



5 February 2025

To the Independent Board Committee

Dear Sir/Madam,

**(1) PROPOSAL TO PRIVATISE PENTAMASTER
INTERNATIONAL LIMITED;
(2) PROPOSED WITHDRAWAL OF LISTING; AND
(3) PROPOSED SPECIAL DIVIDEND**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect to the Proposal and the Scheme, details of which are set out in the Scheme Document dated 5 February 2025, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 19 December 2024, the Joint Offerors requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Act, which involves the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price of HK\$0.93 in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange. Under the Proposal, the Company will also declare and pay a Special Dividend of HK\$0.07 for each Share. Accordingly, if the Scheme becomes binding and effective in accordance with its terms and conditions, the Scheme Shareholders whose names appear on the register of members of the Company on the Record Date will receive a total of HK\$1.00 (the “**Total Price**”) in cash per Scheme Share under the Proposal.

If the Proposal is approved and implemented, under the Scheme, the Scheme Shares will, on the Effective Date, be cancelled and extinguished. Simultaneously with such cancellation and extinguishment, the share capital of the Company will be maintained by the issuance at par to the Joint Offerors, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled pursuant to the Scheme. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors.

Upon the Scheme becoming effective, the Company will be owned as to approximately 71.00% and 29.00% by PCB and Puga, respectively, and the listing of the Shares will be withdrawn from the Stock Exchange.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, which comprises independent non-executive Directors who are not Joint Offerors Concert Parties, namely Dr. Chuah Jin Chong, Ms. Chan May May and Mr. Sim Seng Loong @ Tai Seng, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal and the Scheme are fair and reasonable and as to voting at the Court Meeting and the EGM.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee is required to comprise all non-executive Directors who have no direct or indirect interest in the matters to be considered by the Independent Board Committee, other than as a Shareholder. Mr. Leng is the non-executive Director and is also a non-independent non-executive director and a shareholder of PCB. He is therefore considered to be acting in concert with the Joint Offerors and is therefore not a member of the Independent Board Committee.

We have been appointed, with the approval of the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Proposal and the Scheme.

As at the Latest Practicable Date, we did not have any relationships or connection (financial or otherwise) with or interests in the Company, the Joint Offerors, or any of their respective controlling shareholders and any party acting, or presumed to be acting, in concert with any of them, and accordingly, are qualified to give independent advice to the Independent Board Committee. Save for our appointment as the Independent Financial Adviser to the Independent Board Committee, we did not act as a financial adviser to the Company or the Joint Offerors within the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Company or the Joint Offerors or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR ADVICE

In formulating our opinion and advice, we have relied on (a) the information and facts contained or referred to in the Scheme Document; (b) the information provided by the Directors and the management of Company (the “**Management**”); (c) the opinions expressed by and the representations of the Directors and the Management; and (d) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Scheme Document were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Scheme Document are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Scheme Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the Management. Should there be any material changes to the statements, information and/or representation affecting our opinion after the Latest Practicable Date, the Disinterested Shareholders would be notified as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

We have reviewed, among others, (a) the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”); (b) the unaudited first quarterly results announcement of the Company for the three months ended 31 March 2024 (the “**2024 First Quarter Results Announcement**”); (c) the unaudited interim results announcement of the Company for the six months ended 30 June 2024 (the “**2024 Interim Results Announcement**”); (d) the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”); (e) the unaudited third quarterly results announcement of the Company for the nine months ended 30 September 2024 (the “**2024 Third Quarter Results Announcement**”); (f) the unaudited consolidated management accounts of the Group for the 11 months ended 30 November 2024; (g) the property valuation report contained in Appendix II to the Scheme Document; and (h) other information set out in the Scheme Document. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Scheme Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position, financial forecast or future prospects of the Group.

This letter is issued for the purpose of advising the Independent Board Committee regarding the Proposal and the Scheme, and except for its inclusion in the Scheme Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

THE PROPOSAL

The Cancellation Price

The Proposal will provide that each of the Scheme Shares be cancelled in exchange for the payment of the Cancellation Price of HK\$0.93 per Scheme Share, which shall be paid by the Joint Offerors to the Scheme Shareholders (including the Disinterested Shareholders) whose names appear on the register of members of the Company on the Record Date. The implementation of the Proposal is subject to the fulfilment or waiver (as applicable) of the Conditions set out in the section headed “Conditions of the Proposal and the Scheme” below.

If the Scheme is not approved or if the Scheme otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Joint Offerors nor any person who acted in concert with them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Scheme otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

If, after the date of this Scheme Document, any dividend and/or other distribution and/or other return of capital other than the Special Dividend is announced, declared or paid in respect of the Shares, the Joint Offerors reserve the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced. The Company has confirmed that, other than the Special Dividend, it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date or the lapse, withdrawal or termination of the Scheme (whichever is earlier). After the date of the Announcement and up to the Latest Practicable Date, the Company had no declared but unpaid dividends and/or other distribution and/or other return of capital.

The Cancellation Price will not be increased, and the Joint Offerors do not reserve the right to do so. Shareholders, Share Award Holders and potential investors should be aware that, following the making of this statement, the Joint Offerors will not be allowed to increase the Cancellation Price, except in wholly exceptional circumstances in accordance with Rule 18.3 of the Takeovers Code.

The Special Dividend

Under the Proposal, the Company will also declare a Special Dividend of HK\$0.07 for each Share which, subject to (a) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the Special Dividend; and (b) the Scheme having become binding and effective in accordance with its terms and conditions, shall be payable to the Shareholders whose names appear on the register of members of the Company on the Record Date, including PCB. None of the foregoing conditions to the payment of the Special Dividend can be waived. The conditions of the Special Dividend will have to be satisfied on or before the Long Stop Date.

PCB has undertaken (to the extent permitted under Takeovers Code, the Listing Rules and applicable laws and regulations) to exercise or procure the exercise of the voting rights in respect of the Shares held by PCB immediately prior to the Scheme becoming effective to vote in favour of the ordinary resolution at the EGM to approve the Special Dividend.

Shareholders should note that the payment of the Special Dividend is subject to, amongst other things, the Scheme having become binding and effective in accordance with its terms and conditions. If the Scheme is not approved or if the Scheme lapses, the Special Dividend will not materialise.

The Total Price

Based on the aforesaid, if the Scheme becomes binding and effective in accordance with its terms and conditions, the Scheme Shareholders whose names appear on the register of members of the Company on the Record Date will receive the Total Price of HK\$1.00 in cash per Scheme Share under the Proposal comprising:

Cancellation Price	HK\$0.93 per Scheme Share
Special Dividend	HK\$0.07 per Scheme Share
	<hr/>
Total Price	HK\$1.00 per Scheme Share

Conