)	8	0.4	350	11.2	13	0.2	6	0.6	357	7.6
Total	2,454	100.0	3,139	100.0	5,586	100.0	1,062	100.0	4,674	100.0

Note: Others mainly included scrap sales, being sale of building equipment resulting from office remodeling work during the respective year/period.

Deferred income represents government grants received by our Group for reimbursement of capital expenditure on modernisation and upgrading of specific machinery and equipment. Deferred income released represents deferred income released to profit or loss and recognised as income over the estimated useful life of the assets to match the related cost (i.e. depreciation) which the government grants intend to compensate.

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The significant net gain on foreign exchange in 2016 was primarily due to the significant appreciation of US\$ against MYR during the year. This corresponded to the loss from changes in fair value of foreign currency forward contracts of approximately MYR3.3 million during the year. Our Group also recorded substantial gain from changes in fair value of foreign currency forward contracts for the first half of 2017 due to the depreciation of US\$ against MYR during the period. This corresponded to the net loss on foreign exchange of approximately MYR4.6 million during the period. Please refer to the paragraph headed “4. Major factors affecting our Group’s results of operations and financial conditions” under this section for further analysis.

During the Track Record Period, our Group leased part of our business premise to the PCB Group and received rental income in return. The decrease in rental income received over the Track Record Period was due to (i) less space rented by PCB Group after the disposal of its certain subsidiaries in 2015; and (ii) our Group occupying more space in line with the expansion of our business during the Track Record Period.

5.5 Distribution costs

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	MYR'000	% MYR'000	MYR'000	% MYR'000	MYR'000	% MYR'000	MYR'000	% MYR'000	MYR'000	%
Commission	713	36.3	665	30.3	806	27.4	595	37.6	363	19.7
Salaries, allowances, bonus and staff benefits	422	21.5	641	29.2	869	29.6	378	23.9	523	28.4
Travelling	258	13.1	337	15.3	470	16.0	212	13.4	319	17.3
Exhibition	168	8.5	109	5.0	172	5.9	98	6.2	183	10.0
Entertainments	156	7.9	149	6.8	154	5.2	72	4.6	98	5.3
Selling and distribution	126	6.4	185	8.4	256	8.7	94	5.9	215	11.7
Others (Note)	123	6.3	110	5.0	212	7.2	132	8.4	139	7.6
Total	1,966	100.0	2,196	100.0	2,939	100.0	1,581	100.0	1,840	100.0

Note: Others mainly included insurance, sundry expenses and advertisement.

Our Group’s distribution costs relate to expenses incurred in relation to the selling and distribution of our Group’s products and solutions. Commission represents commission paid/payable to our agents, as elaborated in the paragraph headed “9. Sales and marketing” under the section headed “Business” of this prospectus. During the Track Record Period, commission rates paid to our agents ranged from 2.0% to 15.0% and revenue attributable to sales referred by such agents accounted for approximately 20.5%, 15.2%, 5.2% and 5.8% of our total revenue in 2014, 2015 and 2016 and first half of 2017 respectively. The increase in our salaries, allowances, bonus and staff benefits during the Track Record Period was mainly due to the increase in selling and distribution personnel, particularly employees in our representative office in the PRC.

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Travelling expenses mainly arose from our general marketing activities. The increase in travelling expenses throughout the Track Record Period was mainly due to the increase in our overseas marketing activities, such as attending to overseas enquiries and participating in exhibitions. Exhibition expenses represent expenses related to our Group's participation in industrial exhibitions during the Track Record Period, such as SEMICON West in the U.S. and SEMICON China in the PRC as part of our marketing efforts to expand our customer base. Going forward, as part of our expansion plan, we expect to incur increasing exhibition expenses as we intend to participate more actively in industrial exhibitions. For further details, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

5.6 Administrative expenses

	Year ended 31 December						Six months ended 30 June			
	2014	2015		2016		2016	2017			
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
Salaries, allowances, bonus and staff benefits	2,695	28.8	3,515	35.9	4,153	27.9	1,857	37.5	2,780	25.3
Management and service charges	2,660	28.5	2,970	30.4	3,313	22.2	1,552	31.4	1,657	15.0
Depreciation	1,174	12.5	1,146	11.7	452	3.0	190	3.8	302	2.7
Loss from changes in fair value of foreign currency forward contracts	941	10.0	–	–	3,334	22.3	–	–	–	–
Net loss on foreign exchange	–	–	–	–	–	–	33	0.7	4,560	41.4
Fair value loss on investment securities	–	–	–	–	–	–	–	–	136	1.2
Amortisation of intangible assets	378	4.0	427	4.4	510	3.4	262	5.3	125	1.1
Professional fee	322	3.4	115	1.2	699	4.7	340	6.9	59	0.5
Listing expenses	–	–	–	–	–	–	–	–	247	2.2
Impairment loss on receivables	–	–	373	3.8	469	3.1	–	–	106	1.0
Intangible assets written off	–	–	–	–	508	3.4	–	–	–	–
Bad debts	–	–	6	0.1	–	–	–	–	–	–
Others (Note)	1,206	12.8	1,227	12.5	1,497	10.0	712	14.4	1,051	9.6
Total	9,376	100.0	9,779	100.0	14,935	100.0	4,946	100.0	11,023	100.0

Note: Others mainly included insurance and sundry expenses.

Our Group's increasing salaries, allowances, bonus and staff benefits during the Track Record Period was mainly due to (i) the overall increase in staff remuneration as our Group offered competitive remuneration packages to retain and recruit competent personnel; and (ii) the increase in headcount to accommodate our business expansion.

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Our management and service charges represented fees payable to PCB for provision of management services including (i) the oversight and supervision provided by our Executive Directors and senior management, who served the Pentamaster Group under PCB during the Track Record Period; and (ii) services in relation to day-to-day operations, including human resources and finance. Such management fees were allocated based on headcount of each subsidiary of the Pentamaster Group. Save for such fees, all administrative expenses were recorded based on actual incurrence of each entity. Mr. Chuah and Ms. Gan will be re-designated as Executive Directors prior to Listing. Going forward, as Mr. Chuah will focus his efforts on our Group and will only retain a non-executive role at PCB Group whilst Ms. Gan together with all senior management will serve our Group full time. As such, we expect the respective emoluments to be charged to our Group's combined statements of profit or loss and other comprehensive income to increase after the Listing as their respective emoluments will reflect their contribution to our Group. For illustrative purpose, assuming the relevant personnel had been re-designated in 2016, our Group would have incurred an additional Directors' and staff remuneration of approximately MYR3.5 million in lieu of the recorded management and service charges. For details, please refer to the sections headed "Directors, senior management and employees" and "Relationship with our Controlling Shareholder" of this prospectus. Accordingly, the relevant costs relating to their remuneration will be reflected as directors emoluments (please refer to note 10.1 of the Accountants' Report contained in Appendix I to this prospectus for further details).

As part of our Group's treasury policy to manage our foreign exchange exposure, our Group entered into foreign currency forward contracts during the Track Record Period and in certain years recorded losses from changes in fair value of foreign currency forward contracts. The significant loss in 2016 was mainly due to the appreciation of US\$ against MYR during the year. As mentioned in the paragraph headed "5.4 Other income" under this section, this corresponded to the net gain on foreign exchange of approximately MYR3.3 million during the year. Our Group also recorded significant net loss on foreign exchange for the first half of 2017 mainly due to the depreciation of US\$ against MYR during the period. Such loss was partially offset by the gain from changes in fair value of foreign currency forward contracts during the period. Please refer to the paragraph headed "4. Major factors affecting our Group's results of operations and financial conditions" under this section for further analysis.

Impairment loss on receivables in 2015 and 2016 mainly represented an outstanding amount from a customer. As at 31 December 2015, our Group had made provisions for part of the past due amount as the relevant legal action was still ongoing. The remaining balance had been provided for in 2016 and the full amount had been fully written off as at 30 June 2017 as the said legal action had concluded. Impairment made in the first half of 2017 related to the non-payment of a last instalment of a purchase order for our AMS modules from 2015. This represented approximately 0.4% of revenue from our automated manufacturing solutions segment and approximately 0.1% of our total revenue in 2015 respectively. We had not derived any other revenue from the said customer during the Track Record Period. Our Group also recognised an insignificant bad debts of approximately MYR6,000 in 2015, primarily representing deposit relating to car rental during the year.

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5.7 Finance costs

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	MYR'000 (audited)	% MYR'000 (audited)	MYR'000	% MYR'000	MYR'000	% MYR'000	MYR'000 (unaudited)	% MYR'000	MYR'000 (audited)	%
Interest on bank loans and overdrafts	247	95.7	2	28.6	1	6.7	-	-	-	-
Finance charges on finance lease liabilities	11	4.3	5	71.4	14	93.3	5	100.0	7	100.0
Total	258	100.0	7	100.0	15	100.0	5	100.0	7	100.0

Our Group's finance costs incurred during the Track Record Period included interests on bank loans and overdrafts as well as finance charges on finance lease liabilities. Save for 2014, our Group's finance cost during the Track Record Period was immaterial as our Group was able to generate sufficient working capital primarily through our operating activities. This in turn enabled us to reduce the utilisation of bank facilities for the remaining of the Track Record Period.

5.8 Taxation

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
Profit before taxation	12,531	11,815	32,788	13,075	21,041
Statutory income tax rate	25.0%	25.0%	24.0%	24.0%	24.0%
Effective income tax rate	15.7%	15.8%	(3.2)%	11.5%	10.6%
Taxation per statutory tax rate	(3,133)	(2,953)	(7,869)	(3,138)	(5,050)
Taxation per effective income tax rate	(1,964)	(1,872)	1,043	(1,504)	(2,223)

In 2014, our Group recorded a lower effective income tax rate of approximately 15.7% compared to the statutory tax rate of 25.0%. This was primarily due to a subsidiary of our Group having been granted Pioneer Status which reduced our Group's exposure to taxation on the production for certain products and solutions. During the year, the amount of tax savings arising from the Pioneer Status amounted to approximately MYR1.0 million. For further details of our Pioneer Status, please refer to the paragraph headed "13. Tax incentives" under the section headed "Business" of this prospectus.

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In 2015, our Group recorded a lower effective income tax rate of approximately 15.8% compared to the statutory tax rate of 25.0%. The main reasons for the lower effective income tax rate were due to tax savings of approximately MYR0.4 million arising from the Pioneer Status mentioned above as well as utilisation of unabsorbed tax losses and capital allowances which resulted in further tax savings of approximately MYR0.7 million.

In 2016, our Group recorded a positive effective income tax rate of approximately 3.2%. The main reasons for the positive effective tax rate were due to (i) tax savings of approximately MYR6.1 million from Pioneer Status mentioned above; (ii) reversal of deferred tax liabilities of approximately MYR1.9 million as it was anticipated that the temporary differences for which the deferred tax liabilities were provided for will be reversed within the Pioneer Status period; and (iii) utilisation of unabsorbed tax losses and capital allowances which resulted in further tax savings of approximately MYR1.3 million.

In the first half of 2017, our Group recorded a lower effective income tax rate of approximately 10.6% compared to the statutory tax rate of 24.0%. This was primarily due to (i) tax savings of approximately MYR2.4 million from Pioneer Status mentioned above; and (ii) utilisation of unabsorbed tax losses and capital allowances which resulted in further tax savings of approximately MYR0.8 million.

For details of sensitivity analysis in relation to our taxation, please refer to the paragraph headed “4. Major factors affecting our Group’s results of operations and financial conditions” under this section.

5.9 Profit for the year/period

	Year ended 31 December			Six months ended	
	2014	2015	2016	30 June 2016	2017
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
Revenue	75,072	73,683	141,820	63,014	96,631
Profit for the year/period	10,567	9,943	33,831	11,571	18,818
Add: Listing expenses	–	–	–	–	247
Adjusted profit for the year/period (<i>Note</i>)	10,567	9,943	33,831	11,571	19,065
Net profit margin	14.1%	13.5%	23.9%	18.4%	19.5%
Adjusted net profit margin (<i>Note</i>)	14.1%	13.5%	23.9%	18.4%	19.7%

Note: The adjusted figures are for illustration purpose only and are not required under the IFRSs and are non-Generally Accepted Accounting Principles measures.

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The movement of profit for the year/period and net profit margin generally reflects the movement of our gross profit and gross profit margin. In 2015, our Group recorded lower net profit margin compared to the previous year mainly due to (i) decrease in gross profit margin as discussed earlier; and (ii) our Group incurring slightly higher fixed cost such as salaries and remuneration as well as other overhead costs during the year.

Our Group's net profit margin then increased to approximately 23.9% in 2016. Such increase was primarily due to (i) improvement in gross profit margin; and (ii) the reversal of deferred tax liabilities of approximately MYR1.9 million recorded in 2016. As a result, our Group's profit for the year increased significantly from approximately MYR9.9 million in 2015 to approximately MYR33.8 million in 2016.

In the first half of 2017, our Group recorded an increase in net profit margin mainly due to the improvement in gross profit margin as mentioned above. For illustrative purpose, adjusted net profit is calculated by adding the non-recurring listing expenses to the profit for the period. As a result, the adjusted net profit and net profit margin for the six months ended 30 June 2017 were approximately MYR19.1 million and 19.7% respectively.

6. LIQUIDITY AND FINANCIAL RESOURCES

Our Group's principal cash requirement is for our working capital needs as well as capital expenditure. During the Track Record Period, our working capital and other capital requirements were principally satisfied by cash generated from operating activities.

The following table summarises our cash and cash equivalents movements for the years/periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000 <i>(audited)</i>	2015 MYR'000 <i>(audited)</i>	2016 MYR'000 <i>(audited)</i>	2016 MYR'000 <i>(unaudited)</i>	2017 MYR'000 <i>(audited)</i>
Cash and cash equivalents at the beginning of the year/period	3,797	6,926	11,495	11,495	26,298
Net cash from operating activities	16,469	10,982	21,452	10,660	22,523
Net cash used in investing activities	(1,736)	(3,202)	(6,017)	(2,465)	(4,340)
Net cash (used in)/ from financing activities	(11,568)	(3,682)	73	(97)	(4,151)
Effect of foreign exchange rate changes	(36)	471	(705)	(755)	(777)
Cash and cash equivalents at the end of the year/period	6,926	11,495	26,298	18,838	39,553

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6.1 Cash flow from operating activities

Cash flow from operating activities reflects profit before taxation for the year adjusted for (i) non-cash items such as depreciation and amortisation, impairment loss on receivables, loss or gain from changes in fair value of foreign currency forward contracts and other items, which lead to the operating profit before working capital changes; (ii) effects of cash flows arising from changes in working capital, including increase or decrease in inventories, trade and other receivables, trade and other payables and net changes in fellow subsidiaries' balances which lead to cash generated from operations; and (iii) government grants received, interest paid, tax paid and refunded, which result in net cash generated from operating activities.

In 2014, our net cash generated from operating activities of approximately MYR16.5 million was primarily resulted from (i) our operating profit before working capital changes amounted to approximately MYR15.5 million; (ii) adjusted by net inflow of working capital amounted to approximately MYR1.2 million; and (iii) adjusted by government grant received amounted to approximately MYR0.4 million, interest paid amounted to approximately MYR0.3 million and net tax paid amounted to approximately MYR0.4 million respectively.

In 2015, our net cash generated from operating activities decreased to approximately MYR11.0 million. The decrease was mainly due to (i) decrease in profit before taxation to approximately MYR11.8 million in 2015 from approximately MYR12.5 million in 2014; (ii) the net outflow in working capital amounted to approximately MYR1.5 million; and (iii) higher payment of tax amounted to approximately MYR1.2 million compared to MYR0.5 million during the previous year.

In 2016, our net cash generated from operating activities increased significantly to approximately MYR21.5 million. Such increase was primarily due to the combined effects of (i) increase in profit before taxation to approximately MYR32.8 million in 2016 from approximately MYR11.8 million in 2015; (ii) the net outflow in working capital amounted to approximately MYR15.0 million; and (iii) higher tax payment amounted to approximately MYR2.1 million compared to MYR1.2 million during the previous year.

In the first half of 2017, our net cash generated from operating activities increased significantly to approximately MYR22.5 million from approximately MYR10.7 million during the corresponding period in 2016. The increase was mainly due to (i) increase in profit before taxation to approximately MYR21.0 million for the first half of 2017 from approximately MYR13.1 million during the corresponding period in 2016; and (ii) the net inflow in working capital amounted to approximately MYR1.2 million compared to outflow of approximately MYR4.3 million during the corresponding period in 2016.

6.2 Cash flow from investing activities

Cash flow from investing activities mainly relate to development expenditure, purchase of computer software, purchase of property, plant and equipment, deposit paid for acquisition of land and purchase of investment securities.

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In 2014, our net cash used in investing activities of approximately MYR1.7 million was primarily attributable to (i) development expenditure spent on the development of test and equipment instruments and test handlers and solutions of approximately MYR1.0 million; and (ii) the purchase of computer software amounted to approximately MYR0.7 million.

In 2015, our Group's net cash used in investing activities increased to approximately MYR3.2 million, which was mainly attributable to (i) purchase of property, plant and equipment, mainly machinery and equipment and upgrading of our Existing Production Plant, amounted to approximately MYR2.0 million compared to approximately MYR0.4 million in 2014; and (ii) deposit paid for acquisition of land for our New Production Plant of approximately MYR1.0 million where there was no such deposit paid during the previous year (please refer to the paragraph headed "7.1 Non-current assets" under this section for further details).

In 2016, our Group's net cash used in investing activities further increased to approximately MYR6.0 million, which was primarily attributable to (i) purchase of property, plant and equipment, mainly machinery and equipment, a motor vehicle and computers, amounted to approximately MYR2.3 million during the year; and (ii) purchase of investment securities of approximately MYR2.0 million (please refer to the paragraph headed "7.2 Net current assets" under this section for further details).

In the first half of 2017, our Group's net cash used in investing activities increased to approximately MYR4.3 million from approximately MYR2.5 million during the previous period, which was mainly due to (i) deposit paid for acquisition of land for our New Production Plant amounted to approximately MYR2.5 million during the period; and (ii) investment in an associate amounted to approximately MYR1.1 million during the period (please refer to the paragraph headed "11. Suppliers" under the section headed "Business" of this prospectus for further details).

6.3 Cash flow from financing activities

Cash flow from financing activities includes repayments to/advances from ultimate holding company, repayments to fellow subsidiaries, dividend paid to ultimate holding company and non-controlling interests, repayment of finance lease liabilities, repayment of short term borrowings and issuance of share capital.

In 2014, our Group recorded net cash used in financing activities of approximately MYR11.6 million, which was mainly resulted from (i) repayments to ultimate holding company, being PCB, of approximately MYR3.2 million (please refer to the paragraph headed "7.2 Net current assets" under this section for further details); and (ii) the repayment of short term borrowings of approximately MYR6.4 million.

In 2015, net cash used in financing activities amounted to approximately MYR3.7 million. This was mainly attributable to the repayment to our ultimate holding company of approximately MYR3.3 million during the year.

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In 2016, our Group recorded net cash generated from financing activities of approximately MYR73,000, which was mainly due to the combined effects of (i) the advances received from our ultimate holding company amounted to approximately MYR1.2 million; and (ii) the dividend paid by one of our subsidiaries to our ultimate holding company and non-controlling interests amounted to MYR1.0 million during the year.

In the first half of 2017, our Group's net cash used in financing activities increased to approximately MYR4.2 million from approximately MYR97,000 during the previous period, which was primarily attributable to the repayments to ultimate holding company amounted to approximately MYR4.1 million during the period.

6.4 Working capital

Our Directors are of the opinion and the Sponsor concurs, that taking into consideration the financial resources available to our Group, including internally generated funds, bank facilities and the estimated net proceeds from the Share Offer (excluding the Sale Shares), the working capital available to our Group is sufficient for our present requirements, that is, for at least the next 12 months from the date of this prospectus.

7. COMBINED STATEMENTS OF FINANCIAL POSITION

7.1 Non-current assets

The follow table sets out the non-current assets from the combined statements of financial position.

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Property, plant and equipment	38,902	38,057	38,039	37,586
Leasehold land	2,872	2,811	2,750	7,734
Intangible assets	2,654	2,350	1,197	1,045
Interest in an associate	–	–	–	1,034
Deposits paid for acquisition of land	–	1,003	2,508	–
Total	44,428	44,221	44,494	47,399

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Property, plant and equipment

Property, plant and equipment consisted mainly of buildings on leasehold land, machinery and equipment and furniture, fittings and office equipment located at our Group's principal business address – Plot 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang, Malaysia. The carrying amount of property, plant and equipment decreased slightly to approximately MYR38.1 million as at 31 December 2015 from approximately MYR38.9 million as at 31 December 2014. The decrease was primarily attributable to (i) depreciation charges amounted to approximately MYR2.4 million; and (ii) disposal of property, plant and equipment with a net carrying amount of approximately MYR0.4 million. Such decrease was partially offset by the additions of property, plant and equipment amounted to approximately MYR2.0 million in 2015 as further elaborated in the paragraph headed “6.2 Cash flow from investing activities” under this section.

The carrying amount of property, plant and equipment further decreased to approximately MYR38.0 million and MYR37.6 million as at 31 December 2016 and 30 June 2017 respectively due to depreciation charges of approximately MYR2.7 million and MYR1.4 million respectively. This was partially offset by the additions of property, plant and equipment during the respective year/period. Please refer to the paragraph headed “6.2 Cash flow form investing activities” under this section for further details.

Leasehold land

As at 31 December 2014, 2015 and 2016, our leasehold land represented the land where our principal business address is located. The leasehold land was stated at cost less amortisation and any accumulated impairment loss. The decrease in net carrying amount of our leasehold land was mainly a result of its amortisation. As at 30 June 2017, the additions of our leasehold land represented the plot of land where our Group intended to construct the New Production Plant. For further details, please refer to the paragraph headed “Deposits paid for acquisition of land” below.

Intangible assets

The following table sets out the intangible assets as at the end of each reporting period during the Track Record Period.

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Development expenditure	1,742	1,727	699	525
Computer software acquired	912	623	498	520
Total	2,654	2,350	1,197	1,045

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Development expenditure represents expenditure incurred on projects to develop new products and solutions, such as test and measurement instruments and test handler and solutions, which the development cost would be capitalised as development expenditure when the management of our Group reasonably believes the products and/or solutions would be available for use or sale and to generate future economic benefits through demonstrating the technical feasibility of the products and/or solutions. Development expenditure capitalised is deemed to have a finite useful life and will be amortised over its useful life.

The development expenditure as at 31 December 2014 related to development cost incurred for four units of test handler prototype. Subsequently, our Group had successfully developed and commercialised an additional test handler, bringing our total prototypes to five units as at 31 December 2015. Our Directors confirmed that all prototypes with capitalised development cost during the Track Record Period had been commercialised. The significant decrease in development expenditure as at 31 December 2016 was mainly due to the write off of development expenditure spent on two of our Group's prototypes which amounted to approximately MYR0.8 million as the eventual demand of these two prototypes fell short of our management's initial expectation. The further decrease in development expenditure as at 30 June 2017 was due to the amortisation charges of approximately MYR0.2 million during the period.

During the Track Record Period, computer software acquired mainly represented costs associated with acquisition of computer software programs, primarily being design software for use in the design and development stage of our production process. For further details of our production process, please refer to the paragraph headed "5. Our operations" under the section headed "Business" of this prospectus. Consistent with development expenditure, the capitalised software development cost is deemed to have a finite useful life and will be amortised over its useful life.

The decrease in software development costs as at 31 December 2015 and 2016 compared to the previous reporting dates was mainly due to the amortisation charges of approximately MYR0.5 million and MYR0.6 million, which was partially offset by the addition of computer software of approximately MYR0.2 million and MYR0.5 million during the respective years. The software development cost then increased slightly to approximately MYR0.5 million as at 30 June 2017 due to the purchase of computer software in the first half of 2017.

Interest in an associate

This represented our Group's share of results of an associate which we invested in January 2017. The said associate was incorporated in June 2016 and has yet to commence operations. For further details of the associate, please refer to the paragraph headed "11. Suppliers" under the section headed "Business" of this prospectus and note 16 of the Accountants' Report contained in Appendix I to this prospectus.

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Deposits paid for acquisition of land

In 2015, having considered the production capacity at our Existing Production Plant and to facilitate potential business expansion, our Group, via one of our subsidiaries, entered into the sale and purchase agreement with an Independent Third Party to acquire a piece of land situated at Plot 316(b) Batu Kawan Industrial Park, Mukim 13, Daerah Seberang Perai Selatan, Penang, Malaysia, which is intended for the construction of the New Production Plant. The deposit paid for the acquisition of land as at 31 December 2015 and 2016 represented the partial payments for the acquisition of the said land in accordance with the payment milestones as stipulated in the sale and purchase agreement. Purchase price for the acquisition of land had been fully settled in May 2017 and the respective cost had been reflected under leasehold land in the combined statement of financial position as at 30 June 2017. For further details of our Group's intention in relation to the acquisition, please refer to the paragraph headed "Use of proceeds" under the section headed "Future plans and use of proceeds" of this prospectus.

7.2 Net current assets

	As at 31 December			As at 30 June 2017	As at 31 October 2017
	2014	2015	2016	2017	2017
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Current assets					
Inventories	7,519	6,543	17,554	113,490	133,886
Trade receivables	17,569	12,795	32,010	15,327	39,654
Other receivables, deposits and prepayments	2,524	1,560	3,294	3,457	6,460
Amount due from a fellow subsidiary	540	–	–	–	–
Derivative financial assets	–	6	–	27	–
Tax recoverable	1	–	265	–	–
Investment securities	–	–	2,563	2,569	–
Cash and cash equivalents	6,926	11,495	26,298	39,553	33,516
	<u>35,079</u>	<u>32,399</u>	<u>81,984</u>	<u>174,423</u>	<u>213,516</u>
Current liabilities					
Trade payables	8,377	4,798	10,241	26,972	40,136
Other payables, accruals and provision	8,631	4,539	14,898	81,287	91,302
Amount due to ultimate holding company	12,466	9,122	10,346	6,260	9,397
Amounts due to fellow subsidiaries	673	–	–	71	341
Derivative financial liabilities	1,063	199	3,527	–	–
Finance lease liabilities	132	57	132	135	135
Provision for taxation	198	416	25	1,004	891
	<u>31,540</u>	<u>19,131</u>	<u>39,169</u>	<u>115,729</u>	<u>142,202</u>
Net current assets	<u><u>3,539</u></u>	<u><u>13,268</u></u>	<u><u>42,815</u></u>	<u><u>58,694</u></u>	<u><u>71,314</u></u>

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The increase in our net current assets during the Track Record Period corresponded to the overall expansion of our business operations. In particular, the increase as at 31 December 2015 was mainly due to the decrease in current liabilities, while the significant increase as at 31 December 2016 was primarily attributable to the increase in cash and cash equivalents and trade receivables balances. The further increase as at 30 June 2017 and 31 October 2017 were mainly due to the significant increase in inventories as further elaborated below.

Inventories

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Materials	817	309	998	3,243
Work-in-progress	5,925	5,769	16,156	110,227
Finished goods	777	465	400	20
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>7,519</u>	<u>6,543</u>	<u>17,554</u>	<u>113,490</u>

Our inventories consist of materials, work-in-progress and finished goods which work-in-progress accounted for majority of the balance. Our relatively low level of materials reflected our Group's maintenance of an effective inventory management system where our operations department would review slow moving and excess inventory level on a monthly basis. Please refer to the paragraph headed "12. Inventory management" under the section headed "Business" of this prospectus for further details.

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Set out below is the aging analysis of our inventories as at the respective reporting dates as indicated.

Materials

	As at 31 December				As at 30 June			
	2014		2015		2016		2017	
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
0-30 days	196	24.0	146	47.2	322	32.3	2,151	66.3
31-60 days	31	3.8	14	4.5	94	9.4	211	6.5
61-90 days	38	4.7	41	13.2	95	9.5	269	8.3
91-180 days	148	18.1	19	6.0	250	25.0	256	7.9
Over 180 days	404	49.4	90	29.1	237	23.8	356	11.0
Total	817	100.0	309	100.0	998	100.0	3,243	100.0

Work-in-progress

	As at 31 December				As at 30 June			
	2014		2015		2016		2017	
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
0-30 days	626	10.6	809	14.0	3,044	18.8	4,051	3.7
31-60 days	806	13.6	1,440	25.0	7,917	49.0	2,632	2.4
61-90 days	541	9.1	357	6.1	670	4.1	10,248	9.3
91-180 days	2,443	41.2	321	5.6	929	5.8	87,232	79.1
Over 180 days	1,509	25.5	2,842	49.3	3,596	22.3	6,065	5.5
Total	5,925	100.0	5,769	100.0	16,156	100.0	110,227	100.0

Finished goods

	As at 31 December				As at 30 June			
	2014		2015		2016		2017	
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
0-30 days	-	-	-	-	-	-	-	-
31-60 days	71	9.1	-	-	-	-	-	-
61-90 days	-	-	-	-	104	26.0	-	-
91-180 days	706	90.9	-	-	211	52.8	20	100.0
Over 180 days	-	-	465	100.0	86	21.2	-	-
Total	777	100.0	465	100.0	400	100.0	20	100.0

FINANCIAL INFORMATION

Our Group recorded inventories amounting to approximately MYR7.5 million as at 31 December 2014, which decreased to approximately MYR6.5 million as at 31 December 2015 and increased to approximately MYR17.6 million as at 31 December 2016 and increased significantly to approximately MYR113.5 million as at 30 June 2017. Such movements were in line with customers' orders on hand as at the respective reporting dates and should be considered in conjunction with our deposits received (under other payables, accruals and provisions), the balance of which also experienced comparable movements as at the corresponding reporting dates. Up to the Latest Practicable Date, approximately MYR65.9 million, representing approximately 58.1% of the balance of total inventories as at 30 June 2017 had been utilised. For the materials of approximately MYR3.2 million as at 30 June 2017, approximately MYR2.9 million, representing approximately 90.6% of the balance had been utilised up to the Latest Practicable Date.

For the work-in-progress of approximately MYR110.2 million as at 30 June 2017, set out below is the subsequent usage up to the Latest Practicable Date.

	Work-in-progress	
	<i>MYR'000</i>	%
As at 30 June 2017	110,227	N/A
<i>Subsequent usage</i>		
From 1 July 2017 up to 31 July 2017	37,089	33.7
From 1 August 2017 up to 31 August 2017	3,129	2.8
From 1 September 2017 up to 30 September 2017	913	0.8
From 1 October 2017 up to 31 October 2017	2,621	2.4
From 1 November 2017 up to 30 November 2017	11,540	10.5
From 1 December 2017 up to the Latest Practicable Date	7,758	7.0
Total usage from 1 July 2017 up to the Latest Practicable Date	63,050	57.2
Balance as at the Latest Practicable Date	47,177	42.8

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The overall increase in work-in-progress reflected our Group's growth trajectory in respect of project scale as well as complexity of the products and solutions. In particular, products and solutions entailing more sophisticated technology, such as MEMS & smart sensor test handler solutions, generally employ materials of higher value. The complexity involved also generally add to the time required for (i) production; and (ii) testing after delivery prior to customer buy-off. Set out below is a summary of the status of the work-in-progress of approximately MYR59.4 million as at the Latest Practicable Date. In particular, as illustrated in the table below, approximately 90.0% of the work-in-progress had been delivered and was pending final acceptance (i.e. buy-off by the customer) as at the Latest Practicable Date. The delivery or production status of such work-in-progress had been/are in line with those indicated in the respective purchase orders as at the Latest Practicable Date.

	Expected to receive buy-off by 31 December 2017		Expected to receive buy-off by 31 March 2018		Remaining balance		Total	
	<i>MYR'000</i>	<i>%</i>	<i>MYR'000</i>	<i>%</i>	<i>MYR'000</i>	<i>%</i>	<i>MYR'000</i>	<i>%</i>
Pending buy-off at customer's site	1,418	71.6	41,018	95.8	–	–	42,436	90.0
					2,394			
In production	<u>562</u>	<u>28.4</u>	<u>1,785</u>	<u>4.2</u>	<i>(Note)</i>	<u>100.0</u>	<u>4,741</u>	<u>10.0</u>
Total	<u><u>1,980</u></u>	<u><u>100.0</u></u>	<u><u>42,803</u></u>	<u><u>100.0</u></u>	<u><u>2,394</u></u>	<u><u>100.0</u></u>	<u><u>47,177</u></u>	<u><u>100.0</u></u>

Note: Such balance represents demonstration units of existing products and/or solutions built for target customers or exhibition purposes which can be reconfigured for future sales to customers. They have been recognised at the lower of cost and net realisable value.

All of the remaining balance of approximately MYR2.0 million (buy-off of which is expected to be received by 31 December 2017) represents MEMS & smart sensors test handler solutions. Meanwhile, MEMS & smart sensors test handler solutions make up approximately 97.6% of the MYR42.8 million work-in-progress expected to receive buy-off by 31 March 2018.

FINANCIAL INFORMATION

Our Group's increasing exposure to the smart mobile device sector within the telecommunications industry has also contributed to the substantial balance of inventory recorded as at 30 June 2017 since as part of the value chain to this sector, delivery of our products and solutions may be scheduled to accommodate retail peak periods such as "cyber Mondays" in November and Christmas in December as well as customers' product launches. Out of the work-in-progress of approximately MYR110.2 million as at 30 June 2017, approximately MYR37.1 million was subsequently utilised in July 2017, of which approximately 83.3% was attributable to our customers in the telecommunications sector.

The substantial balance of work-in-progress as at 30 June 2017 compared to the previous reporting dates was compounded by an increasingly prolonged lead time for materials procurement as observed by our management since the end of 2016, which may lengthen the production if certain components experienced shortage as at the reporting date, thereby increasing the amount of products which remained to be classified as work-in-progress rather than as finished goods. It is our understanding from our customers that we are not unique in experiencing such a trend, which continued to persist up to the Latest Practicable Date. In fact, this trend had prompted customers to issue purchase orders with longer lead time (i.e. from purchase orders issuance to delivery) in anticipation of the longer lead time necessary for certain material procurement. Up to the Latest Practicable Date, we had been able to accommodate our operations to the aforementioned trend and had been able to adhere to our time commitment. Looking ahead, we will continue to work closely with our customers to address this matter. In this regard, our Group had invested in an associate in 2017 to strengthen our local supply chain ecosystem to facilitate our long term expansion. For further details, please refer to the paragraph headed "11. Suppliers" under the section headed "Business" of this prospectus.

Trade receivables

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Trade receivables	18,654	13,168	32,715	15,440
Less: allowance for impairment loss	(1,085)	(373)	(705)	(113)
	<u>17,569</u>	<u>12,795</u>	<u>32,010</u>	<u>15,327</u>

FINANCIAL INFORMATION

Our Group performed ongoing estimates on the collectability of our trade receivables during the Track Record Period. Our Group recorded allowance for impairment loss of approximately MYR1.1 million, MYR0.4 million, MYR0.7 million and MYR0.1 million as at 31 December 2014, 2015, 2016 and 30 June 2017 respectively. Set out below is the movement in relation to our impairment loss of trade receivables as at the respective reporting dates as indicated below.

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>
Balance at the beginning of the year/period	1,330	1,085	373	705
Current year/period	–	373	469	106
Reversal due to recovery	(101)	–	–	–
Written off	(144)	(1,085)	(137)	(698)
	<u>1,085</u>	<u>373</u>	<u>705</u>	<u>113</u>
Balance at the end of the year/period	<u>1,085</u>	<u>373</u>	<u>705</u>	<u>113</u>

During the three years ended 31 December 2016 and six months ended 30 June 2017, our Group wrote off approximately MYR0.1 million, MYR1.1 million, MYR0.1 million and MYR0.7 million of our allowance for impairment loss respectively. The amount written off in 2015 represented a prolonged outstanding balance due from one customer of our automated manufacturing solutions segment. Thereafter, our Group had not entered into any transaction with the said customer. The written off amount for the six months ended 30 June 2017 represented the outstanding amount of one customer which was the subject of a legal action. For further details, please refer to the paragraph headed “5.6 Administrative expenses” under this section.

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The following sets out the aging analysis of trade receivables, net of provision of impairment on trade receivables, based on invoice dates, as at the respective reporting dates as indicated below.

	As at 31 December						As at 30 June	
	2014		2015		2016		2017	
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
0-30 days	7,042	40.1	5,018	39.2	7,248	22.7	5,806	37.9
31-60 days	807	4.6	1,288	10.1	7,308	22.8	5,766	37.6
61-90 days	4,368	24.9	698	5.5	2,172	6.8	749	4.9
91-180 days	3,545	20.2	3,594	28.1	12,046	37.6	1,582	10.3
181 to 270 days	990	5.6	418	3.3	2,308	7.2	55	0.4
Over 270 days	817	4.6	1,779	13.8	928	2.9	1,369	8.9
Total	17,569	100.0	12,795	100.0	32,010	100.0	15,327	100.0

The following sets out the aging of trade receivables which were past due but not impaired as at the respective reporting dates as indicated below.

	As at 31 December						As at 30 June	
	2014		2015		2016		2017	
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
Neither past due nor impaired	8,455	48.1	5,099	39.9	8,127	25.4	9,210	60.1
1-30 days past due	3,135	17.8	1,309	10.2	6,298	19.7	1,167	7.6
31-60 days past due	1,473	8.4	2,605	20.4	2,907	9.1	2,300	15.0
61-90 days past due	1,471	8.4	568	4.4	9,545	29.8	843	5.5
91-180 days past due	2,160	12.3	1,180	9.2	3,907	12.2	480	3.1
181 to 270 days past due	89	0.5	580	4.5	817	2.5	24	0.2
Over 270 days past due	786	4.5	1,454	11.4	409	1.3	1,303	8.5
Total	17,569	100.0	12,795	100.0	32,010	100.0	15,327	100.0

Trade receivables which were past due but not impaired accounted for approximately 51.9%, 60.1%, 74.6% and 39.9% of total trade receivables as at 31 December 2014, 2015, 2016 and 30 June 2017 respectively. Such trade receivables balances represented receivables from our long term, reputable and/or existing customers who had good payment record in the past. For these reasons, these trade receivables balances were not impaired as our management was of the opinion that these debts were due from creditworthy customers. As at the Latest Practicable Date, approximately MYR17.6 million, MYR12.8 million, MYR32.0 million and MYR13.3 million, representing 100.0%, 100.0%, approximately 100.0% and 86.8% of our trade receivables as at 31 December 2014, 2015 and 2016 and 30 June 2017 had been subsequently collected respectively.

FINANCIAL INFORMATION

Other receivables, deposits and prepayments

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>
Other receivables	260	255	146	85
Refundable deposits	617	402	411	449
Non-refundable deposits	1,396	211	1,541	951
Prepayments	251	171	162	408
Goods and services tax (“GST”) claimable	–	521	1,034	1,477
Receivables from PCB (<i>Note</i>)	–	–	–	87
Total	<u>2,524</u>	<u>1,560</u>	<u>3,294</u>	<u>3,457</u>

Note: Receivables from PCB represented PCB’s portion of the Listing expenses incurred.

Our non-refundable deposits represented deposits paid to our Group’s suppliers for purchase of direct materials, primarily being overseas suppliers.

During the Track Record Period, our other receivables mainly consisted of amount due from a supplier for machinery and equipment sold to this supplier in 2014. The balance had been offset against our purchases of materials from this supplier from time to time. Refundable deposits represented deposits paid for utilities and rentals.

GST claimable represented the GST recoverable from the Royal Malaysian Customs Department arising from the GST input tax. Since the GST was only introduced in Malaysia in April 2015, our Group did not record any GST claimable as at 31 December 2014.

Amount due from a fellow company

Amount due from a fellow company related to both trade and non-trade transactions. Our Group recorded an amount due from a fellow subsidiary amounted to approximately MYR0.5 million as at 31 December 2014. Such amount had been fully repaid in 2015.

Please refer to note 35(d) of the Accountants’ Report contained in Appendix I to this prospectus for details of amount due from a fellow company.

FINANCIAL INFORMATION

Investment securities

Investment securities represented our Group's investment in a company as a pre-IPO investor in 2016. Based in Malaysia, this company is principally engaged in the pilling and foundation services business and has been listed on the Australian Securities Exchange since late 2016. Such investment was undertaken having considered, amongst others, (i) our Group's financial and liquidity positions at the time; (ii) the expected return from the investment; and (iii) the mechanism offered to safeguard our Group's investment. As at 31 December 2016 and 30 June 2017, the value of our investment securities (which comprised only the aforesaid company) amounted to approximately MYR2.6 million and MYR2.6 million respectively. On 30 August 2017, we disposed of all our investment securities at market price and recorded a gain of approximately MYR0.6 million, or equivalently, a total return of approximately 29.7% based on the initial investment cost.

Our Group has adopted a treasury and investment policy. Please refer to the paragraph headed "22. Risk management and internal control" under the section headed "Business" of this prospectus for further details.

Trade payables

The following sets out the aging analysis of our trade payables based on the invoice dates, as at the end of each year/period during the Track Record Period.

	As at 31 December				As at 30 June			
	2014		2015		2016		2017	
	MYR'000	%	MYR'000	%	MYR'000	%	MYR'000	%
	(audited)		(audited)		(audited)		(audited)	
0-30 days	2,968	35.4	2,793	58.2	7,613	74.3	15,289	56.7
31-60 days	2,051	24.5	1,438	30.0	1,528	14.9	8,509	31.5
61-90 days	1,057	12.6	231	4.8	644	6.4	2,227	8.3
91-120 days	954	11.4	314	6.5	248	2.4	923	3.4
Over 120 days	1,347	16.1	22	0.5	208	2.0	24	0.1
Total	8,377	100.0	4,798	100.0	10,241	100.0	26,972	100.0

Our trade creditors normally grant us credit terms up to 120 days. As illustrated in the table above, majority of our Group's trade payables balances were within the normal credit terms granted by our suppliers. As at the Latest Practicable Date, all of our outstanding trade payables as at 31 December 2014, 2015, 2016 and 30 June 2017 had been subsequently settled respectively.

FINANCIAL INFORMATION

Other payables, accruals and provision

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>
Other payables	567	498	600	1,332
Deposits received	4,091	144	10,787	75,628
Accruals	3,861	3,806	3,316	4,132
Provision for warranty	112	37	195	195
GST payable	–	54	–	–
Total	8,631	4,539	14,898	81,287

Other payables mainly related to payables for maintenance and logistic costs incurred.

Deposits received represented down payments received from our customers upon the placing of their purchase orders. The significant increase in deposits received as at 31 December 2016 was mainly due to the increase in purchase orders received during the latter half of 2016 which was pending delivery as at 31 December 2016 compared to as at 31 December 2015. Such increase was also in line with the increase in inventory level as at 31 December 2016. The balance further increased to approximately MYR75.6 million as at 30 June 2017 which corresponded to the significant balance of work-in-progress of approximately MYR110.2 million as at the same date.

Derivative financial assets/liabilities

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>	<i>MYR'000</i> <i>(audited)</i>
Derivatives at fair value through profit or loss				
– Foreign currency forward contracts				
Assets	–	6	–	27
Liabilities	(1,063)	(199)	(3,527)	–
Notional value of contracts	18,674	9,820	53,585	36,250

FINANCIAL INFORMATION

Our Group enters into foreign currency forward contracts as part of our treasury policy to manage our foreign currency exposure, which is predominantly denominated in US\$. For further details of our Group's exposure to foreign currency risk, please refer to the paragraph headed "4. Major factors affecting our Group's results of operations and financial conditions" under this section and the paragraph headed "22. Risk management and internal control" under the section headed "Business" of this prospectus. Foreign currency forward contracts are recognised as derivatives and are measured at their fair values with gains or losses recognised in the profit or loss. As at the respective reporting dates, the foreign currency forward contract with a positive fair value is recognised as a financial asset whereas the forward contract with a negative fair value is recognised as a financial liability.

During the Track Record Period, our Group recorded derivative financial liabilities amounted to approximately MYR1.1 million, MYR0.2 million and MYR3.5 million as at 31 December 2014, 2015 and 2016 respectively. The derivative financial liabilities recognised as at the respective dates were mainly due to the appreciation of US\$ against MYR during the respective years. Our Group also recorded derivative financial assets of approximately MYR6,000 and MYR27,000 as at 31 December 2015 and 30 June 2017 respectively.

The following table sets out the details of outstanding foreign currency forward contracts as at the Latest Practicable Date.

Date entered into	Number of contracts	Currency	Outstanding amount as at the Latest Practicable Date
30 November 2017	8	US\$	MYR41.0 million
5 December 2017	4	US\$	MYR28.5 million
15 December 2017	5	US\$	MYR41.0 million

For details of the guarantees provided for the above forward contracts, please refer to the paragraph headed "9.3 Bank facilities" under this section.

7.3 Non-current liabilities

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	MYR'000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Finance lease liabilities	57	–	174	106
Deferred income	1,950	1,131	451	485
Deferred tax liabilities	2,050	2,505	–	–
Total	4,057	3,636	625	591

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Finance lease liabilities

As at 31 December 2014, 2015, 2016 and 30 June 2017, finance lease liabilities categorised as non-current liabilities amounted to approximately MYR57,000, nil, MYR0.2 million and MYR0.1 million respectively. Such finance lease liabilities represented finance lease for motor vehicles. Please refer to the paragraph headed “9. Indebtedness” under this section for further details.

Deferred income

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Balance at the beginning of the year/period	2,382	1,950	1,131	451
Received during the year/period	403	–	368	262
Released to profit or loss	<u>(835)</u>	<u>(819)</u>	<u>(1,048)</u>	<u>(228)</u>
Balance at the end of the year/period	<u>1,950</u>	<u>1,131</u>	<u>451</u>	<u>485</u>

Deferred income represented government grants received by our Group from 2007 for reimbursements of capital expenditure spent on modernisation of specific machinery and equipment. Since income of such nature is received upon incurrence of related capital cost and is to be subsequently released to profit or loss over the period to match the related costs (mainly depreciation) which the government grants are intended to compensate, such income is liability in nature.

FINANCIAL INFORMATION

8. KEY FINANCIAL RATIOS

	<i>Notes</i>	As at 31 December			As at 30 June	
		2014	2015	2016	2016	2017
Gross profit margin	<i>1</i>	28.9%	28.1%	31.8%	29.5%	30.3%
Net profit margin	<i>2</i>	14.1%	13.5%	23.9%	18.4%	19.5%
Return on equity	<i>3</i>	24.1%	18.5%	39.0%	N/A	35.7%
Return on total assets	<i>4</i>	13.3%	13.0%	26.7%	N/A	17.0%
Current ratio	<i>5</i>	1.1 times	1.7 times	2.1 times	N/A	1.5 times
Quick ratio	<i>6</i>	0.9 times	1.4 times	1.6 times	N/A	0.5 times
Inventory turnover days	<i>7</i>	46.2 days	48.4 days	45.5 days	N/A	177.5 days
Debtors' turnover days	<i>8</i>	84.7 days	75.2 days	57.7 days	N/A	44.7 days
Creditors' turnover days	<i>9</i>	91.2 days	78.1 days	35.5 days	N/A	23.4 days
Gearing ratio	<i>10</i>	30.4%	17.0%	12.3%	N/A	6.2%
Debt to equity ratio	<i>11</i>	14.6%	N/A	N/A	N/A	N/A
Interest coverage	<i>12</i>	49.6 times	1,688.9 times	2,186.9 times	2,616.0 times	3,006.9 times

Notes:

1. Gross profit margin for each financial year/period during the Track Record Period was calculated based on gross profit for the year/period divided by revenue for the respective year/period. Please refer to the paragraph headed "5.3 Gross profit and gross profit margin" under this section for further details.
2. Net profit margin for each financial year/period during the Track Record Period was calculated based on profit for the year/period divided by revenue for the respective year/period. Please refer to the paragraph headed "5.9 Profit for the year/period" under this section for further details.
3. Return on equity for each of the three years ended 31 December 2016 and the six months ended 30 June 2017 (annualised) was calculated based on the net profit of the respective years/period divided by the total equity as at the end of the respective years/period and multiply by 100.0%.
4. Return on total assets for each of the three years ended 31 December 2016 and the six months ended 30 June 2017 (annualised) was calculated based on the net profit of the respective years/period divided by the total assets as at the end of the respective years/period and multiply by 100.0%.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each respective years/period.
6. Quick ratio is calculated based on the total current assets minus inventory divided by the total current liabilities as at the end of each respective years/period.
7. Inventory turnover days is calculated based on the average of beginning and ending balance of inventories of a given year/period divided by the cost of goods sold for the corresponding year/period and multiply by the number of calendar days of the year/period.
8. Debtors' turnover days is calculated based on the average of beginning and ending balance of trade receivables of a given year/period divided by revenue for the corresponding year/period and multiply by the number of calendar days of the year/period.
9. Creditors' turnover days is calculated based on the average of beginning and ending balance of trade payables of a given year/period divided by purchase for the corresponding year/period and multiply by the number of calendar days of the year/period.
10. Gearing ratio is calculated based on the total debts (being amount due to ultimate holding company, amounts due to fellow subsidiaries and finance lease liabilities) divided by total equity as at the end of each respective years/period and multiply by 100.0%.
11. Debt to equity ratio is calculated based on the net debts (total debts net of cash and cash equivalents) divided by total equity as at the end of each respective years/period and multiply by 100.0%.
12. Interest coverage is calculated by dividing profit before taxation and interest (i.e. operating profit deducting share of results of an associate) by the finance cost for the corresponding years/periods.

FINANCIAL INFORMATION

8.1 Return on equity

Our return on equity was approximately 24.1%, 18.5% and 39.0% for the years ended 31 December 2014, 2015 and 2016 respectively. The decrease in our return on equity from approximately 24.1% to 18.5% was mainly due to the decrease in profit after tax from approximately MYR10.6 million in 2014 to approximately MYR9.9 million in 2015. Our return on equity then increased to approximately 39.0% in 2016 mainly due to the significant increase in our profit after tax to approximately MYR33.8 million. Our return on equity then decreased slightly to approximately 35.7% for the first half of 2017 despite an increase in (annualised) profit as our retained earnings during the Track Record Period had enlarged our equity base as at 30 June 2017.

8.2 Return on total assets

Our return on total assets was approximately 13.3%, 13.0% and 26.7% in 2014, 2015 and 2016 respectively. The nominal decrease in our return on total assets from approximately 13.3% to 13.0% was due to the aforesaid decrease in profit after tax. Subsequently, our return on total assets increased significantly to approximately 26.7% primarily due to the significant increase in profit after tax in 2016. Our return on total assets then decreased to approximately 17.0% for the first half of 2017 mainly due to the significant increase in our inventories as at 30 June 2017 as further elaborated in the paragraph headed “7.2 Net current assets” under this section.

8.3 Current ratio

Our Group had maintained net current assets position and recorded current ratio of approximately 1.1 times, 1.7 times and 2.1 times as at 31 December 2014, 2015 and 2016 respectively. The improvement in our current ratio from 31 December 2015 to 31 December 2016 was mainly due to the increase in cash and cash equivalents from approximately MYR6.9 million as at 31 December 2014 to approximately MYR11.5 million as at 31 December 2015, which further increased to approximately MYR26.3 million as at 31 December 2016 and thereby resulted in a higher current ratio at approximately 2.1 times. The current ratio then decreased to approximately 1.5 times as at 30 June 2017 as trade payables had increased in line with our operational expansion.

8.4 Quick ratio

Our quick ratio was approximately 0.9 times, 1.4 times and 1.6 times as at 31 December 2014, 2015 and 2016 respectively. The improvement in our quick ratio was in line with the movement of our current ratio as mentioned above. Despite an increase in cash and cash equivalents from 31 December 2016 to 30 June 2017, we recorded a reduction in quick ratio due to the substantial increase in our deposits received as at 30 June 2017 as further elaborated in the paragraph headed “7.2 Net current assets” under this section.

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8.5 Inventory turnover days

Our inventory turnover days remained relatively stable at approximately 46.2 days, 48.4 days and 45.5 days in 2014, 2015 and 2016 respectively. Our inventory turnover days then increased substantially to approximately 177.5 days for the first half of 2017 as a result of the significant increase in our inventory balance as at 30 June 2017. For further details, please refer to the paragraph headed “7.2 Net current assets” under this section.

8.6 Debtors’ turnover days

Our debtors’ turnover days was approximately 84.7 days, 75.2 days, 57.7 days and 44.7 days for the three years ended 31 December 2016 and six months ended 30 June 2017 respectively. Our debtors’ turnover days fell within the credit terms up to 90 days granted to our customers. The declining trend was generally in line with our Group’s efforts in collection and credit control.

8.7 Creditors’ turnover days

Our creditors’ turnover days was approximately 91.2 days, 78.1 days, 35.5 days and 23.4 days which fell within the credit terms up to 120 days granted to our Group. The declining trend was as a result of our Group’s effort in maintaining and strengthening supplier relationships through prompt settlement, so as to garner their support for our significant business expansion during the Track Record Period.

8.8 Gearing ratio

Our gearing ratio was approximately 30.4%, 17.0% and 12.3% as at 31 December 2014, 2015 and 2016 respectively. The decreasing trend and low level of gearing ratio was mainly attributable to (i) our increasing equity base as enhanced by the retained earnings recorded during the Track Record Period; and (ii) our decreasing level of debts supported by our stronger liquidity position. Our gearing ratio then further decreased to approximately 6.2% as at 30 June 2017 owing to the enlarged equity base as mentioned above and further reduction in debts due to the repayment to our ultimate holding company.

8.9 Debt to equity ratio

Our debt to equity ratio was approximately 14.6% as at 31 December 2014. Since our cash and cash equivalents as at 31 December 2015 and 2016 and 30 June 2017 exceeded our total debts as of the respective dates, debt to equity ratios were not applicable.

8.10 Interest coverage

Our interest coverage was approximately 49.6 times, 1,688.9 times, 2,186.9 times, 2,616.0 times and 3,006.9 times in 2014, 2015, 2016 and the first half of 2016 and 2017 respectively. The high level of interest coverage stemmed from the reducing level of debt and our increasing profitability over the course of Track Record Period.

FINANCIAL INFORMATION

9. INDEBTEDNESS

The following table sets out our total indebtedness as at 31 December 2014, 2015, 2016, 30 June 2017 and 31 October 2017 respectively.

	As at 31 December			As at	As at
	2014	2015	2016	30 June	31 October
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Non-current portion					
Finance lease liabilities	57	–	174	106	59
Current portion					
Amount due to ultimate holding company	12,466	9,122	10,346	6,260	9,397
Amounts due to fellow subsidiaries	673	–	–	71	341
Finance lease liabilities	132	57	132	135	135
	<u>13,271</u>	<u>9,179</u>	<u>10,478</u>	<u>6,466</u>	<u>9,873</u>
Total	<u>13,328</u>	<u>9,179</u>	<u>10,652</u>	<u>6,572</u>	<u>9,932</u>

Our indebtedness consisted of amount due to ultimate holding company, amounts due to fellow subsidiaries and finance lease liabilities during the Track Record Period.

9.1 Finance lease liabilities

	As at 31 December			As at	As at
	2014	2015	2016	30 June	31 October
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Due within one year	132	57	132	135	135
Due within two to five years	57	–	174	106	59
Total	<u>189</u>	<u>57</u>	<u>306</u>	<u>241</u>	<u>194</u>

FINANCIAL INFORMATION

Our Group had acquired certain motor vehicles under finance lease arrangements during the Track Record Period. As at 31 December 2014, 2015, 2016, 30 June 2017 and 31 October 2017, the aggregated outstanding principal amount was approximately MYR0.2 million, MYR57,000, MYR0.3 million, MYR0.2 million and MYR0.2 million, with effective interest rate of approximately 4.5%, 4.5%, 5.0%, 5.0% and 5.0% per annum respectively. These finance lease liabilities were secured over the leased assets.

9.2 Amounts due to fellow subsidiaries/ultimate holding company

	As at 31 December			As at 30 June 2017	As at 31 October 2017
	2014	2015	2016	2017	2017
	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Amounts due to fellow subsidiaries:					
– Dixin Automation Sdn. Bhd. (“Dixin”)(<i>Note</i>)	673	–	N/A	N/A	N/A
– Pentamaster Smart Solution Sdn. Bhd.	–	–	–	71	341
	673	–	–	71	341
Amount due to ultimate holding company					
– PCB	12,466	9,122	10,346	6,260	9,397

Note: Dixin was formerly known as Pentamaster Solutions Sdn. Bhd. and was disposed of by PCB in 2015.

The amounts due to fellow subsidiaries involved both trade and non-trade transactions which were unsecured, interest-free and repayable on demand, save for the balances which were trade in nature and were repayable on normal trade terms.

The amount due to ultimate holding company comprised non-trade transactions which was unsecured, interest-free and repayable on demand. The amounts will be fully settled prior to Listing.

FINANCIAL INFORMATION

9.3 Bank facilities

As at 31 October 2017, being the latest practicable date for the purpose of this indebtedness statement, our Group had unutilised bank facilities and foreign exchange contracts of approximately MYR21.8 million and MYR160.0 million respectively. Details of the bank facilities are summarised as below.

Type	Facility limit	Unutilised amount as at 31 October 2017	Interest rate	Security/guarantee provided
Export facility	US\$1.5 million (equivalent to approximately MYR6.3 million)	US\$1.5 million (equivalent to approximately MYR6.3 million)	2.0% per annum over bank's cost of funding	– Corporate guarantee by PCB amounted to MYR6.0 million (Note 1)
Combined trade lines facility (Note 2) and foreign exchange contract facility	MYR3.5 million and MYR30.0 million	MYR3.5 million and MYR30.0 million	(Note 2)	– Corporate guarantee by PCB amounted to MYR6.5 million (Note 1)
Term loans	MYR12.0 million	MYR12.0 million	Base lending minus 2.1% per annum	– Charge over the land for the construction of New Production Plant – Corporate guarantee by PCB amounted to MYR12.0 million (Note 1)
Foreign exchange contracts facilities	MYR130.0 million	MYR130.0 million	–	– Corporate guarantee by PCB and by one of our subsidiaries amounted to MYR2.0 million and MYR10.0 million respectively (Notes 1 and 3)

Notes:

1. The guarantee provided by PCB will be released upon Listing and is expected to be replaced by a corporate guarantee by our Company.

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2. The combined trade lines facility included the following:

Facility	Interest/Commission/Charges
Letter of credit	0.1% per month
Trust receipt	1.25% per annum over base lending rate
Banker's acceptance	1.25% per annum acceptance commission
Bank guarantee	0.125% per month
Shipping guarantee	0.1% of invoice value
Short term revolving credit	1.75% per annum over bank's cost of funds
Onshore foreign currency loan	1.25% per annum over bank's cost of funds

3. The MYR10.0 million foreign exchange contract referred to a contract entered into by PCB to which one of our subsidiaries provided corporate guarantee. At our request, the aforesaid foreign exchange contract had been cancelled as at 4 December 2017.

Other than the above, our Group did not have any other unutilised bank facilities as at 31 October 2017.

9.4 Contingent liabilities

As at 31 December 2014, 2015 and 2016 and 30 June 2017, our Group provided guarantees with respect to banking facilities granted to (i) Dixin of approximately MYR31.3 million, MYR31.3 million, nil and nil; and (ii) PCB of nil, approximately MYR7.5 million, MYR7.5 million and MYR7.5 million respectively. Under these guarantees, the Group would have been liable to pay the banks if the banks are unable to recover the loans. As at 31 December 2014, 2015 and 2016 and 30 June 2017, none of the banking facilities were utilised by Dixin and PCB respectively. The guarantees provided to Dixin and PCB were released in January 2016 and December 2017 respectively.

As at 31 October 2017, being the latest practicable date for the purpose of the indebtedness statement, other than the above, our Group did not have any contingent liabilities or guarantees.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

FINANCIAL INFORMATION

10. CAPITAL EXPENDITURE

Our Group's capital expenditure mainly consisted of expenditures on acquisition of property, plant and equipment, leasehold land and intangible assets for our operations. Our Group incurred capital expenditure of approximately MYR2.1 million, MYR3.7 million, MYR4.7 million and MYR3.6 million in 2014, 2015 and 2016 and first half of 2017 respectively. These mainly consisted of deposit paid for acquisition of land and expenditure for machinery and equipment as well as computers. Since 30 June 2017 and up to the Latest Practicable Date, our Group did not incur any material capital expenditure.

For the year ending 31 December 2017, we estimate that our Group's capital expenditure will amount to approximately MYR14.6 million primarily for the construction of our New Production Plant as well as upgrading of our Existing Production Plant. For further details, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operations, existing banking facilities as well as net proceeds from the Share Offer.

11. CAPITAL COMMITMENTS

As at the end of the reporting periods during the Track Record Period, our Group had capital commitments which were not provided for in our combined statements of financial statements as at the dates indicated below.

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
	(audited)	(audited)	(audited)	(audited)
Contracted but not provided for				
– Leasehold land	–	4,012	2,508	–

The capital commitments related to the purchase of a piece of industrial leasehold land for the construction of New Production Plant. For further details, please refer to the paragraph headed "7.1 Non-current assets" under this section.

12. FINANCIAL RISKS

Our Group is exposed to a variety of financial risks arising from our operations, such as foreign currency exchange risk and credit risk.

FINANCIAL INFORMATION

12.1 Foreign currency exchange risk

During the Track Record Period, our Group was exposed to foreign currency exchange risk from our trading activities, which were principally transacted in US\$. In addition, our Group also held investments and other financial assets and liabilities denominated in foreign currencies. As at the end of each year/period during the Track Record Period, our Group's net exposure to foreign currency exchange risk was as follows.

	US\$ MYR'000 (audited)	Euro MYR'000 (audited)	S\$ MYR'000 (audited)	RMB MYR'000 (audited)	AUD MYR'000 (audited)
As at 31 December 2014					
Trade receivables	9,543	–	228	–	–
Cash and cash equivalents	819	3	187	10	–
Trade payables	(106)	(1)	(17)	–	–
Net exposure	<u>10,256</u>	<u>2</u>	<u>398</u>	<u>10</u>	<u>–</u>
As at 31 December 2015					
Trade receivables	7,097	20	287	–	–
Cash and cash equivalents	4,022	25	17	64	–
Trade payables	(594)	–	(21)	–	–
Net exposure	<u>10,525</u>	<u>45</u>	<u>283</u>	<u>64</u>	<u>–</u>
As at 31 December 2016					
Investment securities	–	–	–	–	2,563
Trade receivables	27,723	–	406	–	–
Cash and cash equivalents	7,524	71	6	148	–
Trade payables	(2,661)	–	(168)	–	–
Net exposure	<u>32,586</u>	<u>71</u>	<u>244</u>	<u>148</u>	<u>2,563</u>
As at 30 June 2017					
Investment securities	–	–	–	–	2,569
Trade receivables	9,392	1	645	–	–
Cash and cash equivalents	19,440	11	170	136	–
Trade payables	(3,860)	–	(107)	–	(1)
Net exposure	<u>24,972</u>	<u>12</u>	<u>708</u>	<u>136</u>	<u>2,568</u>

Our Group is principally exposed to foreign currency exchange risk denominated in US\$ primarily resulted from our normal trading activities. Our Group's net exposure in AUD was mainly from our Group's investment made in 2016. Please refer to the paragraph headed "7.2 Net current assets" under this section for further details.

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Sensitivity analysis on foreign currency exchange risk

The following sensitivity analysis represents our Group's net exposure in US\$ and AUD, adjusting their translation at the end of each reporting period for percentages as indicated below. Such sensitivity rate was selected based on the historical fluctuations during the respective years/period. A positive number below indicates an increase in profit after taxation where MYR weakens against US\$ or AUD. For appreciation of MYR against the respective foreign currencies, there would be an equal and opposite impact on the results for the years/period.

	Sensitivity rate	Increase in profit or loss <i>MYR '000</i>
As at 31 December 2014		
US\$	11%	846
	<u> </u>	<u> </u>
As at 31 December 2015		
US\$	24%	1,895
	<u> </u>	<u> </u>
As at 31 December 2016		
US\$	15%	3,715
AUD	13%	253
	<u> </u>	<u> </u>
Total		<u> </u> <u> </u> 3,968
As at 30 June 2017		
US\$	5%	949
AUD	7%	137
	<u> </u>	<u> </u>
Total		<u> </u> <u> </u> 1,086

As part of our treasury policy to manage and mitigate our foreign currency exchange risk, our Group enters into foreign currency forward contracts to manage and mitigate our foreign exchange exposure arising from our normal trading business. Please refer to the paragraph headed "7.2 Net current assets" under this section for further details.

FINANCIAL INFORMATION

12.2 Credit risk

Credit risk refers to the risk that the counterparty would default on its contractual obligations resulting in financial loss to our Group. During the Track Record Period, our Group's exposure to credit risk arose principally from our trade receivables.

To address such credit risk, our Group performs credit evaluation and closely monitors the payment records of our customers. Occasionally, our Group may extend the credit terms granted to customers on a case-by-case basis, taking into consideration factors such as the relationship with the customer and the historical payment records of the customer.

In addition, as part of our on-going credit control procedures, our management would perform assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period and the financial strength of the customers. The Directors are of the opinion that adequate provision for uncollectible receivables has been made where applicable.

13. LISTING EXPENSES

The total Listing expenses (based on the mid-point of the Offer Price range) are estimated to be approximately MYR16.2 million (equivalent to approximately HK\$30.0 million), which will be borne by the Selling Shareholder and our Group as to approximately MYR5.0 million and MYR11.2 million respectively. In the first half of 2017, we incurred Listing expenses of approximately MYR0.2 million. By the completion of the Share Offer, we expect to incur the remaining Listing expenses of approximately MYR11.0 million, of which an estimated amount of approximately MYR7.1 million is to be recognised as expenses and the balance is expected to be accounted for as a deduction of equity.

14. DIVIDEND

During the Track Record Period, our Company did not declare any dividend.

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of dividends will be subject to the discretion of our Board and approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirement and surplus, general financial conditions, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. Currently, our Group does not have any dividend policy and predetermined dividend distribution ratio.

FINANCIAL INFORMATION

15. RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in note 35(b) of the Accountants' Report contained in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

16. PROPERTY INTEREST AND PROPERTY VALUATION

Cushman & Wakefield Limited, an independent Property Valuer, has valued certain interests of our properties in Malaysia as at 30 November 2017 and is of the opinion that the value was, in aggregate, MYR42.8 million, with the entire value attributable to us. Please refer to Appendix III to this prospectus for the full text of the letter, summary of valuations and valuation certificates with regard to such property interests.

The statement below shows the reconciliation of aggregate amounts of certain properties as selected in our audited consolidated financial information as at 30 June 2017 as set forth in Appendix I to this prospectus, with the valuation of these properties as at 30 November 2017 as set forth in Appendix III to this prospectus.

	<i>MYR'000</i>
Net book value of the following properties as at 30 June 2017	
Leasehold land and buildings	42,118
Additions during the period from 1 July 2017 to 30 November 2017	–
Depreciation during the period from 1 July 2017 to 30 November 2017	<u>(352)</u>
Net book value as at 30 November 2017	41,766
Net valuation surplus	<u>1,064</u>
Valuation of properties owned by our Group as at 30 November 2017 as set out in the property valuation report in Appendix III to this prospectus	<u><u>42,830</u></u>

17. OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangements.

FINANCIAL INFORMATION

18. DISTRIBUTABLE RESERVES

Our Company was incorporated on 12 June 2017 to serve as the listing vehicle of our Group for the Listing. As at 30 June 2017, our Company had no reserves available for distribution to Shareholders. The Companies Law provides that share premium account of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its Articles, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

19. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to Appendix II to this prospectus of our unaudited pro forma statement adjusted combined net tangible assets.

20. DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had our Shares been already listed on the Stock Exchange.

21. NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we were aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

22. OUR PROPOSED AUDITOR AFTER THE LISTING

Under Rule 19.20 of the Listing Rules, we, as an overseas issuer, must have our annual accounts audited by a person, firm or company who must be a practicing accountant of good standing, and that such person, firm or company must also be independent to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants. In addition, the firm of accountants must be either (i) qualified under the Professional Accountants Ordinance for appointment as an auditor of a company; or (ii) acceptable to the Stock Exchange with an international name and reputation and is a member of a recognised body of accountants.

After the Listing, Grant Thornton Hong Kong Limited will be the proposed auditor of our Group, which is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 19.20 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR LISTING

Please refer to the paragraph headed “Our history and development” under the section headed “History, Reorganisation and corporate structure” of this prospectus.

FUTURE PLANS

We intend to expand our business in line with the strategies set out in the paragraph headed “3. Business strategies” under the section headed “Business” of this prospectus. In particular, with the enhanced capital base upon Listing, we intend to expand our exposure to the Greater China region, establish a presence in California, U.S. and target to strengthen our market position through strategic acquisitions and other business co-operations.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.00 per Offer Share, being the mid-point of the indicative Offer Price range, we estimate that we will receive net proceeds of approximately HK\$171.3 million (equivalent to approximately MYR92.6 million) from the Share Offer after deducting (i) the gross proceeds from the sale of the Sale Shares by PCB in the Share Offer; and (ii) the underwriting fees and estimate expenses borne by us in relation to the Share Offer. PCB will be responsible for, amongst others, the underwriting commissions payable by PCB and any applicable stamp duty in connection with the sale of the Sale Shares in the Share Offer.

In line with our business strategies, we currently intend to apply the net proceeds from the Share Offer for the following purposes:

Purpose of the net proceeds to be utilised	Amount of net proceeds to be utilised		% of net proceeds to be utilised
	HK\$'million	MYR'million	
Capital investment and costs in relation to the New Production Plant and the expansion of the Existing Production Plant	84.8	45.8	49.5%
Business expansion into the Greater China region	38.1	20.6	22.2%
Establishment of an office in California, U.S.	28.2	15.3	16.5%
Marketing, branding and promotional activities	3.1	1.7	1.8%
Working capital	17.1	9.2	10.0%
Total	171.3	92.6	100.0%

FUTURE PLANS AND USE OF PROCEEDS

We set out below the detailed breakdown and description of our intended use of net proceeds from the Share Offer:

- (i) as to approximately 49.5% of the net proceeds, representing approximately HK\$84.8 million (equivalent to approximately MYR45.8 million), will be used for capital investments in relation to the construction of the New Production Plant and the expansion of the Existing Production Plant, with the aim to expand our manufacturing capacity. In particular, we have acquired a plot of land for the construction of our New Production Plant which is expected to commence operations by mid-2018. The expansion from the New Production Plant will be two folds – in terms of capacity as well as capabilities (in particular the clean room ISO Class 9 environment, a prerequisite for a number of potential customers in the medical device sector, which, as highlighted by Frost & Sullivan, due to this sector’s demand for precision manufacturing, is a high potential market for factory automation).

As highlighted in the paragraph headed “Our production plants” under the section headed “Business” of this prospectus, space constraint on the production floor has become an operational bottleneck for our Group following our significant business growth in 2016 and the first half of 2017. The construction of our New Production Plant is expected to increase our Group’s production space and warehouse space by approximately 47,700 sq.ft. and 6,000 sq.ft., respectively. At the same time, the expansion of our Existing Production Plant is expected to increase our Group’s production space and warehouse space by approximately 13,000 sq.ft. and 1,000 sq.ft. respectively. As at the Latest Practicable Date, the piling works and building construction for the New Production Plant had commenced and according to the latest construction schedule, the fitting out works are expected to take place in early 2018 with an expected completion in mid-2018. For the expansion of the Existing Production Plant, construction is expected to commence in the fourth quarter of 2017, followed by fitting out work in the first quarter of 2018 and operations commencement in mid-2018. According to the latest estimation, the expected capital expenditure in relation to the construction of our New Production Plant and expansion of our Existing Production Plant are approximately MYR35.8 million and MYR10.0 million respectively.

We intend to use such net proceeds in the following manner:

- (a) as to approximately 38.7% of the net proceeds, representing approximately HK\$66.3 million (equivalent to approximately MYR35.8 million), will be used for the capital investment and costs for construction of the New Production Plant including:
 - as to approximately 27.0% of the net proceeds, representing approximately HK\$46.3 million (equivalent to approximately MYR25.0 million), will be used to repay bank loans to be drawn down in the fourth

FUTURE PLANS AND USE OF PROCEEDS

- quarter of 2017 to fund the construction of the New Production Plant, including costs related to architectural, civil, structural, mechanical and electrical works. The expected effective interest rates of these loans are approximately 4.0 to 5.0% based on prevailing bank rates; and
- as to approximately 11.7% of the net proceeds, representing approximately HK\$20.0 million (equivalent to approximately MYR10.8 million), will be used to fund the set up cost of the New Production Plant to fit and equip the plant, in particular the clean room ISO Class 9 environment and recruitment of staff;
- (b) as to approximately 10.8% of the net proceeds, representing approximately HK\$18.5 million (equivalent to approximately MYR10.0 million), will be used to fund the capital investment and costs related to the expansion of the Existing Production Plant, which is expected to commence in early 2018 and to be completed by mid-2018, including:
- as to approximately 9.2% of the net proceeds, representing approximately HK\$15.7 million (equivalent to approximately MYR8.5 million), will be used to fund the capital expenditure related to architectural, civil, structural, mechanical and electrical works; and
 - as to approximately 1.6% of the net proceeds, representing approximately HK\$2.8 million (equivalent to approximately MYR1.5 million), will be used to purchase new equipment and fittings for the expansion of the Existing Production Plant;
- (ii) as to approximately 22.2% of the net proceeds, representing approximately HK\$38.1 million (equivalent to approximately MYR20.6 million), will be used for our business expansion into the Greater China region, covering the largest semiconductor market, the PRC as well as key semiconductor markets such as Taiwan. In particular, the PRC had been one of the top two shipment destinations of our Group's products and solutions during the Track Record Period and had warranted a growing local customer liaison support engineering team during the Track Record Period. For further details, please refer to the paragraph headed "Employees" under the section headed "Directors, senior management and employees" of this prospectus. We intend to use such net proceeds for:
- (a) potential future business or share acquisitions, joint ventures or other strategic arrangements to increase our presence and deepen our penetration into the Greater China region. In particular, we seek targets (aa) in the FAS industry to create synergy with our automated manufacturing solutions business; (bb) with customer networks in the Greater China region; (cc) with established local supply chains in the Greater China region; or (dd) with technology or technological know-how that could expand our automated manufacturing

FUTURE PLANS AND USE OF PROCEEDS

solutions business; or a combination of (aa), (bb), (cc) or (dd) within 2019. As at the Latest Practicable Date, whilst we have shortlisted a few acquisition targets, we had not initiated any contact with these potential acquisition targets nor had we commenced any due diligence work on the potential acquisition targets; and/or

- (b) organic expansion in the Greater China region by setting up of sales and service offices that entails the leasing of office premises, staff placement and recruitment, related marketing, branding and promotional activities as well as ongoing operating expenses related thereto within 2019. The location of the sales and service offices will be selected with the view to best complement our business and, we will take into consideration, amongst others, (aa) the strength of the local supply chain; (bb) transportation convenience; and (cc) the availability of engineers. As at the Latest Practicable Date, the Group has yet to identify the suitable location, number of persons to be recruited or their positions;
- (iii) as to approximately 16.5% of the net proceeds, representing approximately HK\$28.2 million (equivalent to approximately MYR15.3 million), will be used to establish an office in California, U.S., the global R&D technology hub in order to provide a more direct channel of communication for existing and potential customers. Such net proceeds will be utilised for office rental, staff placement and recruitment, office fittings and equipment and related working capital for the next five years;
- (iv) as to approximately 1.8% of the net proceeds, representing approximately HK\$3.1 million (equivalent to approximately MYR1.7 million), will be used for marketing, branding and promotional activities in the next five years in accordance with the expansion of our business, including increasing our exposure and level of participation in industrial exhibitions such as SEMICON West in the U.S., SEMICON China in the PRC, SEMICON Southeast Asia, Medical Fair Thailand and other industrial exhibitions of similar scale and the development of product videos, catalogues and brochures; and
- (v) as to approximately 10.0% of the net proceeds, representing approximately HK\$17.1 million (equivalent to approximately MYR9.2 million), will be used for working capital and other general corporate purposes.

In relation to our business expansion into the Greater China region, our Group may identify potential targets through our own research or referrals from our network. Our Board will review, discuss and, if it sees fit, approve the relevant potential acquisitions or other strategic arrangements proposals and ensure such proposals are made in compliance with the Listing Rules, applicable laws and regulations in relevant jurisdictions. As at the Latest Practicable Date, we have shortlisted a few acquisition targets. We had not initiated any contact with these potential acquisition targets nor had we commenced any due diligence work on the potential acquisition targets. As at the Latest Practicable Date, we had not engaged in any negotiations or entered into any letter of intent or any definitive commitment or agreement, whether legally binding or not, in relation to any potential acquisition, joint ventures and other strategic arrangements described above.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at HK\$1.10 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$18.6 million (equivalent to approximately MYR10.1 million). If the Offer Price is fixed at HK\$0.90 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK\$18.7 million (equivalent to approximately MYR10.1 million). The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a level higher or lower compared to the mid-point of the estimated Offer Price range.

Our Group will not receive any proceeds raised from the Sale Shares. Assuming that the Offer Price is HK\$1.00 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we estimate that PCB will receive net proceeds of approximately HK\$166.7 million (equivalent approximately to MYR90.1 million) after deducting the underwriting fees and estimate expenses to be borne by PCB in relation to the Share Offer and any applicable stamp duty in connection with the sale of Sale Shares in the Share Offer. If the Offer Price is HK\$1.10 per Offer Share (being the high end of the Offer Price range stated in this prospectus), the net proceeds received by PCB will increase by approximately HK\$17.1 million (equivalent to MYR9.2 million). If the Offer Price is HK\$0.90 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds received by PCB will reduce by approximately HK\$17.2 million (equivalent to MYR9.3 million).

To the extent that the net proceeds raised from the New Shares are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations in the relevant jurisdictions, we intend to deposit the net proceeds into short-term demand deposits with licensed banks or financial institutions, so long as it is deemed to be in the interest of our Group.

In the event of any material change in our use of proceeds of the Share Offer from the purposes described above, or should our Directors decide to reallocate the intended use of proceeds to other business plans to a material extent, our Company will issue an announcement in accordance with the Listing Rules.

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JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS (IN ALPHABETICAL ORDER)

Crosby Securities Limited

Yuanta Securities (Hong Kong) Company Limited

PUBLIC OFFER UNDERWRITERS (IN ALPHABETICAL ORDER)

Crosby Securities Limited

Yuanta Securities (Hong Kong) Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by the public in Hong Kong of 36,800,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) may in their absolute discretion together (but not either one of them) terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or development involving a prospective change or development, or any event or series of events resulting or representing or likely to result in any change or development involving a prospective change or deterioration

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- (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the Cayman Islands, Malaysia or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or
- (b) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
 - (c) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
 - (d) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
 - (e) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, our Controlling Shareholder and our Executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or
 - (f) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
 - (g) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
 - (h) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threats of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
 - (i) any materialisation of any of the risks set out under the section headed “Risk factors” in this prospectus; or

UNDERWRITING

- (j) any change in the system under which the value of the HK\$ is linked to that of the US\$ or a material devaluation of HK\$ or MYR against any foreign currency; or
- (k) any valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (l) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (m) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (n) non-compliance of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or
- (o) an order is made or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with our creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (p) any loss or damage sustained by any member of our Group; or
- (q) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (r) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (s) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director; or
- (t) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof,

which in the sole and absolute opinion of the Joint Lead Managers together (but not either one of them):

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or

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- (b) has or will or may have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (c) is or will or may make it impracticable, inadvisable or inexpedient (i) for any material part of the Public Offer Underwriting Agreement and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) the Joint Lead Managers or the Public Offer Underwriters shall become aware of the fact that:
- (a) any of the warranties given by our Company, our Controlling Shareholder and our Executive Directors under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Joint Lead Managers (in their sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect; or
 - (b) any statement contained in this prospectus, the Application Forms, the formal notice or any announcement issued by our Company in connection with the Public Offer (including any supplemental or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if such document was to be issued at that time, constitute a material omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed in such document are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (c) there has been a material breach on the part of any of our Company, our Controlling Shareholder and our Executive Directors of any of the obligations of the Public Offer Underwriting Agreement; or
 - (d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been discovered in this prospectus, constitute a material omission therefrom, save for any omission for the necessary purpose of compliance with relevant rules and/or requirements applicable to the Share Offer; or
 - (e) approval by the Listing Committee of the listing of, and permission to deal in, the Offer Shares to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

UNDERWRITING

- (f) we withdraw this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer.

Undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken to the Sponsor, the Joint Lead Managers, and the Public Offer Underwriters, and each of our Controlling Shareholder and our Executive Directors has undertaken to and covenants with the Sponsor, the Joint Lead Managers and the Public Offer Underwriters that he/it will procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”);
- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 (2) of the Listing Rules;

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- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that our Controlling Shareholder would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and
- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholder

Our Controlling Shareholder has represented, warranted and undertaken to the Sponsor, the Joint Lead Managers, the Public Offer Underwriters and our Company that, except pursuant to the Share Offer (including the offer for sale of the Sale Shares by the Selling Shareholder) and unless in compliance with the Listing Rules, it shall not, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of its close associates (as defined in the Listing Rules) or companies controlled by it or any nominee or trustee holding in trust for it shall, during the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Lock-up Period**”):

- (a) offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or

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- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Lock-up Period, save as provided under note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the six months commencing on the expiry of the First Lock-up Period (the “**Second Lock-up Period**”), (1) such disposal shall not result in our Controlling Shareholder ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Lock-up Period; and (2) it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to our Controlling Shareholder’s undertaking above, the Controlling Shareholder undertakes to the Sponsor, the Joint Lead Managers, the Public Offer Underwriters and our Company that within the First Lock-up Period and the Second Lock-up Period it shall:

- (a) if and when it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by it (or any beneficial interest therein), including but not limited to (i) pledges or charges of any such Shares or other securities of our Company in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform our Company, the Sponsor, the Joint Lead Managers and the Public Offer Underwriters in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by it will be disposed of, immediately inform our Company, the Sponsor, the Joint Lead Managers and the Public Offer Underwriters in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholder

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholder has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer (including the offer for sale of the Sale Shares by the Selling Shareholder) or unless in compliance with the requirements of the Listing Rules, it shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be our Controlling Shareholder.

Our Controlling Shareholder has further undertaken to us and the Stock Exchange that it will, within a period of commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of: (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by our Controlling Shareholder in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or other securities of our Company so pledged or charged; and (b) when he or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERWRITING

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company, our Controlling Shareholder and our Executive Directors will enter into the Placing Underwriting Agreement with the Sponsor, the Joint Lead Managers, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters is expected to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholder will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings to the Public Offer Underwriters” above under this section.

Commission, fees and expenses

The Public Offer Underwriters will receive an underwriting commission of 2.5% of the Offer Price of the Public Offer Shares initially offered under the Public Offer if the gross proceeds of the Share Offer is HK\$368.0 million or below. If the gross proceeds of the Share Offer is above HK\$368.0 million, the Public Offer Underwriters will receive an underwriting commission of 2.5% plus additional 0.5% of the portion of the gross proceeds raised in excess of HK\$368.0 million. For unsubscribed Public Offer Shares reallocated to the Placing and any Placing Shares reallocated from the Placing to the Public Offer, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the Public Offer Underwriters.

Assuming the Offer Price of HK\$1.00 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commission, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$30.0 million (equivalent to approximately MYR16.2 million) in total, and of which approximately HK\$20.7 million (equivalent to approximately MYR11.2 million) shall be borne by our Company and approximately HK\$9.3 million (equivalent to approximately MYR5.0 million) shall be borne by the Selling Shareholder and are payable by our Company and the Selling Shareholder with reference to the number of New Shares and Sale Shares under the Share Offer respectively.

UNDERWRITING

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sponsor will receive a sponsorship fee to the Share Offer. The Joint Lead Managers and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth in the paragraph headed "Commission, fees and expenses" above.

We have appointed Altus as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sponsor, the Joint Lead Managers, the Joint Bookrunners or the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Share Offer.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- a. the Public Offer of 36,800,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the paragraph headed “The Public Offer” below; and
- b. the Placing of an aggregate of 331,200,000 Placing Shares comprising 155,200,000 new Shares and 176,000,000 Sale Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional, and other investors under the Placing.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing may be subject to reallocation as described in the paragraph headed “Reallocation” below.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 36,800,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10.0% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 23.0% of our Company’s enlarged issued share capital after completion of the Capitalisation Issue and Share Offer. Together with the 104,192,000 Shares held by GEMS, the public float of our Company will be at least 25.0% of the total issued share capital of our Company upon Listing.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” of this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Public Offer Shares available under the Public Offer (after taking into account any reallocation as referred to below) is to be divided equally (to the nearest board lot) into two pools for allocation purposes: 18,400,000 Offer Shares for each of pool A and 18,400,000 Offer Shares for pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK\$5.0 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK\$5.0 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the total value in pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Public Offer and any application for more than 18,400,000 Public Offer Shares, being the 50.0% of the 36,800,000 Public Offer shares initially available under the Public Offer are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Public Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Lead Managers (for themselves and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 110,400,000 Offer Shares, representing 30.0% of the number of the Offer Shares initially available for subscription under the Share Offer;

- (b) if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 147,200,000 Offer Shares, representing 40.0% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 184,000,000 Offer Shares, representing 50.0% of the number of the Offer Shares initially available for subscription under the Share Offer.

In each case, the additional Offer Shares reallocated to the Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deems appropriate. In addition, the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Placing Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer Shares are not fully subscribed, the Joint Lead Managers (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deems appropriate. If the Placing Shares are not fully subscribed or purchased, the Joint Lead Managers (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed or un-purchased Placing Shares to the Public Offer in such amount as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deems appropriate.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares

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under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.10 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$4,444.34 for one board lot of 4,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and allocation" of this section below, is less than the maximum Offer Price of HK\$1.10 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to apply for Public Offer Shares".

THE PLACING

Number of Offer Shares offered

Subject to reallocation as described above, the Placing will consist of 331,200,000 Shares, representing 90.0% of the total number of Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent approximately 20.7% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit, of our Company and our Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed “The Public Offer – Reallocation” above, and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

PRICING AND ALLOCATION

Determining the Offer Price

The Joint Lead Managers will solicit from prospective investors the indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Share Offer. Pricing for the Offer Shares for the purpose of the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Friday, 12 January 2018, and in any event on or before Wednesday, 17 January 2018, by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) and the number of Offer Shares to be allocated under the Share Offer will be determined shortly thereafter.

Offer Price range

The Offer Price will be not more than HK\$1.10 per Offer Share and is expected to be not less than HK\$0.90 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Share Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer must pay, on application, the maximum Offer Price of HK\$1.10 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$4,444.34 per board lot of 4,000 Offer Shares.

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If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$1.10 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, 17 January 2018, the Share Offer will not proceed and will lapse.

Further details are set out under the section headed “How to apply for Public Offer Shares” of this prospectus.

Change to the Offer Price range

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the Placing, and with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of the Offer Shares being offered under the Share Offer and/or change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In this case, we shall cause to be published, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer:

- (a) a notice of the change on the website of the Stock Exchange at *www.hkexnews.hk* and our Company’s website at *www.pentamaster-international-ltd.com*. The notice will include a confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Share Offer statistics and any other financial information in this prospectus which may change as a result of any such change; and
- (b) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change.

Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Share Offer statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. In the absence of any such notice published in relation to the reduction in the Offer Price, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Public Offer will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Announcement of Offer Price and the basis of allocations

Announcement of the final Offer Price together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be published on Thursday, 18 January 2018 on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.pentamaster-international-ltd.com.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around Friday, 12 January 2018. These Underwriting Agreements are summarised under the section headed "Underwriting" of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

2. Placing Underwriting Agreement

The execution and delivery of the Placing Underwriting Agreement on or about Friday, 12 January 2018.

3. Obligations under Underwriting Agreements

The obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

4. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Wednesday, 17 January 2018, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange's website at *www.hkexnews.hk* and our Company's website at *www.pentamaster-international-ltd.com* on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to apply for Public Offer Shares." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Thursday, 18 January 2018 but will only become valid certificates of title at 8:00 a.m. on Friday, 19 January 2018 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the paragraph headed "Grounds for termination" under the section headed "Underwriting" of this prospectus has not been exercised.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any Trading Day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 19 January 2018, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 19 January 2018.

The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 1665.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at *www.hkeipo.hk*; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If an application is made by a person under a power of attorney, our Company, the Sponsor and the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a director of our Company and/or any of its subsidiaries;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, (i) use a **WHITE** Application Form; or (ii) apply online through the designated website of the **HK eIPO White Form** service provider at *www.hkeipo.hk* under **the HK eIPO White Form** service.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) complete and sign the **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 December 2017 to 12:00 noon on Friday, 12 January 2018 from:

- (i) the following offices of the Public Offer Underwriters (in alphabetical order):

Crosby Securities Limited	5F Capital Centre 151 Gloucester Road Wanchai Hong Kong
Yuanta Securities (Hong Kong) Company Limited	23/F Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong

- (ii) any of the following branches of Bank of China (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	United Centre Branch	Shop 1021, United Centre 95 Queensway, Hong Kong
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay Hong Kong
Kowloon	Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West Mong Kok, Kowloon
New Territories	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long
	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin
	Tai Po Branch	68-70 Po Heung Street Tai Po Market

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Friday, 12 January 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – Pentamaster Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 29 December 2017	– 9:00 a.m. to 5:00 p.m.
Saturday, 30 December 2017	– 9:00 a.m. to 1:00 p.m.
Tuesday, 2 January 2018	– 9:00 a.m. to 5:00 p.m.
Wednesday, 3 January 2018	– 9:00 a.m. to 5:00 p.m.
Thursday, 4 January 2018	– 9:00 a.m. to 5:00 p.m.
Friday, 5 January 2018	– 9:00 a.m. to 5:00 p.m.
Saturday, 6 January 2018	– 9:00 a.m. to 1:00 p.m.
Monday, 8 January 2018	– 9:00 a.m. to 5:00 p.m.
Tuesday, 9 January 2018	– 9:00 a.m. to 5:00 p.m.
Wednesday, 10 January 2018	– 9:00 a.m. to 5:00 p.m.
Thursday, 11 January 2018	– 9:00 a.m. to 5:00 p.m.
Friday, 12 January 2018	– 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 12 January 2018, the last application day or such later time as described in "Effect of bad weather on the opening of the applications lists" under this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sponsor and the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Selling Shareholder, the Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any of the Placing Shares nor participated in the Placing;
- (viii) agree to disclose to our Company, the Selling Shareholder, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Selling Shareholder, the Sponsor, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xv) authorise our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to deposit any share certificate(s) into CCASS and/or to send any share certificate(s) and/or any refund cheque(s) and/or e-Auto Refund payment Instruction to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Selling Shareholder, the Directors, the Sponsor, and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply" in this section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for submitting applications under the HK eIPO White Form

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk* (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 29 December 2017 until 11:30 a.m. on Friday, 12 January 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 12 January 2018 or such later time stated in the paragraph headed “10. Effect of bad weather on the opening of the application lists” under this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company
Limited Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant’s stock account on your behalf or your CCASS Investor Participant’s stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Selling Shareholder, our Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Selling Shareholder, the Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Selling Shareholder, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 29 December 2017	– 9:00 a.m. to 8:30 p.m.	(¹)
Saturday, 30 December 2017	– 8:00 a.m. to 1:00 p.m.	(¹)
Tuesday, 2 January 2018	– 8:00 a.m. to 8:30 p.m.	(¹)
Wednesday, 3 January 2018	– 8:00 a.m. to 8:30 p.m.	(¹)
Thursday, 4 January 2018	– 8:00 a.m. to 8:30 p.m.	(¹)
Friday, 5 January 2018	– 8:00 a.m. to 8:30 p.m.	(¹)
Monday, 8 January 2018	– 8:00 a.m. to 8:30 p.m.	(¹)
Tuesday, 9 January 2018	– 8:00 a.m. to 8:30 p.m.	(¹)
Wednesday, 10 January 2018	– 8:00 a.m. to 8:30 p.m.	(¹)
Thursday, 11 January 2018	– 8:00 a.m. to 8:30 p.m.	(¹)
Friday, 12 January 2018	– 8:00 a.m. (¹) to 12:00 noon	

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Friday, 12 January 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 12 January 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” under this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit.

Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Selling Shareholder, the Hong Kong Branch Share Registrar, the receiving banker, the Sponsor, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Selling Shareholder, our Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 12 January 2018.

HOW TO APPLY FOR PUBLIC OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or otherwise specified on the designated website at *www.hkeipo.hk*.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC). For further details on the Offer Price, please refer to the section headed “Structure and conditions of the Share Offer – Pricing and allocation” of this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 12 January 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 12 January 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned under the section headed “Expected timetable” of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer on Thursday, 18 January 2018 on our Company’s website at *www.pentamaster-international-ltd.com* and the website of the Stock Exchange at *www.hkexnews.hk*.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at *www.pentamaster-international-ltd.com* and the Stock Exchange’s website at *www.hkexnews.hk* by no later than 9:00 a.m. on Thursday, 18 January 2018;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- from the designated results of allocations website at *www.tricor.com.hk/ipo/results* with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Thursday, 18 January 2018 to 12:00 midnight on Wednesday, 24 January 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 18 January 2018 to Tuesday, 23 January 2018 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 18 January 2018 to Monday, 22 January 2018 at all the receiving bank’s designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained under the section headed “Structure and conditions of the Share Offer” of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- our Company or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50.0% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 18 January 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before 18 January 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 19 January 2018 provided that the Share Offer has become unconditional and the right of termination described under the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 18 January 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 18 January 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 or more Public Offer Shares, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 18 January 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 18 January 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 18 January 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Public Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. and 1:00 p.m. on Thursday, 18 January 2018, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 18 January 2018 by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 18 January 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Thursday, 18 January 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 18 January 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 18 January 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 18 January 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any Trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the joint reporting accountants of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong and Grant Thornton, Chartered Accountants, Malaysia.



ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PENTAMASTER INTERNATIONAL LIMITED AND ALTUS CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Pentamaster International Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages I-4 to I-64, which comprises the combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the statement of financial position of the Company as at 30 June 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the “**Track Record Period**”), and a summary of significant accounting policies and other explanatory information (the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-64 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 December 2017 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

DIRECTORS' RESPONSIBILITY FOR HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 respectively to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical

Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that give a true and fair view in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 respectively to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017, the financial position of the Company as at 30 June 2017 and of the financial performance of the Group and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 respectively to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 respectively to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board (“**IAASB**”). A review consists of making inquiries, primarily of persons responsible for financial and accounting

matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in notes 1.2 and 2.1 respectively to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

ADJUSTMENTS

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

DIVIDENDS

We refer to note 12 to the Historical Financial Information which states that no dividend has been paid by the Company in respect of the Track Record Period.

NO HISTORICAL FINANCIAL STATEMENTS FOR THE COMPANY

As at the date of this report, no statutory financial statements have been prepared for the Company since its incorporation.

Grant Thornton Hong Kong Limited

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29 December 2017

Chiu Wing Ning

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29 December 2017

John Lau Tiang Hua

No. 1107/03/18 (J)

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report. The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong and Grant Thornton, Chartered Accountants, Malaysia ("GT Malaysia") in accordance with International Standards on Auditing issued by the IAASB (the "Underlying Financial Statements"). The Historical Financial Information is presented in Ringgit Malaysia ("MYR") and all values are rounded to the nearest thousand (MYR'000) except when otherwise indicated.

Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December			Six months ended 30 June	
		2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (unaudited)	2017 MYR'000
Revenue	4	75,072	73,683	141,820	63,014	96,631
Cost of goods sold		(53,385)	(53,009)	(96,682)	(44,431)	(67,370)
Gross profit		21,687	20,674	45,138	18,583	29,261
Other income	5	2,454	3,139	5,586	1,062	4,674
Distribution costs		(1,966)	(2,196)	(2,939)	(1,581)	(1,840)
Administrative expenses		(9,376)	(9,779)	(14,935)	(4,946)	(11,023)
Other operating expenses		(10)	(16)	(47)	(38)	(8)
Operating profit		12,789	11,822	32,803	13,080	21,064
Finance costs	7	(258)	(7)	(15)	(5)	(7)
Share of results of an associate	16	–	–	–	–	(16)
Profit before taxation	8	12,531	11,815	32,788	13,075	21,041
Taxation	9	(1,964)	(1,872)	1,043	(1,504)	(2,223)
Profit and total comprehensive income for the year/period		<u>10,567</u>	<u>9,943</u>	<u>33,831</u>	<u>11,571</u>	<u>18,818</u>
Profit and total comprehensive income for the year/period attributable to:						
Owners of the Company		9,056	9,606	31,275	10,757	17,768
Non-controlling interests		1,511	337	2,556	814	1,050
		<u>10,567</u>	<u>9,943</u>	<u>33,831</u>	<u>11,571</u>	<u>18,818</u>
Earnings per share attributable to owners of the Company						
Basic and diluted	11	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Combined Statements of Financial Position

	Notes	As at 31 December			As at
		2014	2015	2016	30 June
		MYR'000	MYR'000	MYR'000	2017
					MYR'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	38,902	38,057	38,039	37,586
Leasehold land	14	2,872	2,811	2,750	7,734
Intangible assets	15	2,654	2,350	1,197	1,045
Interest in an associate	16	–	–	–	1,034
Deposits paid for acquisition of land	17	–	1,003	2,508	–
		<u>44,428</u>	<u>44,221</u>	<u>44,494</u>	<u>47,399</u>
Current assets					
Inventories	18	7,519	6,543	17,554	113,490
Trade receivables	19	17,569	12,795	32,010	15,327
Other receivables, deposits and prepayments	20	2,524	1,560	3,294	3,457
Amount due from a fellow subsidiary	35(d)	540	–	–	–
Derivative financial assets	21	–	6	–	27
Tax recoverable		1	–	265	–
Investment securities	22	–	–	2,563	2,569
Cash and cash equivalents	23	6,926	11,495	26,298	39,553
		<u>35,079</u>	<u>32,399</u>	<u>81,984</u>	<u>174,423</u>
Total assets		<u>79,507</u>	<u>76,620</u>	<u>126,478</u>	<u>221,822</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	24	–	–	–	–*
Reserves	25	42,426	52,032	82,707	105,502
Equity attributable to owners of the Company		<u>42,426</u>	<u>52,032</u>	<u>82,707</u>	<u>105,502</u>
Non-controlling interests	26	1,484	1,821	3,977	–
Total equity		<u>43,910</u>	<u>53,853</u>	<u>86,684</u>	<u>105,502</u>
LIABILITIES					
Current liabilities					
Trade payables	27	8,377	4,798	10,241	26,972
Other payables, accruals and provision	28	8,631	4,539	14,898	81,287
Amount due to ultimate holding company	35(d)	12,466	9,122	10,346	6,260
Amounts due to fellow subsidiaries	35(d)	673	–	–	71
Derivative financial liabilities	21	1,063	199	3,527	–
Finance lease liabilities	29	132	57	132	135
Provision for taxation		198	416	25	1,004
		<u>31,540</u>	<u>19,131</u>	<u>39,169</u>	<u>115,729</u>
Non-current liabilities					
Finance lease liabilities	29	57	–	174	106
Deferred income	30	1,950	1,131	451	485
Deferred tax liabilities	31	2,050	2,505	–	–
		<u>4,057</u>	<u>3,636</u>	<u>625</u>	<u>591</u>
Total liabilities		<u>35,597</u>	<u>22,767</u>	<u>39,794</u>	<u>116,320</u>
Total equity and liabilities		<u>79,507</u>	<u>76,620</u>	<u>126,478</u>	<u>221,822</u>

* Representing one share of HK\$0.01.

Statement of Financial Position of the Company

	<i>Note</i>	As at 30 June 2017 MYR'000
ASSETS		
Current assets		
Other receivable and prepayment		203
Total assets		203
EQUITY AND LIABILITIES		
EQUITY		
Share capital	24	_*
Accumulated losses		(175)
Total equity		(175)
LIABILITIES		
Current liabilities		
Accruals		351
Amount due to a subsidiary		27
Total liabilities		378
Total equity and liabilities		203

* Representing one share of HK\$0.01.

Combined Statements of Changes in Equity

	Equity attributable to owners of the Company (Accumulated losses)/					Total equity MYR'000
	Share capital MYR'000 (note 24)	Capital reserve MYR'000 (note 25)	Retained profits MYR'000 (note 25)	Sub-total MYR'000	Non-controlling interests MYR'000 (note 26)	
As at 1 January 2014	–	5,100	(6,080)	(980)	(27)	(1,007)
Profit and total comprehensive income for the year	–	–	9,056	9,056	1,511	10,567
Transactions with owners						
Capital contribution from ultimate holding company	–	12,660	–	12,660	–	12,660
Deemed contribution from ultimate holding company (note 25)	–	21,690	–	21,690	–	21,690
As at 31 December 2014 and 1 January 2015	–	39,450	2,976	42,426	1,484	43,910
Profit and total comprehensive income for the year	–	–	9,606	9,606	337	9,943
As at 31 December 2015 and 1 January 2016	–	39,450	12,582	52,032	1,821	53,853
Profit and total comprehensive income for the year	–	–	31,275	31,275	2,556	33,831
Dividends paid to ultimate holding company and non-controlling interests (note 12)	–	–	(600)	(600)	(400)	(1,000)
As at 31 December 2016 and 1 January 2017	–	39,450	43,257	82,707	3,977	86,684
Profit and total comprehensive income for the period	–	–	17,768	17,768	1,050	18,818
Transactions with owners						
Issuance of share capital	–*	–	–	–*	–	–*
Changes in ownership interest in a subsidiary (note 26)	–	5,027	–	5,027	(5,027)	–
As at 30 June 2017	–*	44,477	61,025	105,502	–	105,502
(Unaudited)						
As at 1 January 2016	–	39,450	12,582	52,032	1,821	53,853
Profit and total comprehensive income for the period	–	–	10,757	10,757	814	11,571
As at 30 June 2016	–	39,450	23,339	62,789	2,635	65,424

* Representing one share of HK\$0.01.

Combined Statements of Cash Flows

	Year ended 31 December			Six months ended	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	30 June 2016 MYR'000 (unaudited)	2017 MYR'000
Cash flows from operating activities					
Profit before taxation	12,531	11,815	32,788	13,075	21,041
Adjustments for:					
Amortisation of intangible assets	743	1,003	1,117	558	356
Amortisation of leasehold land	62	61	61	31	31
Bad debts written off	–	6	–	–	–
Deferred income released	(835)	(819)	(1,048)	(535)	(228)
Fair value (gain)/loss on investment securities	–	–	(529)	–	136
Depreciation	2,451	2,423	2,715	1,278	1,367
(Gain)/Loss on disposal of property, plant and equipment	(34)	42	(11)	(11)	–
Loss/(Gain) from changes in fair value of foreign currency forward contracts	941	(870)	3,334	(227)	(3,554)
Intangible assets written off	–	–	508	–	–
Interest expense	258	7	15	5	7
Interest income	(75)	(137)	(280)	(96)	(348)
Inventories written down – addition	3	299	34	155	6
Inventories written down – reversal	(164)	(11)	(8)	(4)	(2)
Impairment loss on receivables – addition	–	373	469	–	106
Impairment loss on receivables – reversal	(101)	–	–	–	–
Property, plant and equipment written off	–	17	–	–	13
Provision for warranty – current year/period	112	17	165	–	–
Provision for warranty – reversal	–	(92)	(7)	–	–
Share of results of an associate	–	–	–	–	16
Unrealised (gain)/loss on foreign exchange	(353)	(464)	(1,076)	952	3,068
Operating profit before working capital changes	15,539	13,670	38,247	15,181	22,015
(Increase)/Decrease in inventories	(1,374)	688	(11,037)	(9,455)	(95,940)
(Increase)/Decrease in receivables	(1,383)	5,367	(19,634)	(14,311)	13,990
Increase/(Decrease) in payables	3,285	(7,615)	15,641	19,499	83,111
Net changes in fellow subsidiaries' balances	664	77	–	–	71
Cash generated from operations	16,731	12,187	23,217	10,914	23,247
Government grants received	403	–	368	368	262
Interest paid	(258)	(7)	(15)	(5)	(7)
Tax paid	(530)	(1,200)	(2,118)	(617)	(979)
Tax refunded	123	2	–	–	–
<i>Net cash from operating activities</i>	<u>16,469</u>	<u>10,982</u>	<u>21,452</u>	<u>10,660</u>	<u>22,523</u>

	Note	Year ended 31 December			Six months ended	
		2014 MYR'000	2015 MYR'000	2016 MYR'000	30 June 2016 MYR'000 (unaudited)	2017 MYR'000
Cash flows from investing activities						
Interest received		75	137	280	96	348
Development expenditure paid (<i>note (i)</i>)		(1,031)	(504)	–	–	–
Proceeds from disposal of property, plant and equipment		315	331	11	11	–
Purchase of computer software		(686)	(195)	(472)	(325)	(204)
Purchase of property, plant and equipment (<i>note (ii)</i>)		(409)	(1,968)	(2,297)	(1,244)	(927)
Deposits paid for acquisition of land		–	(1,003)	(1,505)	(1,003)	–
Purchase of leasehold land		–	–	–	–	(2,507)
Purchase of investment securities		–	–	(2,034)	–	–
Investment in an associate		–	–	–	–	(1,050)
<i>Net cash used in investing activities</i>		<u>(1,736)</u>	<u>(3,202)</u>	<u>(6,017)</u>	<u>(2,465)</u>	<u>(4,340)</u>
Cash flows from financing activities						
(Repayments to)/Advances from ultimate holding company		(3,153)	(3,344)	1,224	9	(4,086)
Repayments to fellow subsidiaries		(1,909)	(206)	–	(18)	–
Dividend paid to ultimate holding company and non-controlling interests		–	–	(1,000)	–	–
Repayment of finance lease liabilities		(125)	(132)	(151)	(88)	(65)
Repayment of short-term borrowings		(6,381)	–	–	–	–
<i>Net cash (used in)/from financing activities</i>		<u>(11,568)</u>	<u>(3,682)</u>	<u>73</u>	<u>(97)</u>	<u>(4,151)</u>
Net increase in cash and cash equivalents						
Cash and cash equivalents at the beginning of the year/period		3,165	4,098	15,508	8,098	14,032
Effect of foreign exchange rate changes		3,797	6,926	11,495	11,495	26,298
		<u>(36)</u>	<u>471</u>	<u>(705)</u>	<u>(755)</u>	<u>(777)</u>
Cash and cash equivalents at the end of the year/period	23	<u><u>6,926</u></u>	<u><u>11,495</u></u>	<u><u>26,298</u></u>	<u><u>18,838</u></u>	<u><u>39,553</u></u>

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000	2017 MYR'000
(unaudited)					
<i>Notes:</i>					
(i) Development expenditure paid					
Addition to development expenditure	1,046	504	-	-	-
Less: Depreciation capitalised	(15)	-	-	-	-
Total cash acquisition	<u>1,031</u>	<u>504</u>	<u>-</u>	<u>-</u>	<u>-</u>
(ii) Purchase of property, plant and equipment					
Total acquisition cost	409	1,968	2,697	1,644	927
Less: Acquired under finance lease liabilities	-	-	(400)	(400)	-
Total cash acquisition	<u>409</u>	<u>1,968</u>	<u>2,297</u>	<u>1,244</u>	<u>927</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Pentamaster International Limited (the “**Company**”) was incorporated in the Cayman Islands on 12 June 2017 as an exempted company with limited liability under the Companies Law. The address of its registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands. The address of its principal place of business is Plot 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang, Malaysia.

The Company is an investment holding company and has not carried on any business since its incorporation save for the group reorganisation below. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in (i) designing, development and manufacturing of standard and non-standard automated equipment and (ii) designing, development and installation of integrated automated manufacturing solutions (the “**Listing Businesses**”).

The Company’s immediate holding company is Pentamaster Corporation Berhad (“**PCB**”), a company incorporated in Malaysia with its shares listed on the Main Market of Bursa Malaysia Berhad. The directors of the Company (the “**directors**”) regard PCB as the ultimate holding company.

Prior to the group reorganisation (the “**Reorganisation**”) as detailed under the section headed “History, Reorganisation and corporate structure” of this Prospectus, PCB directly owned the companies operating the Listing Businesses. Pursuant to the Reorganisation, the companies engaged in the Listing Businesses were transferred to the Company and the Company became the holding company of the companies now comprising the Group on 17 July 2017.

As at the date of this report, the Company has direct interests in the following subsidiaries, all of which are private limited liability companies:

Name of subsidiary	Place of incorporation/ operations	Date of incorporation	Issued and paid up capital	Proportion of ownership interest attributable to the Company				The date of this report	Principal activities
				As at					
				31 December 2014	31 December 2015	31 December 2016	30 June 2017		
Pentamaster Technology (M) Sdn. Bhd. (“ Pentamaster Technology ”) <i>(note)</i>	Malaysia	18 March 1995	MYR4.3 million comprising 2,400,000 shares	100%	100%	100%	100%	100%	Design, manufacturing and installation of computerised automation systems and equipment
Pentamaster Instrumentation Sdn. Bhd. (“ Pentamaster Instrumentation ”) <i>(note)</i>	Malaysia	18 December 2003	MYR0.3 million comprising 300,000 shares	60%	60%	60%	100%	100%	Design and manufacturing of automated testing equipment and test and measurement system
Pentamaster Equipment Manufacturing Sdn. Bhd. (“ Pentamaster Equipment ”) <i>(note)</i>	Malaysia	2 October 2006	MYR13.16 million comprising 13,160,000 shares	100%	100%	100%	100%	100%	Equipment design and manufacturing services and the manufacturing of high precision machine parts

Note: The statutory financial statements of these companies for the years ended 31 December 2014, 2015 and 2016 were audited by GT Malaysia.

All the companies now comprising the Group have adopted 31 December as their financial year end date.

1.2 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Businesses are controlled by PCB. Accordingly, there was a continuation of risks and benefits to PCB and the Reorganisation is considered to be a restructuring of entities under common control. The Historical Financial Information has been prepared using the merger basis of accounting as if the companies now comprising the Group have been combined at the beginning of the Track Record Period, or since their respective dates of incorporation, whichever was shorter. The assets and liabilities of all the companies now comprising the Group are combined using the book values from PCB's perspective.

The combined statements of profit or loss and other comprehensive income, the combined statements of cash flows and the combined statements of changes in equity include the results and cash flows of all the companies now comprising the Group for the Track Record Period (or where the companies were incorporated at a date later than 1 January 2014, for the period from the date of incorporation to 30 June 2017) as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 have been prepared to present the financial position of all the companies now comprising the Group as at the respective dates as if the current group structure had been in existence at these dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). The Historical Financial Information also complies with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange. The significant accounting policies that have been used in the preparation of this Historical Financial Information are summarised below. These policies have been consistently applied to all the years/periods presented in the Historical Financial Information, unless otherwise stated.

The Historical Financial Information has been prepared on the historical cost basis except for:

- financial instruments classified as at fair value through profit or loss, and
- derivative financial instruments (other than linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured)

which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The Historical Financial Information is presented in MYR, which is also the Group's and the Company's functional currency.

It should be noted that accounting estimates and assumptions are used in the preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 3.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for the following new and revised IFRSs that have been published but are not yet effective:

IFRS 9	Financial instruments ¹
IFRS 15	Revenue from contracts with customers ¹
IFRIC 22	Foreign currency transactions and advance consideration ¹
Amendments to IFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts ¹
Amendments to IAS 40	Transfers of investment property ¹
Amendments to IFRSs	Annual improvements to IFRSs 2014-2016 cycle ¹
IFRS 16	Leases ²
IFRIC 23	Uncertainty over income tax treatment ²
IFRS 17	Insurance contracts ³
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far the Group has identified some aspects of the new and revised IFRSs that are expected to have an impact on the Group's accounting policies and are discussed below. Other new and revised IFRSs are not expected to have a material impact on the Group's financial performance and financial position.

IFRS 9 Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, general hedge accounting and impairment requirements for financial assets. The Group expects to adopt IFRS 9 from 1 January 2018 and it is anticipated that the adoption of IFRS 9 will not have significant impact to the Group's results of operations and financial position.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 "Financial instruments: recognition and measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Based on the preliminary analysis, the directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures but will not have a material impact on the timing and amounts of revenue recognised in the respective periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under IFRS 16, lease payments in relation to lease liability will be allocated into a principal and interest portion which will be presented as financing and operating cash flows respectively.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of IFRS may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Further, extensive disclosures are required by IFRS 16.

As at 30 June 2017, the Group did not have significant non-cancellable operating lease commitment. The directors of the Company do not anticipate that the application of IFRS 16 will have a material impact in the amounts reported and disclosures made in the financial statements.

2.2 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the Historical Financial Information from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment loss, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Historical Financial Information.

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the combined statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the combined statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group's reserve.

2.3 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the Historical Financial Information, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). The profit or loss for the Track Record Period includes the Group's share of the post-acquisition, post-tax results of the associate for the Track Record Period, including any impairment loss on the investment in associate recognised for the Track Record Period. The Group's other comprehensive income for the Track Record Period includes its share of the associate's other comprehensive income for the Track Record Period.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

2.4 Property, plant and equipment

Property, plant and equipment are initially stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Buildings erected on leasehold land are depreciated on a straight line basis over the lease period of the land of 60 years. Depreciation on other property, plant and equipment is calculated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Machineries and equipment	10% – 33.33%
Furniture, fittings and office equipment	10% – 18%
Computers	20% – 33.33%
Electrical installation	10%
Motor vehicles	20%

Construction in progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Construction in progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Construction in progress is not depreciated until the assets are ready for their intended use.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Fully depreciated items of property, plant and equipment are retained in the accounts until the items are no longer in use.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceed and its carrying amount is recognised in profit or loss.

2.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Finance lease

A finance lease which includes hire purchase arrangement, is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position.

Assets leased out under operating leases are measured and presented according to the nature of the assets. Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as leasehold land and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.6 Intangible assets

Research and development costs

Research expenditure on internal projects is recognised as an expense when it is incurred.

Expenditure incurred on projects to develop new products is capitalised as development costs when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are recognised in profit or loss as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products from the commencement of the commercialisation of the products.

The amortisation period and method are reviewed at the end of each reporting period to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets.

Computer software

The cost of computer software licences are capitalised as an intangible asset. Costs include their purchase prices and any directly attributable costs of preparing the assets for their intended use. These costs are amortised on a straight line basis over the period the asset is expected to generate economic benefits.

Cost associated with developing computer software programs that will generate probable future economic benefits from the use thereof are recognised as intangible assets. Costs comprised all directly attributable development costs including an appropriate portion of relevant overheads. Computer software development cost is amortised when the asset is available for use over the period the asset is expected to generate economic benefits.

2.7 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.8 Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost of all inventories are determined on the first-in, first-out basis.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes direct labour and attributable production overheads.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

2.9 Financial instruments

Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial instrument categories and subsequent measurement

The Group categorises financial instruments as follows:

Financial assets

(i) Loan and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

(ii) Fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than financial liabilities categorised as fair value through profit or loss.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

Derivative financial instruments

The Group enters into derivative financial instruments such as foreign currency forward contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transactions costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Derecognition

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.10 Impairment of financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2.11 Cash and cash equivalents

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

2.12 Government grants

Government grants, including non-monetary grants, shall not be recognised until there is reasonable assurance attaching to the grants will be complied with and the grants will be received.

Grants related to assets are set up as deferred income and recognised as income on a systematic basis over the estimated useful lives of the assets. Grants related to expenses are recognised as income in the period the grants become receivable. Grants related to future costs are deferred and recognised in the profit or loss in the same period as the related costs.

2.13 Provision for liabilities and warranty costs

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for warranty costs is made in respect of goods sold and still under warranty at the end of the reporting period based on the terms of warranty and historical claim experience.

2.14 Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Sale of goods

Revenue from sales of goods is recognised upon transfer of risks and rewards of ownership to the buyer of the goods, based on invoiced value, net of discounts and returns.

Revenue from rendering of services

Revenue from rendering of services is recognised when the service are rendered.

Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

2.16 Employee benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense as incurred.

2.17 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

Deferred tax is not recognised for temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available to set-off against the unutilised tax incentive.

2.18 Goods and services tax

Goods and services tax (“GST”) is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6% in Malaysia. Input tax that a company pays on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:

- where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with GST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.19 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, against the share capital account.

2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, who in this case are the executive directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.22 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the ultimate holding company of the Group, or the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity.
 - (iii) both entities are joint ventures of the same third party.
 - (iv) the entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly-controlled by a person identified in (a) above.
 - (vii) a person identified in (a)(i) has significant influence over the Group or is a member of the key management personnel of the Group.
 - (viii) the entity, or any member of a group when it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the Historical Financial Information.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of depreciable assets

Machineries and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates that the useful life of the machineries and equipment to be between 3 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of machineries and equipment. However, if there were such changes, the impact to the profit or loss would be negligible in view of the low carrying amount of the machineries and equipment as at the end of the reporting period.

Impairment of property, plant, and equipment, leasehold land and intangible assets

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying amount of property, plant and equipment, leasehold land and intangible assets do not exceed their recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from the cash generating units to which the assets belongs. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate, product life cycle and discount rate. The carrying amounts of property, plant and equipment, leasehold land and intangible assets as at 31 December 2014, 2015 and 2016 and 30 June 2017 are disclosed in notes 13, 14 and 15, respectively. No impairment loss are provided for property, plant and equipment, leasehold land and intangible assets during the Track Record Period.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

Assumptions about generation of future taxable income depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required on the application of income tax legislation. These judgements and assumptions are subject to risks and uncertainties, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the Historical Financial Information and the amount of unrecognised tax losses and unrecognised temporary differences. The carrying amount of deferred tax assets as at 31 December 2014, 2015 and 2016 and 30 June 2017 are disclosed in note 31.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics. The carrying amount of trade receivables as at 31 December 2014, 2015 and 2016 and 30 June 2017 and details of movement in impairment of trade receivables during the Track Record Period are disclosed in note 19.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimate is made. Possible changes in these estimates could result in revisions to the valuations of inventories. The carrying amount of inventories as at 31 December 2014, 2015 and 2016 and 30 June 2017 are disclosed in note 18.

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (Unaudited)	2017 MYR'000
Invoiced value of goods sold less returns and discounts	74,464	71,439	135,526	58,500	89,835
Service rendered	608	2,244	6,294	4,514	6,796
	<u>75,072</u>	<u>73,683</u>	<u>141,820</u>	<u>63,014</u>	<u>96,631</u>

4.2 Segment information

Business segments

The Group has two reportable segments which comprised its major business segments. These business segments are involved in different activities and are managed by segment managers who report directly to the Group's executive directors. The reportable segments are as follows:

- | | |
|---|--|
| (i) Automated equipment: | Designing, development and manufacturing of standard and non-standard automated equipment. |
| (ii) Automated manufacturing solutions: | Designing, development and installation of integrated automated manufacturing solutions. |

Inter-segment transactions have been accounted for on a basis that is consistent with the Group's accounting policies.

No other operating segments have been aggregated to form the above reportable segments. Investment holding activities are not considered as reporting segment and the related financial information has been included under "Adjustment".

The Group's executive directors monitor the performance of the business segments through regular discussions held with the segment managers and review of internal management reports. The performance of each business segment is evaluated based on the segment's profit or loss which is measured on a basis not significantly different from the profit or loss included in the Historical Financial Information.

	Automated equipment MYR'000	Automated manufacturing solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Year ended 31 December 2014					
Revenue					
External customers	55,546	19,526			75,072
Inter-segment revenue	1,893	2	(1,895)	(i)	–
Total revenue	<u>57,439</u>	<u>19,528</u>			<u>75,072</u>
Results					
Segment results	12,339	375			12,714
Interest income	75	5	(5)		75
Interest expense	(172)	(91)	5		(258)
Profit before taxation	12,242	289			12,531
Taxation	(1,967)	3			(1,964)
Profit for the year	<u>10,275</u>	<u>292</u>			<u>10,567</u>
Assets					
Segment assets	62,807	9,928	(155)		72,580
Tax recoverable	–	1			1
Cash and cash equivalents	5,635	1,291			6,926
Total assets	<u>68,442</u>	<u>11,220</u>			<u>79,507</u>
Liabilities					
Segment liabilities	24,258	9,057	(155)		33,160
Finance lease liabilities	189	–			189
Provision for taxation	198	–			198
Deferred tax liabilities	2,050	–			2,050
Total liabilities	<u>26,695</u>	<u>9,057</u>			<u>35,597</u>
Other information					
Additions to non-current assets	1,932	209			2,141
Depreciation and amortisation	3,151	105			3,256
Deferred income released	(835)	–			(835)
Gain on disposal of property, plant and equipment	–	(34)			(34)
Loss from changes in fair value of foreign currency forward contracts	700	241			941
Inventories written down to net realisable value					
– addition	3	–			3
– reversal	(164)	–			(164)
Unrealised gain on foreign exchange	(158)	(195)			(353)
Provision for warranty	83	29			112
Reversal of impairment loss on receivables	(101)	–			(101)

	Automated equipment MYR'000	Automated manufacturing solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Year ended 31 December 2015					
Revenue					
External customers	45,434	28,249		(i)	73,683
Inter-segment revenue	1,524	825	(2,349)		–
Total revenue	<u>46,958</u>	<u>29,074</u>			<u>73,683</u>
Results					
Segment results	8,597	3,871	(783)		11,685
Interest income	104	33			137
Interest expense	(7)	–			(7)
Profit before taxation	8,694	3,904			11,815
Taxation	(1,868)	(4)			(1,872)
Profit for the year	<u>6,826</u>	<u>3,900</u>			<u>9,943</u>
Assets					
Segment assets	58,650	8,222	(1,747)		65,125
Cash and cash equivalents	8,546	2,949			11,495
Total assets	<u>67,196</u>	<u>11,171</u>			<u>76,620</u>
Liabilities					
Segment liabilities	15,646	5,107	(964)		19,789
Finance lease liabilities	57	–			57
Provision for taxation	416	–			416
Deferred tax liabilities	2,505	–			2,505
Total liabilities	<u>18,624</u>	<u>5,107</u>			<u>22,767</u>
Other information					
Additions to non-current assets	3,442	228			3,670
Depreciation and amortisation	3,296	191			3,487
Deferred income released	(1,602)	–	783		(819)
Gain from changes in fair value of foreign currency forward contracts	(823)	(47)			(870)
Loss/(Gain) on disposal of property, plant and equipment	90	(48)			42
Impairment loss on receivables	137	236			373
Inventories written down to net realisable value					
– addition	299	–			299
– reversal	(11)	–			(11)
Unrealised gain on foreign exchange	(132)	(332)			(464)
Property, plant and equipment written off	7	10			17
Provision for warranty					
– current year	14	3			17
– reversal	(63)	(29)			(92)

	Automated equipment MYR'000	Automated manufacturing solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Year ended 31 December 2016					
Revenue					
External customers	101,695	40,125			141,820
Inter-segment revenue	2,127	3,904	(6,031)	(i)	–
Total revenue	<u>103,822</u>	<u>44,029</u>			<u>141,820</u>
Results					
Segment results	26,940	4,892	691		32,523
Interest income	240	40			280
Interest expense	(15)	–			(15)
Profit before taxation	27,165	4,932			32,788
Taxation	1,045	(2)			1,043
Profit for the year	<u>28,210</u>	<u>4,930</u>			<u>33,831</u>
Assets					
Segment assets	88,742	11,530	(357)		99,915
Tax recoverable	265	–			265
Cash and cash equivalents	22,104	4,194			26,298
Total assets	<u>111,111</u>	<u>15,724</u>			<u>126,478</u>
Liabilities					
Segment liabilities	34,998	4,730	(265)		39,463
Finance lease liabilities	306	–			306
Provision for taxation	25	–			25
Total liabilities	<u>35,329</u>	<u>4,730</u>			<u>39,794</u>
Other information					
Additions to non-current assets	4,244	430			4,674
Depreciation and amortisation	3,104	789			3,893
Deferred income released	(357)	–	(691)		(1,048)
Fair value gain on investment securities	(529)	–			(529)
Gain on disposal of property, plant and equipment	(11)	–			(11)
Impairment loss on receivables	–	469			469
Intangible assets written off	508	–			508
Inventories written down to net realisable value					
– addition	28	6			34
– reversal	(8)	–			(8)
Loss from changes in fair value of foreign currency forward contracts	2,762	572			3,334
Unrealised gain on foreign exchange	(1,001)	(75)			(1,076)
Provision for warranty					
– current year	88	77			165
– reversal	(4)	(3)			(7)

	Automated equipment <i>MYR'000</i>	Automated manufacturing solutions <i>MYR'000</i>	Adjustment <i>MYR'000</i>	<i>Note</i>	Total <i>MYR'000</i>
Six months ended 30 June 2016 (unaudited)					
Revenue					
External customers	50,653	12,361			63,014
Inter-segment revenue	1,974	3,833	(5,807)	<i>(i)</i>	–
Total revenue	<u>52,627</u>	<u>16,194</u>			<u>63,014</u>
Results					
Segment results	9,793	2,844	347		12,984
Interest income	71	25			96
Interest expense	(5)	–			(5)
Profit before taxation	9,859	2,869			13,075
Taxation	(1,503)	(1)			(1,504)
Profit for the period	<u>8,356</u>	<u>2,868</u>			<u>11,571</u>
Other information					
Depreciation and amortisation	1,493	374			1,867
Deferred income released	(188)	–	(347)		(535)
Gain from changes in fair value of foreign currency forward contracts	(53)	(174)			(227)
Gain on disposal of property, plant and equipment	(11)	–			(11)
Inventories written down to net realisable value					
– addition	13	142			155
– reversal	(4)	–			(4)
Unrealised loss/(gain) on foreign exchange	1,206	(254)			952

	Automated equipment MYR'000	Automated manufacturing solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Six months ended 30 June 2017					
Revenue					
External customers	82,687	13,944			96,631
Inter-segment revenue	1,040	6,051	(7,091)	(i)	–
Total revenue	<u>83,727</u>	<u>19,995</u>			<u>96,631</u>
Results					
Segment results	19,462	3,280	(2,026)		20,716
Interest income	315	33			348
Interest expense	(7)	–			(7)
Share of results of an associate	–	–	(16)		(16)
Profit before taxation	19,770	3,313			21,041
Taxation	(2,221)	(2)			(2,223)
Profit for the period	<u>17,549</u>	<u>3,311</u>			<u>18,818</u>
Assets					
Segment assets	166,839	19,394	(4,998)		181,235
Interest in an associate	–	–	1,034		1,034
Cash and cash equivalents	36,850	2,703			39,553
Total assets	<u>203,689</u>	<u>22,097</u>			<u>221,822</u>
Liabilities					
Segment liabilities	110,164	7,791	(2,880)		115,075
Finance lease liabilities	241	–			241
Provision for taxation	1,003	1			1,004
Total liabilities	<u>111,408</u>	<u>7,792</u>			<u>116,320</u>
Other information					
Additions to non-current assets	3,584	54	1,050		4,688
Depreciation and amortisation	1,329	425			1,754
Deferred income released	(135)	–	(93)		(228)
Fair value loss on investment securities	136	–			136
Impairment loss on receivables	–	106			106
Inventories written down to net realisable value					
– addition	5	1			6
– reversal	(1)	(1)			(2)
Gain from changes in fair value of foreign currency forward contracts	(2,783)	(771)			(3,554)
Unrealised loss on foreign exchange	2,367	701			3,068
Property, plant and equipment written off	8	5			13

Note to segment information:

- (i) Inter-segment revenues are eliminated on consolidation.

Geographical Information

Revenue information based on the geographical location of customers are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (unaudited)	2017 MYR'000
Malaysia	28,187	37,216	82,906	43,850	14,946
PRC	19,448	11,427	14,491	7,472	3,957
Japan	5,811	6,315	1,418	958	860
Singapore	4,453	5,252	21,598	1,077	60,376
Republic of Ireland	7,380	3,713	5,552	5,252	5,470
USA	1,145	5,040	8,006	1,940	2,411
Others	8,648	4,720	7,849	2,465	8,611
	<u>75,072</u>	<u>73,683</u>	<u>141,820</u>	<u>63,014</u>	<u>96,631</u>

All non-current assets (other than financial instruments and deferred tax assets) of the Group are located in Malaysia.

Information about major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (unaudited)	2017 MYR'000
Customer A ¹	13,317	N/A	N/A	N/A	N/A
Customer B ¹	8,489	N/A	N/A	N/A	N/A
Customer C ²	N/A	12,657	57,376	34,350	N/A
Customer D ¹	N/A	7,691	N/A	N/A	N/A
Customer E ²	N/A	N/A	20,888	N/A	59,230
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

¹ Revenue from the Group's automated equipment segment

² Revenue from the Group's automated manufacturing solutions segment and automated equipment segment

N/A: Revenue from this customer during the respective year/period did not exceed 10% of the Group's revenue.

5. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (Unaudited)	2017 MYR'000
Bank interest income	75	137	280	96	348
Deferred income released	835	819	1,048	535	228
Fair value gain on investment securities	–	–	529	–	–
Net gain on foreign exchange	747	491	3,332	–	–
Gain on disposal of property, plant and equipment	34	–	11	11	–
Gain from changes in fair value of foreign currency forward contracts	–	870	–	227	3,554
Rental income	654	472	373	187	187
Reversal of impairment loss on receivables	101	–	–	–	–
Others	8	350	13	6	357
	<u>2,454</u>	<u>3,139</u>	<u>5,586</u>	<u>1,062</u>	<u>4,674</u>

6. EMPLOYEE BENEFITS EXPENSES (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (Unaudited)	2017 MYR'000
Salaries, allowances, commission and bonuses	11,311	13,589	18,286	8,288	8,540
Contribution to EPF	1,276	1,575	1,982	811	1,036
Social Security Organisation contribution	149	194	260	96	157
	<u>12,736</u>	<u>15,358</u>	<u>20,528</u>	<u>9,195</u>	<u>9,733</u>

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (Unaudited)	2017 MYR'000
Interest on bank loans and overdrafts	247	2	1	–	–
Finance charges on finance lease liabilities	11	5	14	5	7
	<u>258</u>	<u>7</u>	<u>15</u>	<u>5</u>	<u>7</u>

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (Unaudited)	2017 MYR'000
Amortisation of intangible assets	743	1,003	1,117	558	356
Amortisation of leasehold land	62	61	61	31	31
Auditors' remuneration					
– audit services	52	49	56	30	30
Deferred income released	(835)	(819)	(1,048)	(535)	(228)
Depreciation	2,451	2,423	2,715	1,278	1,367
Fair value (gain)/loss on investment securities	–	–	(529)	–	136
Loss/(Gain) from changes in fair value of foreign currency forward contracts	941	(870)	3,334	(227)	(3,554)
(Gain)/Loss on disposal of property, plant and equipment	(34)	42	(11)	(11)	–
Impairment loss on receivables					
– addition	–	373	469	–	106
– reversal	(101)	–	–	–	–
Intangible assets written off	–	–	508	–	–
Inventories written down to net realisable value					
– addition	3	299	34	155	6
– reversal	(164)	(11)	(8)	(4)	(2)
Net (gain)/loss on foreign exchange	(747)	(491)	(3,332)	33	4,560
Operating lease charges:					
– hostel	79	60	169	42	220
– office	6	7	7	4	4
– plant and equipment	2	5	–	–	–
Property, plant and equipment written off	–	17	–	–	13
Provision for warranty					
– current year/period	112	17	165	–	–
– reversal	–	(92)	(7)	–	–
Listing expenses	–	–	–	–	247

9. TAXATION

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Malaysian Income Tax has been provided at the statutory tax rates of 25% (for the years ended 31 December 2014 and 2015) and 24% (for the year ended 31 December 2016 and six months ended 30 June 2016 and 2017) on the estimated chargeable income arising in Malaysia.

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (Unaudited)	2017 MYR'000
Malaysian income tax					
Current tax	(645)	(1,428)	(1,357)	(1,504)	(1,877)
Over/(Under) provision in prior years	11	11	(105)	–	(346)
	<u>(634)</u>	<u>(1,417)</u>	<u>(1,462)</u>	<u>(1,504)</u>	<u>(2,223)</u>
Deferred tax					
Current year/period	(1,420)	(473)	2,505	–	–
Attributable to change in tax rate	90	18	–	–	–
	<u>(1,330)</u>	<u>(455)</u>	<u>2,505</u>	<u>–</u>	<u>–</u>
	<u>(1,964)</u>	<u>(1,872)</u>	<u>1,043</u>	<u>(1,504)</u>	<u>(2,223)</u>

The reconciliation of tax expense of the Group is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (Unaudited)	2017 MYR'000
Profit before taxation	<u>12,531</u>	<u>11,815</u>	<u>32,788</u>	<u>13,075</u>	<u>21,041</u>
Income tax at Malaysian statutory tax rate	(3,133)	(2,953)	(7,869)	(3,138)	(5,050)
Share of results of an associate	–	–	–	–	(3)
Income not subject to tax	214	279	348	149	102
Exempt pioneer income (note (i))	1,022	384	6,116	1,803	2,446
Expenses not deductible for tax purposes	(243)	(94)	(265)	(373)	(98)
Deferred tax movement not recognised	28	(202)	(380)	(505)	(99)
Reversal of deferred tax (note (ii))	–	–	1,896	–	–
Tax effects of expenses available for double deduction	47	30	–	–	–
Utilisation of unabsorbed tax losses and capital allowances	–	655	1,302	560	825
Effect on deferred tax balances resulting from change in tax rate (note (iii))	90	18	–	–	–
Over/(Under) provision in prior years	11	11	(105)	–	(346)
	<u>(1,964)</u>	<u>(1,872)</u>	<u>1,043</u>	<u>(1,504)</u>	<u>(2,223)</u>
Malaysian statutory tax rate	25%	25%	24%	24%	24%

Notes:

- (i) Certain subsidiaries of the Group have been granted pioneer status under the Promotion of Investments Act, 1986 by the Malaysian Industrial Development Authority which exempts 100% of statutory income in relation to production of certain products.
- (ii) The deferred tax liability is reversed during the year ended 31 December 2016 as it is anticipated that the temporary differences will be reversed within the pioneer status period.
- (iii) The Malaysian statutory tax rate reduced from 25% to 24% with effect from the year beginning on 1 January 2016. Consequently, the deferred tax assets and liabilities as at 31 December 2014 and 2015 are remeasured using the tax rate of 24%.
- (iv) The deferred tax (assets)/liabilities not recognised as at the end of the reporting period prior to set-off are as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Property, plant and equipment	632	340	131	14
Unabsorbed capital allowances	(172)	–	–	–
Unabsorbed tax losses	(5,581)	(5,098)	(3,796)	(2,971)
Others	(47)	43	(128)	(110)
	<u>(5,168)</u>	<u>(4,715)</u>	<u>(3,793)</u>	<u>(3,067)</u>

- (v) The unabsorbed capital allowances and tax losses and reinvestment allowance available to be carried forward for set-off against future assessable income of a nature and amount for the tax credits to be utilised are as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Unabsorbed capital allowances	(691)	–	–	–
Unabsorbed tax losses	(22,324)	(20,392)	(15,817)	(12,381)
Reinvestment allowance	(892)	–	–	–
	<u>(23,907)</u>	<u>(20,392)</u>	<u>(15,817)</u>	<u>(12,381)</u>

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

10.1 Directors' emoluments

	Year ended 31 December 2014				
	Fees MYR'000	Salaries, allowances and benefits in kind MYR'000	Bonuses MYR'000	Contribution to EPF MYR'000	Total MYR'000
Executive directors:					
Chuah Choon Bin	-	-	-	-	-
Gan Pei Joo	-	-	-	-	-
Non-executive director:					
Leng Kean Yong	-	-	-	-	-
Independent non-executive directors:					
Sim Seng Loong @ Tai Seng	-	-	-	-	-
Chuah Jin Chong	-	-	-	-	-
Chan May May	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Year ended 31 December 2015				
	Fees MYR'000	Salaries, allowances and benefits in kind MYR'000	Bonuses MYR'000	Contribution to EPF MYR'000	Total MYR'000
Executive directors:					
Chuah Choon Bin	-	354	60	50	464
Gan Pei Joo	-	-	-	-	-
Non-executive director:					
Leng Kean Yong	-	-	-	-	-
Independent non-executive directors:					
Sim Seng Loong @ Tai Seng	-	-	-	-	-
Chuah Jin Chong	-	-	-	-	-
Chan May May	-	-	-	-	-
	<u>-</u>	<u>354</u>	<u>60</u>	<u>50</u>	<u>464</u>

	Year ended 31 December 2016				
	Fees MYR'000	Salaries, allowances and benefits in kind MYR'000	Bonuses MYR'000	Contribution to EPF MYR'000	Total MYR'000
Executive directors:					
Chuah Choon Bin	-	360	30	47	437
Gan Pei Joo	-	-	-	-	-
Non-executive director:					
Leng Kean Yong	-	-	-	-	-
Independent non-executive directors:					
Sim Seng Loong @ Tai Seng	-	-	-	-	-
Chuah Jin Chong	-	-	-	-	-
Chan May May	-	-	-	-	-
	<u>-</u>	<u>360</u>	<u>30</u>	<u>47</u>	<u>437</u>

Six months ended 30 June 2016 (unaudited)					
	Fees	Salaries, allowances and benefits in kind	Bonuses	Contribution to EPF	Total
	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>
Executive directors:					
Chuah Choon Bin	–	180	–	22	202
Gan Pei Joo	–	–	–	–	–
Non-executive director:					
Leng Kean Yong	–	–	–	–	–
Independent non-executive directors:					
Sim Seng Loong @ Tai Seng	–	–	–	–	–
Chuah Jin Chong	–	–	–	–	–
Chan May May	–	–	–	–	–
	<u>–</u>	<u>180</u>	<u>–</u>	<u>22</u>	<u>202</u>

Six months ended 30 June 2017					
	Fees	Salaries, allowances and benefits in kind	Bonuses	Contribution to EPF	Total
	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>	<i>MYR'000</i>
Executive directors:					
Chuah Choon Bin	–	238	–	29	267
Gan Pei Joo	–	–	–	–	–
Non-executive director:					
Leng Kean Yong	–	–	–	–	–
Independent non-executive directors:					
Sim Seng Loong @ Tai Seng	–	–	–	–	–
Chuah Jin Chong	–	–	–	–	–
Chan May May	–	–	–	–	–
	<u>–</u>	<u>238</u>	<u>–</u>	<u>29</u>	<u>267</u>

Notes:

- (i) Chuah Choon Bin and Gan Pei Joo were appointed as directors of the Company on 12 June 2017 and were re-designated as executive directors of the Company on 5 September 2017.
- (ii) Leng Kean Yong was appointed as director of the Company on 7 August 2017 and was re-designated as a non-executive director of the Company on 5 September 2017.
- (iii) Sim Seng Loong @ Tai Seng, Chuah Jin Chong and Chan May May were appointed as independent non-executive directors on 19 December 2017.
- (iv) Chuah Choon Bin is also the Group's chairman.

The emoluments shown above represents emoluments received from the Group by these directors in their capacity as employees of the Group and/or in their capacity as directors of the companies now comprising the Group during the Track Record Period.

10.2 Five highest paid individuals

The five individuals who emoluments were the highest in the Group for the Track Record Period include nil, one, nil, nil (unaudited) and one director during the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017, whose emoluments are disclosed in note 10.1. The aggregate of the emoluments payable to the remaining five, four, five, five (unaudited) and four individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000	2017 MYR'000
				(Unaudited)	
Salaries, allowances and benefits in kind	1,062	949	1,213	599	667
Bonuses	275	326	1,181	420	–
Contribution to EPF	137	153	287	122	80
	<u>1,474</u>	<u>1,428</u>	<u>2,681</u>	<u>1,141</u>	<u>747</u>

The above individuals' emoluments are within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
				(Unaudited)	
Nil to HK\$1,000,000	<u>5</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>4</u>

No directors or the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period. No directors or the five highest paid individuals have waived or agreed to waive any emoluments during the Track Record Period.

11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this Historical Financial Information, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Track Record Period as disclosed in note 1.2 above.

12. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

During the Track Record Period, dividends declared and paid by the subsidiary now comprising the Group, Pentamaster Instrumentation, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000	2017 MYR'000
				(Unaudited)	
Dividends to PCB	–	–	600	–	–
Dividends to the non-controlling interests	–	–	400	–	–
	<u>–</u>	<u>–</u>	<u>1,000</u>	<u>–</u>	<u>–</u>

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land MYR'000	Machineries and equipment MYR'000	Furniture, fittings and office equipment MYR'000	Computers MYR'000	Electrical installation MYR'000	Motor vehicles MYR'000	Construction in progress MYR'000	Total MYR'000
Cost								
As at 1 January 2014	43,072	11,357	2,180	590	2,324	689	–	60,212
Additions	21	234	14	140	–	–	–	409
Disposals	–	(894)	–	–	–	–	–	(894)
As at 31 December 2014	43,093	10,697	2,194	730	2,324	689	–	59,727
As at 1 January 2015	43,093	10,697	2,194	730	2,324	689	–	59,727
Additions	497	880	72	311	–	208	–	1,968
Disposals	–	(52)	(388)	–	–	(611)	–	(1,051)
Written off	–	(931)	(166)	(233)	–	–	–	(1,330)
As at 31 December 2015	43,590	10,594	1,712	808	2,324	286	–	59,314
As at 1 January 2016	43,590	10,594	1,712	808	2,324	286	–	59,314
Additions	183	1,174	29	596	–	715	–	2,697
Disposals	–	–	–	–	–	(46)	–	(46)
As at 31 December 2016	43,773	11,768	1,741	1,404	2,324	955	–	61,965
As at 1 January 2017	43,773	11,768	1,741	1,404	2,324	955	–	61,965
Additions	460	12	6	420	–	–	29	927
Written off	–	(579)	(1,024)	(146)	(12)	–	–	(1,761)
As at 30 June 2017	44,233	11,201	723	1,678	2,312	955	29	61,131
Accumulated depreciation								
As at 1 January 2014	7,144	7,573	1,854	512	1,642	247	–	18,972
Current charge	767	1,201	119	46	231	102	–	2,466
Disposals	–	(613)	–	–	–	–	–	(613)
As at 31 December 2014	7,911	8,161	1,973	558	1,873	349	–	20,825
As at 1 January 2015	7,911	8,161	1,973	558	1,873	349	–	20,825
Current charge	769	1,122	66	123	229	114	–	2,423
Disposals	–	(38)	(293)	–	–	(347)	–	(678)
Written off	–	(921)	(159)	(233)	–	–	–	(1,313)
As at 31 December 2015	8,680	8,324	1,587	448	2,102	116	–	21,257
As at 1 January 2016	8,680	8,324	1,587	448	2,102	116	–	21,257
Current charge	778	1,254	51	276	210	146	–	2,715
Disposals	–	–	–	–	–	(46)	–	(46)
As at 31 December 2016	9,458	9,578	1,638	724	2,312	216	–	23,926
As at 1 January 2017	9,458	9,578	1,638	724	2,312	216	–	23,926
Current charge	391	652	18	213	1	92	–	1,367
Written off	–	(572)	(1,018)	(146)	(12)	–	–	(1,748)
As at 30 June 2017	9,849	9,658	638	791	2,301	308	–	23,545
Carrying amount								
As at 31 December 2014	35,182	2,536	221	172	451	340	–	38,902
As at 31 December 2015	34,910	2,270	125	360	222	170	–	38,057
As at 31 December 2016	34,315	2,190	103	680	12	739	–	38,039
As at 30 June 2017	34,384	1,543	85	887	11	647	29	37,586

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's buildings of MYR35,182,000, MYR34,910,000, nil and nil have been pledged to secure the banking facilities granted to a former related company, Dixin Automation Sdn. Bhd. ("Dixin") (formerly known as Pentamaster Solutions Sdn. Bhd.).

The carrying amount of property, plant and equipment held under finance lease is as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
Motor vehicles	340	–	479	421
	<u>340</u>	<u>–</u>	<u>479</u>	<u>421</u>

The allocation of the current depreciation charge is as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
Capitalised under development expenditure	15	–	–	–
Charged to profit or loss	2,451	2,423	2,715	1,367
	<u>2,466</u>	<u>2,423</u>	<u>2,715</u>	<u>1,367</u>

14. LEASEHOLD LAND

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
Cost				
At the beginning of the year/period	3,690	3,690	3,690	3,690
Additions	–	–	–	5,015
	<u>3,690</u>	<u>3,690</u>	<u>3,690</u>	<u>8,705</u>
Accumulated amortisation				
At the beginning of the year/period	756	818	879	940
Current charge	62	61	61	31
	<u>818</u>	<u>879</u>	<u>940</u>	<u>971</u>
Carrying amount at the end of the year/period	<u>2,872</u>	<u>2,811</u>	<u>2,750</u>	<u>7,734</u>

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's leasehold land of MYR2,872,000, MYR2,811,000, nil and nil have been pledged to secure the banking facilities granted to a former related company, Dixin.

15. INTANGIBLE ASSETS

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Development expenditure (note (15.1))	1,742	1,727	699	525
Computer software acquired (note (15.2))	912	623	498	520
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount at the end of the year/period	<u>2,654</u>	<u>2,350</u>	<u>1,197</u>	<u>1,045</u>

15.1 Development expenditure

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Cost				
Balance at the beginning of the year/period	19,147	20,193	20,697	19,850
Additions	1,046	504	–	–
Written off (note (ii))	–	–	(847)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at the end of the year/period	<u>20,193</u>	<u>20,697</u>	<u>19,850</u>	<u>19,850</u>
Accumulated amortisation				
Balance at the beginning of the year/period	(14,511)	(14,861)	(15,380)	(15,561)
Current charge	(350)	(519)	(520)	(174)
Written off (note (ii))	–	–	339	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at the end of the year/period	<u>(14,861)</u>	<u>(15,380)</u>	<u>(15,561)</u>	<u>(15,735)</u>
Impairment loss	<u>(3,590)</u>	<u>(3,590)</u>	<u>(3,590)</u>	<u>(3,590)</u>
Carrying amount at the end of the year/period	<u>1,742</u>	<u>1,727</u>	<u>699</u>	<u>525</u>

Notes:

- (i) Development expenditure relates to development of test and measurement instruments and test handler and solutions. Development expenditure is amortised over the estimated commercial life of 5 years. Amortisation commences upon commercialisation of the respective products developed.
- (ii) The development expenditure written off relates to two models which their demand fell short of management's initial expectation.

15.2 Computer software

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Cost				
Balance at the beginning of the year/period	1,896	2,582	2,579	3,051
Additions	686	195	472	204
Written off	–	(198)	–	(40)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at the end of the year/period	<u>2,582</u>	<u>2,579</u>	<u>3,051</u>	<u>3,215</u>
Accumulated amortisation				
Balance at the beginning of the year/period	(1,277)	(1,670)	(1,956)	(2,553)
Current charge	(393)	(484)	(597)	(182)
Written off	–	198	–	40
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at the end of the year/period	<u>(1,670)</u>	<u>(1,956)</u>	<u>(2,553)</u>	<u>(2,695)</u>
Carrying amount at the end of the year/period	<u>912</u>	<u>623</u>	<u>498</u>	<u>520</u>

The cost of computer software comprised the cost of acquisition of software and all directly attributable costs of preparing the assets for their intended use and are amortised on a straight line basis over the estimated life of 2 to 5 years. The amount amortised is charged to profit or loss of the Group under administrative expenses.

16. INTEREST IN AN ASSOCIATE

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Cost of investment	–	–	–	1,050
Share of post-acquisition results and other comprehensive income	–	–	–	(16)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,034</u>

Details of the Group's interest in an associate, which is unlisted corporate entity, are as follows:

Name of associate	Place of incorporation/ operations	Issued and paid up capital	Attributable equity interest held by the Group			As at 30 June 2017	Principal activities
			31 December 2014	2015	2016		
Penang Automation Cluster Sdn. Bhd. ("PAC")	Malaysia	MYR3 million comprising 3,000,000 shares	-	-	-	35%	Providing value added engineering development and technical training to the automation cluster companies specialised in the area of design, development and manufacture of high precision metal fabrication components, modules and systems for semiconductor, electronics, automotive, aerospace and other high growth industries in the region

The Group directly invested in PAC together with two Independent Third Parties in early 2017. PAC is a strategic partner to build and manage the local supply chain ecosystem in the country that supports the Group's long-term strategy to grow its business in providing a wider range of high-end automated equipment supporting various industries globally. As at 30 June 2017, PAC is still in development stage and is expected to commence operations by year 2019. Having considered the net asset position and income generating potential of PAC, the directors are of the opinion that there is no indication of impairment.

Set out below are the summarised financial information of PAC which is accounted for using the equity method:

	As at 31 December			As at 30 June
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2017 MYR'000
Current assets	-	-	-	2,949
Current liabilities	-	-	-	(2)
Net assets	-	-	-	2,947
Revenue	-	-	-	-
Loss for the year/period and total comprehensive income for the year/period	-	-	-	(47)
Dividend received from the associate	-	-	-	-

A reconciliation of the above summarised financial information to the carrying amount of the Group's interest in PAC is set out below:

	As at 31 December			As at 30 June
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2017 MYR'000
Net assets of PAC	-	-	-	2,947
Proportion of ownership interests held by the Group	-	-	-	35%
Goodwill	-	-	-	3
Carrying amount of the Group's interest in an associate	-	-	-	1,034

17. DEPOSITS PAID FOR ACQUISITION OF LAND

The amount represents partial payments for acquisition of a piece of leasehold land situated in Penang, Malaysia. The Group has fully settled the payment for the acquisition of the leasehold land on 12 May 2017 and reclassified the deposits paid for acquisition of the said land to leasehold land (note 14) during the six months ended 30 June 2017. The Group is currently in the process of effecting the land transfer for this piece of land. In the opinion of directors of the Company, the Group is not required to incur significant additional cost in obtaining the said land title.

18. INVENTORIES

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Raw material	817	309	998	3,243
Work-in-progress	5,925	5,769	16,156	110,227
Finished goods	777	465	400	20
	<u>7,519</u>	<u>6,543</u>	<u>17,554</u>	<u>113,490</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Cost of inventories recognised as cost of sales, including:	53,546	52,721	96,656	67,366
– write-down to net realisable value	3	299	34	6
– reversal of write-down to net realisable value	(164)	(11)	(8)	(2)
	<u>(164)</u>	<u>(11)</u>	<u>(8)</u>	<u>(2)</u>

The reversal of inventories written down was made when the related inventories were sold above their carrying amounts.

19. TRADE RECEIVABLES

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Trade receivables	18,654	13,168	32,715	15,440
Less: allowance for impairment loss	(1,085)	(373)	(705)	(113)
	<u>17,569</u>	<u>12,795</u>	<u>32,010</u>	<u>15,327</u>

The normal credit terms granted to trade receivables range from 0 to 90 days. Based on the invoice date, the ageing analysis of the trade receivables, net of provision for impairment, was as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
0-30 days	7,042	5,018	7,248	5,806
31-60 days	807	1,288	7,308	5,766
61-90 days	4,368	698	2,172	749
91-180 days	3,545	3,594	12,046	1,582
181 to 270 days	990	418	2,308	55
Over 270 days	817	1,779	928	1,369
	<u>17,569</u>	<u>12,795</u>	<u>32,010</u>	<u>15,327</u>

The movement in the allowance for impairment loss of trade receivables is as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
Balance at the beginning of the year/period	1,330	1,085	373	705
Current year/period	–	373	469	106
Reversal due to recovery	(101)	–	–	–
Written off	(144)	(1,085)	(137)	(698)
Balance at the end of the year/period	<u>1,085</u>	<u>373</u>	<u>705</u>	<u>113</u>

At each reporting date, the directors review receivables for evidence of impairment on both an individual and collective basis, taking into account the historical payment records, the length of the overdue period and the financial strength of the customers. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group has determined trade receivables of MYR1,085,000, MYR373,000, MYR705,000 and MYR113,000 as individually impaired. Based on this assessment, impairment loss of nil, MYR373,000, MYR469,000 and MYR106,000 has been recognised during the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2017, respectively. The impaired trade receivables are due from customers experiencing financial difficulties and has defaulted/delayed in payments.

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but not impaired, based on due date is as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
Neither past due nor impaired	8,455	5,099	8,127	9,210
1-30 days past due	3,135	1,309	6,298	1,167
31-60 days past due	1,473	2,605	2,907	2,300
61-90 days past due	1,471	568	9,545	843
91-180 days past due	2,160	1,180	3,907	480
181 to 270 days past due	89	580	817	24
Over 270 days past due	786	1,454	409	1,303
	<u>17,569</u>	<u>12,795</u>	<u>32,010</u>	<u>15,327</u>

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group.

Trade receivables that were past due but not impaired are due from diversified customers that have a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary as these customers have no recent history of default.

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Other receivables	260	255	146	85
Refundable deposits	617	402	411	449
Non-refundable deposits (<i>note (i)</i>)	1,396	211	1,541	951
Prepayments	251	171	162	408
GST claimable	–	521	1,034	1,477
Receivables from PCB (<i>note (ii)</i>)	–	–	–	87
	<u>2,524</u>	<u>1,560</u>	<u>3,294</u>	<u>3,457</u>

Notes:

- (i) Non-refundable deposits are mainly for deposits paid to suppliers for purchase of raw materials/services.
- (ii) Receivables from PCB represented PCB's portion of the listing expenses incurred.

21. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The Group enters into foreign currency forward contracts to manage its exposure to sales and purchases transactions that are denominated in foreign currencies. Foreign currency forward contracts are recognised as derivatives, categorised as fair value through profit or loss and are measured at their fair values with gains or losses recognised in the profit or loss. The foreign currency forward contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure. Such derivatives do not qualify for hedge accounting. The fair value of these contracts has been measured as described in note 36.6.

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Derivatives at fair value through profit or loss				
– Foreign currency forward contracts				
Assets	<u>–</u>	<u>6</u>	<u>–</u>	<u>27</u>
Liabilities	<u>(1,063)</u>	<u>(199)</u>	<u>(3,527)</u>	<u>–</u>
Notional value of contracts	<u>18,674</u>	<u>9,820</u>	<u>53,585</u>	<u>36,250</u>

22. INVESTMENT SECURITIES

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Fair value through profit and loss:				
– Listed equity securities outside Malaysia	<u>–</u>	<u>–</u>	<u>2,563</u>	<u>2,569</u>

The listed equity securities are designated as financial assets at fair value through profit or loss on initial recognition and are held on behalf of the Group by a corporate consultancy firm. The fair value of these securities has been measured as described in note 36.6.

23. CASH AND CASH EQUIVALENTS

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Cash and bank balances	6,923	8,070	11,831	25,442
Fixed deposits with a licensed bank (note (i))	–	–	3,391	3,450
Short-term investment (note (ii))	3	3,425	11,076	10,661
	<u>6,926</u>	<u>11,495</u>	<u>26,298</u>	<u>39,553</u>

Notes:

- (i) The fixed deposits earn 3.55% interest per annum and 3.45% to 3.53% interest per annum and have a maturity of 1 month as at 31 December 2016 and 30 June 2017, respectively.
- (ii) The effective interest rate for the short-term investment is 3.23%, 3.58%, 3.57% and 3.57% per annum as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively and can be redeemed at any time upon notice being given to the financial institution. The short-term investment represents investment in unit trusts. The unit trusts invest in a mixture of money market instruments and fixed deposits with different maturity period.

24. SHARE CAPITAL

	No. of shares	MYR'000
Authorised:		
Ordinary shares of HK\$0.01 each	<u>38,000,000</u>	<u>205</u>
Issued and fully paid:		
Upon incorporation and as at 30 June 2017	<u>1</u>	<u>–*</u>

The Company was incorporated in the Cayman Islands on 12 June 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one share of HK\$0.01 was allotted and issued at par and such share was transferred to PCB on the same day.

* Representing HK\$0.01.

25. RESERVES

Capital reserve of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 represents the share capital of the subsidiaries now comprising the Group held by PCB before the Reorganisation and the waiver of the amount due to ultimate holding company of MYR21,690,000 during the year ended 31 December 2014 as deemed contribution from ultimate holding company.

Retained profits of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 represents the accumulated net profits less dividend paid.

26. A SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

The Group includes a subsidiary, Pentamaster Instrumentation, with material non-controlling interest ("NCI"), the details and the summarised financial information are as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
NCI percentage of ownership interest and voting interest	40%	40%	40%	–
Carrying amount of NCI	1,484	1,821	3,977	–
Profit and total comprehensive income attributable to NCI	1,511	337	2,556	–
Dividend paid to NCI	–	–	400	–

Summarised financial information:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Non-current assets	2,326	491	269	–
Current assets	4,086	5,310	12,566	–
Non-current liabilities	(1,698)	(230)	(70)	–
Current liabilities	(1,004)	(1,018)	(2,822)	–
Net assets	3,710	4,553	9,943	–

	Year ended 31 December			Six months ended	
	2014	2015	2016	2016	2017
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
				(Unaudited)	
Revenue	10,275	6,096	14,960	5,259	6,597
Profit and total comprehensive income for the year/period	3,778	843	6,390	2,035	2,625
Net cash flows (used in)/ from operating activities	(386)	2,092	5,694	963	4,452
Net cash flows from/(used in) investing activities	2	1,019	1,214	29	(18)
Net cash flows (used in)/ from financing activities	–	(1,163)	(954)	1,166	81
Net cash (outflow)/inflow	(384)	1,948	5,954	2,158	4,515

In June 2017, PCB acquired additional 40% interest in Pentamaster Instrumentation at a cash consideration of MYR6,000,000. The Group recognised a decrease in non-controlling interest of MYR5,027,000 with a corresponding increase in capital reserve.

27. TRADE PAYABLES

The normal credit terms granted by trade payables range from 30 to 120 days. Based on the invoice date, the ageing analysis of the trade payables was as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
0-30 days	2,968	2,793	7,613	15,289
31-60 days	2,051	1,438	1,528	8,509
61-90 days	1,057	231	644	2,227
91-120 days	954	314	248	923
Over 120 days	1,347	22	208	24
	<u>8,377</u>	<u>4,798</u>	<u>10,241</u>	<u>26,972</u>

28. OTHER PAYABLES, ACCRUALS AND PROVISION

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Other payables	567	498	600	1,332
Deposits received (<i>note</i>)	4,091	144	10,787	75,628
Accruals	3,861	3,806	3,316	4,132
Provision for warranty	112	37	195	195
GST payable	–	54	–	–
	<u>8,631</u>	<u>4,539</u>	<u>14,898</u>	<u>81,287</u>

Note: This is in respect of deposits received from customers upon placing sales orders.

29. FINANCE LEASE LIABILITIES

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Total minimum lease payments:				
Due within one year	138	57	144	144
Due in the second to fifth years	57	–	180	108
	<u>195</u>	<u>57</u>	<u>324</u>	<u>252</u>
Future finance charges	(6)	–	(18)	(11)
	<u>189</u>	<u>57</u>	<u>306</u>	<u>241</u>
Present value of minimum lease payments:				
Due within one year	132	57	132	135
Due in the second to fifth years	57	–	174	106
	<u>189</u>	<u>57</u>	<u>306</u>	<u>241</u>
Less: Portion due within one year included under current liabilities	(132)	(57)	(132)	(135)
	<u>57</u>	<u>–</u>	<u>174</u>	<u>106</u>

The Group has entered into finance leases for items of motor vehicles. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the effective interest rate of the finance lease liabilities is 4.49%, 4.49%, 5% and 5% per annum, respectively, and finance lease liabilities are secured over the leased assets.

30. DEFERRED INCOME

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Balance at the beginning of the year/period	2,382	1,950	1,131	451
Received during the year/period	403	–	368	262
Released to profit or loss	(835)	(819)	(1,048)	(228)
	<u>1,950</u>	<u>1,131</u>	<u>451</u>	<u>485</u>

Deferred income represents government grants received by certain subsidiaries for reimbursements of capital expenditure spent on modernisation and upgrading of specified machineries and equipment. Deferred income is released to profit or loss over the periods to match the related cost which the grants are intended to compensate, on a systematic basis.

31. DEFERRED TAX LIABILITIES

The movement in deferred tax (assets) and liabilities (prior to offsetting of balances within the same taxation jurisdiction) is as follows:

	Property, plant and equipment <i>MYR'000</i>	Others <i>MYR'000</i>	Total <i>MYR'000</i>
Deferred tax liabilities			
At 1 January 2014	2,205	241	2,446
Recognised in profit or loss	<u>(155)</u>	<u>(31)</u>	<u>(186)</u>
At 31 December 2014 and 1 January 2015	2,050	210	2,260
Recognised in profit or loss	<u>87</u>	<u>158</u>	<u>245</u>
At 31 December 2015 and 1 January 2016	2,137	368	2,505
Recognised in profit or loss	<u>(2,137)</u>	<u>(368)</u>	<u>(2,505)</u>
At 31 December 2016 and 1 January 2017 and 30 June 2017	<u>–</u>	<u>–</u>	<u>–</u>
			Unabsorbed reinvestment allowance <i>MYR'000</i>
Deferred tax assets			
At 1 January 2014			(1,726)
Recognised in profit or loss			<u>1,516</u>
At 31 December 2014 and 1 January 2015			(210)
Recognised in profit or loss			<u>210</u>
At 31 December 2015 and 2016 and 30 June 2017			<u>–</u>

The amounts of deferred tax (assets)/liabilities recognised in the combined statements of financial position are as follows:

	As at 31 December			As at 30 June
	2014 <i>MYR'000</i>	2015 <i>MYR'000</i>	2016 <i>MYR'000</i>	2017 <i>MYR'000</i>
Deferred tax assets	–	–	–	–
Deferred tax liabilities	<u>2,050</u>	<u>2,505</u>	<u>–</u>	<u>–</u>
	<u>2,050</u>	<u>2,505</u>	<u>–</u>	<u>–</u>

32. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Non-cash transactions

(i) Conversion of debts to equity

During the year ended 31 December 2014, a subsidiary of the Group had increased its paid-up capital via the capitalisation of its debts due to PCB of MYR12,660,000.

(ii) Acquisition of assets by means of a finance lease

During the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017, additions to motor vehicles financed by new finance lease were nil, nil, MYR400,000, MYR400,000 and nil respectively.

(b) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities during the years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017, are as follows:

Year ended 31 December 2014

	Non-cash changes					As at 31 December 2014 MYR'000
	As at 31 December 2013 MYR'000	Cash flows MYR'000	Acquisition of property, plant and equipment MYR'000	Dividends declared MYR'000	Others MYR'000	
Bank borrowings	6,381	(6,381)	-	-	-	-
Amount due to ultimate holding company	28,279	(3,153)	-	-	(12,660)	12,466
Amount due to a fellow subsidiary	2,115	(1,762)	-	-	-	353
Amount due from a fellow subsidiary	-	(147)	-	-	-	(147)
Finance lease liabilities	314	(125)	-	-	-	189
	<u>37,089</u>	<u>(11,568)</u>	<u>-</u>	<u>-</u>	<u>(12,660)</u>	<u>12,861</u>

Year ended 31 December 2015

	Non-cash changes					As at 31 December 2015 MYR'000
	As at 31 December 2014 MYR'000	Cash flows MYR'000	Acquisition of property, plant and equipment MYR'000	Dividends declared MYR'000	Others MYR'000	
Amount due to ultimate holding company	12,466	(3,344)	-	-	-	9,122
Amount due to a fellow subsidiary	353	(353)	-	-	-	-
Amount due from a fellow subsidiary	(147)	147	-	-	-	-
Finance lease liabilities	189	(132)	-	-	-	57
	<u>12,861</u>	<u>(3,682)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,179</u>

Year ended 31 December 2016

	Non-cash changes					As at 31 December 2016 MYR'000
	As at 31 December 2015 MYR'000	Cash flows MYR'000	Acquisition of property, plant and equipment MYR'000	Dividends declared MYR'000	Others MYR'000	
Amount due to ultimate holding company	9,122	1,224	-	-	-	10,346
Finance lease liabilities	57	(151)	400	-	-	306
Dividend payable	-	(1,000)	-	1,000	-	-
	<u>9,179</u>	<u>73</u>	<u>400</u>	<u>1,000</u>	<u>-</u>	<u>10,652</u>

Six months ended 30 June 2016 (unaudited)

	Non-cash changes					As at 30 June 2016 MYR'000
	As at 31 December 2015 MYR'000	Cash flows MYR'000	Acquisition of property, plant and equipment MYR'000	Dividends declared MYR'000	Others MYR'000	
Amount due to ultimate holding company	9,122	9	-	-	-	9,131
Amount due from a fellow subsidiary	-	(18)	-	-	-	(18)
Finance lease liabilities	57	(88)	400	-	-	369
	<u>9,179</u>	<u>(97)</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>9,482</u>

Six months ended 30 June 2017

	Non-cash changes					As at 30 June 2017 MYR'000
	As at 31 December 2016 MYR'000	Cash flows MYR'000	Acquisition of property, plant and equipment MYR'000	Dividends declared MYR'000	Others MYR'000	
Amount due to ultimate holding company	10,346	(4,086)	-	-	-	6,260
Finance lease liabilities	306	(65)	-	-	-	241
	<u>10,652</u>	<u>(4,151)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,501</u>

33. CAPITAL COMMITMENT

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
Contracted but not provided for				MYR'000
– Leasehold land	–	4,012	2,508	–

34. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group provided guarantees with respect to banking facilities granted to (i) Dixin of MYR31,280,000, MYR31,280,000, nil and nil; and (ii) PCB of nil, MYR7,500,000, MYR7,500,000 and MYR7,500,000 respectively. Under these guarantees, the Group would have been liable to pay the banks if the banks are unable to recover the loans. The directors considered the fair values of the financial guarantee contracts are insignificant at initial recognition. As at 31 December 2014, 2015 and 2016 and 30 June 2017, none of the banking facilities were utilised by Dixin and PCB respectively. The guarantee provided to Dixin and PCB were subsequently released in January 2016 and December 2017, respectively.

Under the financial guarantee contracts, property, plant and equipment and leasehold land of the Group with carrying amounts of MYR35,182,000, MYR34,910,000, nil and nil, and MYR2,872,000, MYR2,811,000, nil and nil, respectively have been pledged to the banks as at 31 December 2014, 2015 and 2016 and 30 June 2017.

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Track Record Period:

(a) Names and relationship

Name of related party	Relationship with the Group
PCB	Ultimate holding company
Pentamaster Smart Solution Sdn. Bhd. ("Pentamaster Smart Solution")	Entity controlled by the ultimate holding company
Pentamaster Engineering (M) Sdn. Bhd. ("Pentamaster Engineering")	Entity controlled by the ultimate holding company before July 2015 ¹
Dixin	Entity controlled by the ultimate holding company before July 2015 ¹

¹ In July 2015, the ultimate holding company of the Group has disposed of these companies to an independent third party. Subsequently, they were no longer related companies of the Group. The amounts for the year ended 31 December 2015 represented transactions before the disposal.

(b) Related party transactions

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (Unaudited)	2017 MYR'000
Sales to:					
– Pentamaster Engineering	1,060	–	–	–	–
– Dixin	421	1,352	–	–	–
Purchase from:					
– Pentamaster Engineering	110	50	–	–	–
– Dixin	23	–	–	–	–
– Pentamaster Smart Solution	–	–	101	18	131
Disposal of property, plant and equipment to Dixin	–	109	–	–	–
Management fee expenses to PCB	2,660	2,970	3,313	1,552	1,657
Rental income from:					
– Pentamaster Engineering	459	25	–	–	–
– Dixin	61	188	–	–	–
– Pentamaster Smart Solution	–	45	108	54	54
– PCB	134	214	265	133	133

The related party transactions were conducted in the normal course of business and at prices and terms no less than those charged to and conducted with other third parties of the Group.

(c) Compensation of key management personnel

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The remuneration of key management personnel during the financial year/period is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2016 MYR'000 (Unaudited)	2017 MYR'000
Employees' salaries, allowances and bonuses	1,785	2,145	3,146	1,283	1,100
Contribution to EPF	185	258	378	154	132
	<u>1,970</u>	<u>2,403</u>	<u>3,524</u>	<u>1,437</u>	<u>1,232</u>

(d) Balances with related parties

	As at 31 December			As at
	2014 MYR'000	2015 MYR'000	2016 MYR'000	30 June 2017 MYR'000
Amount due from a fellow subsidiary:				
Trade nature:				
– Pentamaster Engineering	393	–	–	–
Non-trade nature:				
– Pentamaster Engineering	147	–	–	–
	<u>540</u>	<u>–</u>	<u>–</u>	<u>–</u>
Amounts due to fellow subsidiaries:				
Trade nature:				
– Dixin	320	–	–	–
– Pentamaster Smart	–	–	–	71
Non-trade nature:				
– Dixin	353	–	–	–
	<u>673</u>	<u>–</u>	<u>–</u>	<u>71</u>
Amount due to ultimate holding company:				
Non-trade nature:				
– PCB	12,466	9,122	10,346	6,260
	<u>12,466</u>	<u>9,122</u>	<u>10,346</u>	<u>6,260</u>

The amounts due from/to related parties are unsecured, interest-free and repayable on demand except the balances in trade nature which are repayable on normal trade terms.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to a variety of financial risks arising from their operations. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines and the Group's policy is not to engage in speculative activities.

36.1 Categories of financial assets and liabilities

	As at 31 December			As at
	2014 MYR'000	2015 MYR'000	2016 MYR'000	30 June 2017 MYR'000
Financial assets				
Financial assets at fair value through profit or loss				
– Derivative financial assets	–	6	–	27
– Investment securities	–	–	2,563	2,569
Loans and receivables				
– Trade receivables	17,569	12,795	32,010	15,327
– Other receivables and deposits	877	657	557	621
– Amount due from a fellow subsidiary	540	–	–	–
– Cash and cash equivalents	6,926	11,495	26,298	39,553
	<u>25,912</u>	<u>24,953</u>	<u>61,428</u>	<u>58,097</u>

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative financial liabilities	1,063	199	3,527	–
Financial liabilities measured at amortised cost				
– Trade payables	8,377	4,798	10,241	26,972
– Other payables, accruals and provision	4,428	4,304	3,916	5,464
– Amount due to ultimate holding company	12,466	9,122	10,346	6,260
– Amounts due to fellow subsidiaries	673	–	–	71
– Finance lease liabilities	189	57	306	241
	<u>27,196</u>	<u>18,480</u>	<u>28,336</u>	<u>39,008</u>

36.2 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises principally from its trade receivables.

Credit risk arising from trade customers is addressed by the application of credit evaluation and close monitoring procedures by the management. The Group extends to existing customers credit terms that range between 0 to 90 days. In deciding whether credit terms shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

It is inherent in the Group's business to make individually large sales to its customers that may lead to significant concentration of credit risks. Such risks are managed by ensuring that transactions are only carried out with customers with a reliable financial profile. As at 31 December 2014, 2015 and 2016 and 30 June 2017, 20%, 13%, 28%, and 39% of the total trade receivables were due from the Group's largest customer and 56%, 47%, 61%, and 76% of the total trade receivables were due from the five largest customers of the Group respectively.

The concentration of significant portion of trade receivables on a small number of customers is managed by ensuring that transactions are only carried out with customers with a reliable financial profile.

The credit risk for liquid funds is considered negligible as the counterparties are reputable international banks with high quality external credit ratings.

The maximum exposure to credit risk on recognised financial assets is limited to the carrying amounts as summarised in note 36.1.

36.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by maintaining credit facilities with its banker.

The following table summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Within 1 year or on demand <i>MYR'000</i>	Over 1 year but within 5 years <i>MYR'000</i>	Over 5 years <i>MYR'000</i>	Total undiscounted amount <i>MYR'000</i>	Carrying amount <i>MYR'000</i>
As at 31 December 2014					
<i>Non-derivative financial liabilities</i>					
Trade payables	8,377	–	–	8,377	8,377
Other payables and accruals	4,428	–	–	4,428	4,428
Amount due to ultimate holding company	12,466	–	–	12,466	12,466
Amount due to a fellow subsidiary	673	–	–	673	673
Finance lease liabilities	138	57	–	195	189
	26,082	57	–	26,139	26,133
<i>Derivative financial liabilities</i>					
Foreign currency forward contracts:					
Outflow-Net	1,063	–	–	1,063	1,063
	27,145	57	–	27,202	27,196
<i>Financial guarantee contracts (note 34):</i>					
Maximum amount guaranteed*	–	–	–	–	–
As at 31 December 2015					
<i>Non-derivative financial liabilities</i>					
Trade payables	4,798	–	–	4,798	4,798
Other payables and accruals	4,304	–	–	4,304	4,304
Amount due to ultimate holding company	9,122	–	–	9,122	9,122
Finance lease liabilities	57	–	–	57	57
	18,281	–	–	18,281	18,281
<i>Derivative financial liabilities</i>					
Foreign currency forward contracts:					
Outflow-Net	199	–	–	199	199
	18,480	–	–	18,480	18,480
<i>Financial guarantee contracts (note 34):</i>					
Maximum amount guaranteed*	–	–	–	–	–

	Within 1 year or on demand <i>MYR'000</i>	Over 1 year but within 5 years <i>MYR'000</i>	Over 5 years <i>MYR'000</i>	Total undiscounted amount <i>MYR'000</i>	Carrying amount <i>MYR'000</i>
As at 31 December 2016					
<i>Non-derivative financial liabilities</i>					
Trade payables	10,241	–	–	10,241	10,241
Other payables and accruals	3,916	–	–	3,916	3,916
Amount due to ultimate holding company	10,346	–	–	10,346	10,346
Finance lease liabilities	144	180	–	324	306
	<u>24,647</u>	<u>180</u>	<u>–</u>	<u>24,827</u>	<u>24,809</u>
<i>Derivative financial liabilities</i>					
Foreign currency forward contracts:					
Outflow-Net	3,527	–	–	3,527	3,527
	<u>28,174</u>	<u>180</u>	<u>–</u>	<u>28,354</u>	<u>28,336</u>
<i>Financial guarantee contracts (note 34):</i>					
Maximum amount guaranteed*	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
As at 30 June 2017					
<i>Non-derivative financial liabilities</i>					
Trade payables	26,972	–	–	26,972	26,972
Other payables and accruals	5,464	–	–	5,464	5,464
Amount due to ultimate holding company	6,260	–	–	6,260	6,260
Amount due to a fellow subsidiary	71	–	–	71	71
Finance lease liabilities	144	108	–	252	241
	<u>38,911</u>	<u>108</u>	<u>–</u>	<u>39,019</u>	<u>39,008</u>
<i>Financial guarantee contracts (note 34):</i>					
Maximum amount guaranteed*	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

* As at 31 December 2014, 2015 and 2016 and 30 June 2017, none of the banking facilities were utilised by Dixin and PCB respectively. As such, no guaranteed amount by the financial guarantee contracts was disclosed under the contractual maturity analysis.

36.4 Interest rate risk

The Group's fixed rate deposits and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group does not have any floating rate instruments.

The interest rate profile of the Group's interest-bearing financial instruments based on the carrying amount as at the end of the reporting period is as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	MYR'000	MYR'000	MYR'000	2017
				MYR'000
Fixed rate instruments				
Financial assets	3	3,425	14,467	14,111
Financial liabilities	189	57	306	241
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

36.5 Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of its normal trading activities whereby sales and purchases are principally transacted in US Dollar (“US\$”). The Group also holds investments and other financial assets and liabilities denominated in foreign currencies. These are not the functional currencies of the Group entities to which transactions relate.

The Group mitigates the exposure of this risk by maintaining US\$ denominated bank accounts and enters into foreign currency forward contracts.

Foreign currency denominated financial assets and liabilities, translated into MYR at the closing rates, are as follows:

	US\$ MYR'000	Euro MYR'000	Singapore Dollar MYR'000	Chinese Renminbi MYR'000	Australian Dollar (“AUD”) MYR'000
As at 31 December 2014					
Trade receivables	9,543	–	228	–	–
Cash and cash equivalents	819	3	187	10	–
Trade payables	(106)	(1)	(17)	–	–
Net exposure	<u>10,256</u>	<u>2</u>	<u>398</u>	<u>10</u>	<u>–</u>
As at 31 December 2015					
Trade receivables	7,097	20	287	–	–
Cash and cash equivalents	4,022	25	17	64	–
Trade payables	(594)	–	(21)	–	–
Net exposure	<u>10,525</u>	<u>45</u>	<u>283</u>	<u>64</u>	<u>–</u>
As at 31 December 2016					
Investment securities	–	–	–	–	2,563
Trade receivables	27,723	–	406	–	–
Cash and cash equivalents	7,524	71	6	148	–
Trade payables	(2,661)	–	(168)	–	–
Net exposure	<u>32,586</u>	<u>71</u>	<u>244</u>	<u>148</u>	<u>2,563</u>
As at 30 June 2017					
Investment securities	–	–	–	–	2,569
Trade receivables	9,392	1	645	–	–
Cash and cash equivalents	19,440	11	170	136	–
Trade payables	(3,860)	–	(107)	–	(1)
Net exposure	<u>24,972</u>	<u>12</u>	<u>708</u>	<u>136</u>	<u>2,568</u>

The Group is mainly exposed to the effects of fluctuation in US\$ and AUD.

The following table illustrates the sensitivity of the Group's profit after income tax for the Track Record Period and equity in regard to an appreciation in the Group entities' functional currencies against US\$ and AUD. These sensitivity rates represent the management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease in profit MYR'000	Decrease in equity MYR'000
As at 31 December 2014			
US\$	11%	846	846
As at 31 December 2015			
US\$	24%	1,895	1,895
As at 31 December 2016			
US\$	15%	3,715	3,715
AUD	13%	253	253
		3,968	3,968
As at 30 June 2017			
US\$	5%	949	949
AUD	7%	137	137
		1,086	1,086

The same % depreciation in the Group entities' functional currencies against the respective foreign currencies would have the same magnitude on the Group's profit for the year/period and equity but of opposite effect.

36.6 Fair value

The carrying amounts of financial assets and financial liabilities (other than those disclosed below) of the Group as at the end of the reporting period approximate their fair values due to their short-term nature.

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, grouped into three levels. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

	Level 1 MYR'000	Level 2 MYR'000	Level 3 MYR'000	Total MYR'000
Financial assets/(liabilities):				
<u>As at 31 December 2014</u>				
Foreign currency forward contract (liabilities)	-	(1,063)	-	(1,063)

	Level 1 MYR'000	Level 2 MYR'000	Level 3 MYR'000	Total MYR'000
<u>As at 31 December 2015</u>				
Foreign currency forward contract assets	–	6	–	6
Foreign currency forward contract (liabilities)	–	(199)	–	(199)
	–	(193)	–	(193)
	<u>–</u>	<u>(193)</u>	<u>–</u>	<u>(193)</u>
<u>As at 31 December 2016</u>				
Investment securities	2,563	–	–	2,563
Foreign currency forward contract (liabilities)	–	(3,527)	–	(3,527)
	2,563	(3,527)	–	(964)
	<u>2,563</u>	<u>(3,527)</u>	<u>–</u>	<u>(964)</u>
<u>As at 30 June 2017</u>				
Investment securities	2,569	–	–	2,569
Foreign currency forward contract assets	–	27	–	27
	2,569	27	–	2,596
	<u>2,569</u>	<u>27</u>	<u>–</u>	<u>2,596</u>

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The investment in quoted equity investments which are quoted in an active market are carried at fair value by reference to their quoted closing bid price at the end of the reporting period.

The derivative financial assets/liabilities arising from the fair value changes on the foreign currency forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate.

37. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue its operations as a going concern in order to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may, from time to time, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

The net debt to equity ratio is as follows:

	As at 31 December			As at 30 June
	2014 MYR'000	2015 MYR'000	2016 MYR'000	2017 MYR'000
Borrowings	189	57	306	241
Less: Cash and cash equivalents	(6,926)	(11,495)	(26,298)	(39,553)
Net cash	(6,737)	(11,438)	(25,992)	(39,312)
Total equity	43,910	53,853	86,684	105,502
Net debt to equity ratio	N/A	N/A	N/A	N/A

38. EVENT AFTER THE REPORTING PERIOD

On 17 July 2017, the Group completed the Reorganisation to rationalise the Group's structure in the preparation for the initial listing of the shares of the Company on the Main Board of the Stock Exchange. The Company acquired the entire issued share capital of Pentamaster Technology, Pentamaster Equipment and Pentamaster Instrumentation from PCB and the consideration was settled by issuance of 999 shares of the Company to PCB. Further details of the Reorganisation are set out under the section headed "History, Reorganisation and corporate structure" of the Prospectus. As the result of the Reorganisation, the Company became the holding company of the Group.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2017.

The information set forth in this appendix does not form part of the Accountants' Report on the historical financial information of the Group for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 prepared by Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong and Grant Thornton, Chartered Accountants, Malaysia, the joint reporting accountants of our Company, as set forth in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" of this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Offer on the audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017, as if the Share Offer had taken place on 30 June 2017.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed as at 30 June 2017 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 as set out in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 MYR'000 (Note 1)	Estimated net proceeds from the Share Offer MYR'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 MYR'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 per Share	
				<i>MYR</i> (Note 3)	<i>HK\$</i> (Note 4)
<i>Based on the Offer Price of HK\$1.10 per Share</i>	<u>104,457</u>	<u>102,910</u>	<u>207,367</u>	<u>0.13</u>	<u>0.24</u>
<i>Based on the Offer Price of HK\$0.90 per Share</i>	<u>104,457</u>	<u>82,724</u>	<u>187,181</u>	<u>0.12</u>	<u>0.22</u>

Notes:

1. The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 is extracted from the Accountants' Report set out in Appendix I to this Prospectus, which is based on the audited combined net assets of the Group attributable to the owners of the Company as at 30 June 2017 with an adjustment for the intangible assets as at 30 June 2017 of MYR1,045,000.
2. The estimated net proceeds from the Share Offer are based on the estimated Offer Price of HK\$0.90 per Share (being the low end of the Offer Price range) and HK\$1.10 per Share (being the high end of the Offer Price range), after deduction of the estimated underwriting fees and other listing expenses (excluding listing expenses of approximately MYR247,000 (equivalent to approximately HK\$457,000) that have been charged during the Track Record Period) payable by the Group and 192,000,000 Shares expected to be issued under the Share Offer.
3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 per Share is calculated based on 1,600,000,000 Shares, being the number of Shares expected to be in issue immediately following the Capitalisation Issue and the Share Offer had it been completed on 30 June 2017.
4. In connection with the preparation of this unaudited pro forma statement of adjusted combined net tangible assets, the translation of MYR into Hong Kong dollars has been made at a rate of MYR1.00 to HK\$1.85.
5. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017.
6. The Group's leasehold land and buildings were valued as at 30 November 2017 by Cushman & Wakefield Limited, an independent Property Valuer, and relevant property valuation report is set out in Appendix III to this prospectus. The net valuation surplus over their carrying value amounting to MYR1,064,000 has not been included in the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2017. The above adjustment does not take into account the above valuation surplus. Had the leasehold land and buildings been stated at such value, an additional amortisation and depreciation of MYR21,000 per annum in respect of valuation surplus, before taxation, would be charged against the combined statements of profit or loss and other comprehensive income.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong and Grant Thornton, Chartered Accountants, Malaysia, the joint reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF PENTAMASTER INTERNATIONAL LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Pentamaster International Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 30 June 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 29 December 2017 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Share Offer**”) on the Group's financial position as at 30 June 2017 as if the Share Offer had taken place at 30 June 2017. As part of this process, information about the Group's financial position as at 30 June 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firms apply Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed Share Offer as at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unaudited financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12
28 Hennessy Road
Wanchai
Hong Kong

29 December 2017

Chiu Wing Ning

Practising Certificate No.: P04920

Grant Thornton

No. AF: 0042

Chartered Accountants

51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

29 December 2017

John Lau Tiang Hua

No. 1107/03/18 (J)

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from Cushman & Wakefield Limited, an independent Property Valuer, in connection with its opinion of value of the property interests of the Group as at 30 November 2017.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

29 December 2017

The Directors
Pentamaster International Limited
Nos. 18 & 19, Technoplex Medan Bayan Lepas
Taman Perindustrian Bayan Lepas
Phase IV, 11900 Penang
Malaysia

Dear Sirs,

Re: Portfolio Valuation

Instructions, Purpose & Date of Valuation

In accordance with the instructions from Pentamaster International Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for us to value the properties in which the Company has interests in Malaysia (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 30 November 2017.

Basis of Valuation

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Basis and Assumptions

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties, we have relied on the information and advice given by the Company's legal adviser, Messrs Chris Koh & Chew, regarding the titles to the properties and the interests of the Company in the properties in Malaysia. Unless otherwise stated in the respective legal opinion, in valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use terms as granted.

In respect of the properties situated in Malaysia, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the respective valuation certificate.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Method of Valuation

In valuing the properties, we have mainly used the Direct Comparison Method assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market.

Source of Information

In the course of our valuation of the properties, we have relied on the information and advice given by the Company's legal adviser, Messrs Chris Koh & Chew, regarding the title to the properties and the interests of the Company in the properties in Malaysia.

In respect of the properties, we have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the properties in Malaysia provided to us are mainly compiled in Malaysian characters and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Malaysian editions of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided with extracts of documents relating to the properties and have caused searches made at the Penang Land Office. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties and we have therefore relied on the advice given by the Company or the Company's legal adviser regarding the interests of the Company in the properties in Malaysia.

Site Inspection

Grace Lam (Director, MRICS, MHKIS and RPS (GP), over 25 years of experience) and Valerie Chan (Assistant Manager, over 5 years of experience) inspected the exterior and, wherever possible, the interior of the properties on 15 July 2017. However, we have not carried out any investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumptions that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary sums stated in our valuations are in Malaysian Ringgit ("MYR"), the official currency of Malaysia, in relation to the properties in Malaysia.

We enclose herewith a summary of valuations and valuation certificates for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Andrew K.F. Chan
MSc, MRICS, MHKIS, MCIREA, RPS (GP)
Regional Director
Valuation & Advisory Services, Greater China

Note: Mr. Andrew K.F. Chan is a Registered Professional Surveyor who has over 30 years' experience in the valuation of properties in the PRC, Hong Kong and other Asian countries.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 30 November 2017 (MYR)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 30 November 2017 (MYR)
Group I – Completed property held by the Group for owner occupation in Malaysia			
1. Plots 18 and 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Bayan Lepas, Penang, Malaysia	37,200,000	100	37,200,000
		Sub-total:	37,200,000
Group II – Property contracted to be acquired by the Group for future development in Malaysia			
2. HS(D) 47991, PT 5917, Mukim of 13, District of Seberang Perai Selatan, Penang, Malaysia	5,630,000	100	5,630,000
		Sub-total:	5,630,000
		Grand total:	<u>42,830,000</u>

VALUATION CERTIFICATE

Group I – Completed property held by the Group for owner occupation in Malaysia

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2017
1. Plots 18 and 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Bayan Lepas, Penang, Malaysia	The property comprises a 2-storey detached factory erected on two parcels of industry land with a total land area of 16,322 sq.m. (175,690 sq.ft.) and was completed in about 2006 and renovated in 2015.	As at the date of valuation, the property was occupied by the Group as an industrial plant.	MYR37,200,000 (100% interest attributable to the Group: MYR37,200,000)
	The property has a total gross floor area of approximately 8,390 sq.m. (90,310 sq.ft.).		
	The property is situated within Bayan Lepas Industrial Park, Penang, Malaysia, which is sited off the western (right) side of the Lebuhraya Tun Dr. Lim Chong Eu, travelling from Georgetown towards Batu Maung. This industrial park is located about 8 kilometres due north-east of the Penang International Airport and about 20 kilometres due north-west of Georgetown city centre.		
	The two parcels of industry land are legally identified as PN 5763 and PN 5761, Lot 13904 and Lot 13905 respectively, both in Mukim of 12, District of Barat Daya, State of Penang.		
	The property is held for land use terms of 60 years due to expire on 1 July 2062 and 21 July 2062 for industrial use at an annual rent of MYR17,630.		

Notes:

- (1) According to our land search conducted at the Penang Registry of Title Office in Penang on 17 July 2017, the property is subject to the following terms:

Title No.	PN 5763 and PN 5761
Lot No.	Lot 13904 and Lot 13905
Mukim/District/State	Mukim of 12, District of Barat Daya, State of Penang
Annual Rent	MYR17,630
Land Area	16,322 sq.m. (175,690 sq.ft.)
Tenure	60-year leasehold due to expire on 21 July 2062 and 1 July 2062 respectively
Registered Proprietor(s)	Pentamaster Technology (M) Sdn. Bhd.
Category of Land Use	Perusahaan/Perindustrian (Industrial)
Date of Registration	20 November 2006
Express condition	30% Bumiputern participation at every stage of management employed for business on the land

- (2) We have been provided with a legal opinion issued by the Company's legal adviser, which contains, inter alia, the following information:

- (a) Pentamaster Technology (M) Sdn. Bhd. is the registered owner of the property;
- (b) Pentamaster Technology (M) Sdn. Bhd. is entitled to occupy, use, lease, transfer, mortgage or other legitimate ways to handle the property within the term specified in the title certificates;
- (c) there is, among others, an express condition in the issue document of title to the property in that Pentamaster Technology (M) Sdn. Bhd. has to ensure there is 30% Bumiputera participation at every stage of management in its business (the "**Bumiputera Condition**");
- (d) Pentamaster Technology (M) Sdn. Bhd. in the process of obtaining a waiver of the aforementioned condition from the State Authority;
- (e) in the unlikely event where waiver is not obtained, forfeiture of the subject lands is remote as failure to fulfill is capable of being remedied;
- (f) there is unlikely to be any impediment in obtaining an approval for waiver of the Bumiputera Condition; and
- (g) it is unlikely that Pentamaster Technology (M) Sdn. Bhd. will be penalised or fine for any previous breach of the Bumiputera Condition.

- (3) In valuing the property, we have assumed a unit rate of MYR412 per sq.m. for the industrial premises.

In undertaking our valuation, we have made reference to sales prices of industrial premises in the neighbouring districts which have characteristics comparable to the property. The prices of industrial premises range from about MYR349 per sq.m. to MYR431 per sq.m.. The unit rate assumed by us is consistent with the relevant comparables after due adjustments including location, accessibility, size and building age.

VALUATION CERTIFICATE

Group II – Property contracted to be acquired by the Group for future development in Malaysia

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2017
2. HS(D) 47991, PT 5917, Mukim of 13, District of Seberang Perai Selatan, Penang, Malaysia	<p>The property is a parcel of vacant industrial land with a provisional title and land area of 1.3075 hectare (140,739 sq.ft.).</p> <p>The property is located within an industrial development zone known as Batu Kawan Industrial Park, Seberang Perai Selatan, Penang, Malaysia, which is sited off the southern side of Jambatan Sultan Abdul Halim Mu'adzam Shah (Penang Second Bridge). It is located about 28 kilometres due south-east of the Penang International Airport and about 37 kilometres due south-east of Georgetown city centre.</p> <p>The property is held for a land use term of 60 years due to expire on 6 December 2075 for industrial use at an annual rent of MYR8,499.</p>	As at the date of valuation, the property was a vacant land overgrown with light bushes pending for development.	<p>MYR5,630,000</p> <p>(100% interest attributable to the Group: MYR5,630,000)</p>

Notes:

- (1) According to a sale and purchase agreement dated 19 March 2015, Pentamaster Technology (M) Sdn. Bhd. has contracted to purchase the property at a consideration of MYR5,015,490.
- (2) According to our land search conducted at the Penang Registry of Title Office in Penang on 17 July 2017, the property is subject to the following terms:

Title No.	HSD 47991
Lot No.	PT 5917
Mukim/District/State	Mukim of 13, District of Seberang Perai Selatan, State of Penang
Annual Rent	MYR8,499
Land Area	1.3075 hectares (140,739 sq.ft.)
Tenure	60-year leasehold due to expire on 6 December 2075
Registered Proprietor	Perbadanan Pembangunan Penang
Category of Land Use	Perusahaan/Perindustrian (Industrial)
Date of Registration	7 December 2015

- (3) We have been provided with a legal opinion issued by the Company's legal adviser, which contains, inter alia, the following information:
- (a) Pentamaster Technology (M) Sdn. Bhd. has fully settled the consideration for the acquisition of the land and is in the process of effecting the land transfer;
 - (b) Pentamaster Technology (M) Sdn. Bhd. is the beneficial owner of the land;
 - (c) there is no foreseeable legal impediment on the transfer of legal ownership of the land to Pentamaster Technology (M) Sdn. Bhd.; and
 - (d) upon presentation of the memorandum of transfer with the requisite registration fees and supporting documents as required by the relevant land office, Pentamaster Technology (M) Sdn. Bhd. will become the proprietor of the land.
- (4) In valuing the property, we have assumed a unit rate of MYR40 per sq.m. for the industrial land.

In undertaking our valuation, we have made reference to sales prices of industrial land in the neighbouring districts which have characteristics comparable to the property. The prices of industrial land plots range from about MYR39 per sq.m. to MYR43 per sq.m.. The unit rate assumed by us is consistent with the relevant comparables after due adjustments including location, accessibility, size and tenure.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association was conditionally adopted on 19 December 2017 with effect from the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VI under the section headed “Documents delivered to the Registrar of Companies and available for public inspection”.

2 Articles of Association

The Articles of Association were conditionally adopted on 19 December 2017 with effect from the Listing Date and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles is HK\$50,000,000 divided into 5,000,000,000 shares of HK\$0.01 each.

2.2 *Directors***(a) *Power to allot and issue Shares***

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an Executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other Executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted there at

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or

dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 June 2017 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated

company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 29 June 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 12 June 2017 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 September 2017. We have established a place of business in Hong Kong at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Ms. Tsui Sum Yi has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital

On 12 June 2017, our authorised share capital as at the date of our incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One fully paid Share was allotted and issued at par value to an initial subscriber on the date of incorporation and such Share was subsequently transferred to PCB on the same day.

On 21 July 2017, an additional 999 Shares of HK\$0.01 each were allotted and issued to PCB for the purpose of settling the consideration for the acquisition of the entire issued share capital of Pentamaster Technology, Pentamaster Equipment and Pentamaster Instrumentation. On 31 July 2017, 74 Shares were transferred from PCB to GEMS at a cash consideration of MYR25,500,000.

Pursuant to the resolutions in writing of the Shareholders of our Company passed on 19 December 2017, the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 divided into 5,000,000,000 Shares with a par value of HK\$0.01 each by the creation of an additional 4,962,000,000 Shares. We allotted and issued an aggregate of 1,407,761,904 Shares to our then existing Shareholders pursuant to the Capitalisation Issue.

Immediately following completion of the Share Offer and the Capitalisation Issue, the issued share capital of our Company will be HK\$16,000,000 divided into 1,600,000,000 Shares, all fully paid or credited as fully paid and 3,400,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed “A. Further information about our Group 3. Resolutions in writing of our Shareholders passed on 19 December 2017” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on 19 December 2017

Pursuant to the written resolutions passed by our Shareholders on 19 December 2017:

- (a) we approved and conditionally adopted the Articles of Association which will become effective upon the Listing Date;
- (b) we approved and conditionally adopted the Memorandum of Association which will become effective upon the Listing Date;
- (c) the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 Shares;
- (d) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and our Shares to be issued as mentioned in this prospectus; (ii) the entering into of the agreement on the Offer Price among our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the New Shares pursuant to the Share Offer; and
 - (ii) conditional on the share premium account of our Company being credited as a result of the issue and offer of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$14,077,619.04 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,407,761,904 Shares, such Shares to be allotted and issued to our Shareholder(s) as at the date of the passing of the written resolutions on 19 December 2017 on a pro rata basis.
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total number not exceeding 20.00% of the total number of Shares in issue immediately following completion of the Share Offer and Capitalisation Issue, such

mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;

- (f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10.00% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, see the section headed “History, Reorganisation and corporate structure” of this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the accountants’ report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the accountants’ report and under the section headed “History, Reorganisation and corporate structure” of this prospectus, our Company has no other subsidiaries.

Save as for the above changes, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

6. Repurchases of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on 19 December 2017, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorising the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10.00% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have general authority from its Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

Under the laws of the Cayman Islands, any repurchase of Shares will be made out of the profits of our Company, the share premium account of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company or, subject to satisfaction of the solvency test under the Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 1,600,000,000 Shares in issue immediately after the listing of our Shares, could accordingly result in up to 160,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If, as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Share Offer and the Capitalisation Issue, the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be 160,000,000 Shares, being 10.0% of the issued share capital of our Company based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholder will be increased to approximately 70.11% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) a joint venture shareholders' agreement dated 16 January 2017 entered into among Vitrox Corporation Berhad, Pentamaster Technology (M) Sdn Bhd, Walta Engineering Sdn Bhd and Penang Automation Cluster Sdn Bhd in relation to the exercise of the rights and performance of the obligations of Vitrox Corporation Berhad, Pentamaster Technology (M) Sdn Bhd and Walta Engineering Sdn Bhd in relation to Penang Automation Cluster Sdn Bhd;
- (b) a sale and purchase agreement dated 17 July 2017 entered into between PCB as vendor and our Company as purchaser, pursuant to which our Company agreed to purchase and PCB agreed to sell 13,160,000 ordinary shares of Pentamaster Equipment, 300,000 ordinary shares of Pentamaster Instrumentation and 2,400,000 ordinary shares of Pentamaster Technology at a total consideration of MYR86,776,487 to be satisfied by the issue of 999 Shares by our Company to PCB;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-Competition; and
- (e) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group







(a) Patent

As of the Latest Practicable Date, our Group was the registered proprietor of the following patents which are material in relation to our business:

Patent	Registration no.	Name of registered proprietor	Place of registration	Expiry date
Apparatus and Method for Isolating Articles (隔離物品的裝置及方法)	ZL201310160900.8	Pentamaster Technology	PRC	3 May 2033
Pressurized air-chamber testing device for semiconductor elements and a method thereof	MY-151795-A	Pentamaster Instrumentation	Malaysia	10 July 2028
Apparatus/test handler for testing un-moulded IC devices using air-flow system and the method of testing the same	MY-138949-A	Pentamaster Instrumentation	Malaysia	24 December 2024
An improved device for high-speed inspection of IC chips and a method therefor	MY-149424-A	Pentamaster Technology	Malaysia	28 February 2025
An apparatus for burn-in test	US 9,366721 B2	Pentamaster Instrumentation	United States	4 November 2034
Apparatus/test handler for testing un-moulded IC devices using air-flow system and the method of using the same	US 7,486,094 B2	Pentamaster Instrumentation	United States	16 December 2025

(b) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which are material in relation to our business:

Trademark	Registration no.	Class	Name of registered proprietor	Place of registration	Expiry date
	02013967	42	Pentamaster Technology	Malaysia	11 November 2022
	03002163	7	Pentamaster Technology	Malaysia	25 February 2023
	03002164	42	Pentamaster Technology	Malaysia	25 February 2023
	03005130	9	Pentamaster Technology	Malaysia	2 May 2023
	3534362	7	Pentamaster Technology	PRC	27 October 2024
	3534361	9	Pentamaster Technology	PRC	20 October 2024

(c) Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain name which is material in relation to our business:

Domain name	Name of registered proprietor	Date of registration	Expiry date
pentamaster-international-ltd.com	Our Company	1 August 2017	1 August 2020

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of Interests – interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue, the interests or short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

(i) *Interest in our Company*

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Chuah	Beneficial owner	17,740,800	1.11%
Ms. Gan	Beneficial owner	5,085,696	0.32%

(ii) *Interest in an associated corporation of our Company*

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Chuah	PCB	Beneficial owner	62,186,720	19.64%
		Interest of spouse (<i>Note</i>)	61,560	0.02%
Ms. Gan	PCB	Beneficial owner	216	0.000068%

Note: Mr. Chuah is deemed under the SFO to be interested in the 61,560 shares in PCB held by his spouse.

Save as disclosed above, immediately upon completion of the Share Offer and the Capitalisation Issue, none of our Directors or chief executives of our Company will hold any interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such

provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to our Company and the Stock Exchange, once our Shares are listed.

(b) Particulars of service contracts

Each of our Executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Director and independent non-executive Directors has signed a letter of appointment with our Company for a term of three years with effect from the Listing Date.

(c) Directors' remuneration

Each of our Executive Directors is entitled to a director's fee and shall be paid a remuneration on the basis of a twelve-month year. The current annual remuneration (including fees, salaries, bonuses, contributions to pension schemes, allowances and benefits in kind) of our Executive Directors are as follows:

Name	Annual remuneration (approximate) (MYR'000)
Mr. Chuah	2,250
Ms. Gan	642

Our non-executive Director, Mr. Leng Kean Yong, and each of our independent non-executive Directors, namely Dr. Chuah Jin Chong, Mr. Sim Seng Loong @ Tai Seng and Ms. Chan May May, has been appointed for a term of three years. We intend to pay a director's fee of MYR96,000 per annum to our non-executive Director and MYR66,000 per annum to each of our independent non-executive Directors, respectively. Save for directors' fees, none of our non-executive Director and independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director and an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, contributions to pension scheme, allowances and benefit in kind) of our Directors for the year ending 31 December 2017 is estimated to be approximately MYR1.2 million.

All reasonable travelling and travel-related expenses, meal expenses and other out-of pocket expenses reasonably incurred by our Executive Directors in the process of discharging their duties on behalf of our Group will be borne by our Company. Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Further details of the terms of the abovementioned service contracts are set out in the paragraph headed “C. Further Information about our Directors and substantial Shareholders” above in this Appendix.

2. Substantial Shareholders

So far as is known to our Directors as of the Latest Practicable Date, immediately upon completion of the Share Offer and the Capitalisation Issue, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other member of our Group:

Name of Shareholder	Nature of interest	Shares held immediately following the completion of the Share Offer and the Capitalisation Issue	
		Number	Percentage (approximate)
PCB	Beneficial owner	1,009,536,000	63.10%
GEMS	Beneficial owner	104,192,000	6.51%

3. Agency fees or commissions received

No commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of

Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once our Shares are listed;

- (b) none of our Directors or experts referred to in the paragraph headed “D. Other information 9. Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Share Offer, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10.00% or more of issued voting shares of any member of our Group;
- (f) none of the experts referred to in the paragraph headed “D. Other information 9. Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5.00% of the issued share capital of our Company has any interests in the five largest clients of our Group.

D. OTHER INFORMATION**1. Share Award Scheme**

The following is a summary of the principal terms of the Share Award Scheme adopted by PCB on 8 December 2017 (the “**Adoption Date**”). The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The objectives of the Share Award Scheme are to recognise contributions made by certain Director and employees of the Group (the “**Eligible Employees**”) and to provide the Eligible Employees with incentives in order to retain them for the continual operation, growth and future development of the Group.

(b) Eligible Person

The Eligible Employees are eligible to be considered as a selected Eligible Employee for participation in the Share Award Scheme at the absolute discretion of the board of directors of PCB (the “**PCB Board**”) based on eligibility criteria including (i) performance, (ii) seniority, (iii) years of service and (iv) other factors as determined by the PCB Board.

(c) Share Award Scheme Limit

The maximum number of Shares which may be purchased by the Eligible Employees under the Share Award Scheme in total is 20,000 Shares, representing approximately 8.40% of the issued share capital of the Company as at 16 November 2017, being the date on which the shareholders of PCB approved the establishment and implement of the Share Award Scheme.

(d) Administration and operation

The Share Award Scheme shall be subject to the administration of the Board in accordance with the Articles and rules thereof relating to the Share Award Scheme, as amended, modified or supplemented from time to time (the “**Scheme Rules**”).

The PCB Board shall, at its sole and absolute discretion, select Eligible Employees for participation in the Share Award Scheme for the award of Shares (the “**Award**”) based on the eligibility criteria set out in paragraph (b). In determining the number of Shares to be awarded to an Eligible Employee (the “**Awarded Shares**”), the PCB Board may also take into consideration matters including (without limitation) the best interests of the Group.

The PCB Board will issue an offer letter (the “**Offer Letter**”) to such Eligible Employee stating details of the offer (the “**Offer**”), including, among others, (i) the number of the Awarded Shares; (ii) the total subscription price to be paid by the Eligible

Employee for the Awarded Shares (the “**Subscription Amount**”); (iii) the latest date on which the Eligible Employee may accept the related offer (the “**Acceptance Deadline**”); and (iv) the latest date on which the Awarded Participant shall pay the subscription amount (the “**Subscription Amount**”) to PCB (the “**Payment Deadline**”). Certain other conditions may be imposed on the Eligible Employees. There shall be attached to the Offer Letter the prescribed transfer documents which require the Eligible Employee to execute to effect the transfer of the Awarded Shares upon receipt of the Subscription Amount from the Eligible Employee.

In the event that an Eligible Employee does not accept the Offer by the Acceptance Deadline or upon acceptance of the Offer, does not pay the Subscription Amount in full by the Payment Deadline, or fails to execute any documents prescribed by PCB in full and/or within the prescribed deadline, the Offer shall for all intents and purposes be deemed withdrawn from the outset as if no Offer Letter had ever been issued and the relevant employee shall cease to be an Eligible Employee.

The PCB Board (after consultation with the Board) is entitled to impose between the date of the Offer Letter and the Acceptance Date, additional conditions as it deems appropriate in its sole and absolute discretion with respect to the entitlement of an Eligible Employee to the Awarded Shares and Related Income (as defined below).

PCB shall transfer the Awarded Shares to the Eligible Employee as soon as practicable after receipt of the Subscription Amount and in any event within ten Business Days after the day of receipt of the Subscription Amount.

For the avoidance of doubt, an Eligible Employee shall be responsible for obtaining any consent or approval (if applicable) required for such Eligible Employee to participate in the Scheme and/or obtain ownership of the Awarded Shares and PCB and the Company shall not be responsible for any failure by any Eligible Employee nor obliged to assist any Eligible Employee to obtain any such consent or approval. Eligible Employees are not entitled to opt to receive cash payment, in lieu of the Awarded Shares.

(e) Post offer events

In the event an Eligible Employee ceases to be an employee of the Group on or after the date of the Offer Letter due to death, retirement or resignation (but not due to dismissal), the successor, legal representative of the deceased Eligible Employee or any other person with legal right over the deceased Eligible Employee’s estate or the retired or resigned Eligible Employee (as applicable), shall have the right to opt to proceed with the necessary steps to facilitate the completion of the transfer of the Awarded Shares. In the event the relevant successor, legal representative of the deceased Eligible Employee or any other person with legal right over the deceased Eligible Employee’s estate or the retired or resigned Eligible Employee (as applicable) opts not to proceed with the transfer of the Awarded Shares, the Offer shall for all intents and purposes be deemed withdrawn from the outset as if no Offer Letter had ever been issued.

In respect of an Eligible Employee who becomes dismissed on or after the date of the Offer Letter and before becoming registered as a shareholder of Company, the PCB Board shall have the sole and absolute discretion as to whether to proceed with the completion of the transfer of the relevant Awarded Shares. In the event the PCB Board decides not to complete with the transfer of the Awarded Shares, PCB shall return any Subscription Amount already received from the Eligible Employee to the Eligible Employee (without interest).

In the event the Company does not become listed on the Stock Exchange, PCB shall have the right to request the Eligible Employees to transfer the Awarded Shares back to PCB at the Subscription Amount (without interest).

(f) Restrictions

An Eligible Employee shall not have:

- (i) any right to transfer the right to acquire the Awarded Shares; and
- (ii) any interest or rights (including the right to vote or receive dividends or cash income) in the Awarded Shares and any related income (including any dividends, bonus shares and scrip shares in connection with the Awarded Shares) (the “**Related Income**”) until the Eligible Employee becomes registered as a Shareholder.

Within 12 months after the date on which his/her name is registered as a Shareholder, an Eligible Employee shall not, without the prior written consent of the Board in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to either the Awarded Shares or Related Income referable to him/her hereunder (the “**Lock-Up Restrictions**”). In the event any Eligible Employee breaches or attempts to breach any of such Lock-Up Restrictions, the Awarded Shares registered in the name of such Eligible Employee shall become transferable back to PCB at nil consideration, or any other penalty as may be imposed and determined by our Board.

(g) Alteration of the terms of the Share Award Scheme

Subject to relevant law and regulations, the terms of the Share Award Scheme may be altered in any respect by resolutions of the Board provided that no such alteration shall operate to affect adversely the terms of any invitation or offer granted or agreed to be granted and the subsisting rights of any Eligible Employee prior to such alteration.

(h) Terms of employment

The rights and obligations of any Eligible Employee under the terms of his/her employment with his/her employer shall not be affected by his/her participation in the Share Award Scheme or any right which he may have to participate in the Share Award Scheme. The Share Award Scheme shall not entitle the Eligible Employee to any rights of continued employment with his/her employer.

Subject to any applicable legislative requirement, any Awarded Shares and Related Income acquired under the Share Award Scheme for any Eligible Employee will not be regarded as remuneration for pensions purposes or for the purposes of calculating payments on termination of employment.

2. Tax and other indemnities

Our Controlling Shareholder entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in the paragraph headed “B. Information about our Business 1. Summary of material contracts” in this Appendix) to provide indemnities in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Share Offer becomes unconditional.

3. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sponsor

The Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all of our Shares in issue and to be issued as mentioned in this prospectus.

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The sponsor fees are HK\$5.2 million and are payable by our Company.

5. Preliminary expenses

The estimated preliminary expenses incurred and paid by our Company were approximately US\$6,335.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

7. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Malaysia or Hong Kong would be likely to fall upon any member of our Group.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualification
Altus	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the sponsor of our Company
Messrs Chris Koh & Chew	Legal adviser to our Company as to Malaysian law
Grandway Law Offices	Legal adviser to our Company as to PRC law

Name	Qualification
Grant Thornton Hong Kong Limited	Certified Public Accountants
Grant Thornton (AF: 0042)	Chartered Accountants
Maples and Calder (Hong Kong) LLP	Legal adviser to the Company as to the laws of the Cayman Islands
Cushman & Wakefield Limited	Property Valuer
Frost & Sullivan GIC Malaysia Sdn. Bhd.	Industry Consultant

9. Consents of experts

Each of the experts named in paragraph headed “D. Other Information 8. Qualification of experts” of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in paragraph headed “D. Other Information 8. Qualification of experts” of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Particulars of the Selling Shareholder

Name	Address	Number of Sale Shares
PCB	35, 1st Floor, Jalan Kelisa Emas 1 Taman Kelisa Emas 13700 Seberang Jaya, Penang	176,000,000

13. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) Save as disclosed in the paragraph headed “Financial independence” under the section headed “Relationship with Our Controlling Shareholder” of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Maples Fund Service (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s branch share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

- (g) our Directors have been advised that under the Cayman Companies Law the use of a Chinese name by our Company does not contravene the Cayman Companies Law;
- (h) our Company has no outstanding convertible debt securities or debentures; and
- (i) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

14. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
AND AVAILABLE FOR PUBLIC INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “D. Other Information 9. Consents of experts” in Appendix V to this prospectus;
- (c) a copy of each of the material contracts referred to in the paragraph headed “B. Information about our Business 1. Summary of material contracts” in Appendix V to this prospectus; and
- (d) the statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Cayman Companies Law;
- (c) the joint reporting accountants’ report from Grant Thornton Hong Kong Limited and Grant Thornton (AF: 0042), the text of which is set out in Appendix I to this prospectus;
- (d) the report from Grant Thornton Hong Kong Limited and Grant Thornton (AF: 0042) in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the audited combined financial statements of the companies comprising our Group for the three years ended 31 December 2016 and the six months ended 30 June 2017;
- (f) the legal opinion issued by Messrs Chris Koh & Chew, legal adviser to our Company as to Malaysian laws;
- (g) the legal opinion issued by Grandway Law Offices, our legal adviser as to PRC law;
- (h) the letter, summary of valuations and valuation certificates relating to the property interests of our Group prepared by Cushman & Wakefield Limited, the texts of which is set out in Appendix III to this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
AND AVAILABLE FOR PUBLIC INSPECTION**

- (i) the letter of advice from Maples and Calder (Hong Kong) LLP, our Cayman Islands legal adviser, summarising the constitution of our Company and certain aspects of Cayman Companies Law in Appendix IV to this prospectus;
- (j) the material contracts referred to in the paragraph headed “B. Information about our Business 1. Summary of material contracts” in Appendix V to this prospectus;
- (k) service contracts and letter of appointments with each of our Directors referred to in the paragraph headed “C. Further information about our Directors and substantial Shareholders” in Appendix V to this prospectus;
- (l) the written consents referred to in the paragraph headed “D. Other Information 9. Consents of experts” in Appendix V to this prospectus;
- (m) the rules of the Share Award Scheme;
- (n) the statement of particulars of the Selling Shareholder; and
- (o) the Frost & Sullivan Report.



Pentamaster International Limited
檳傑科達國際有限公司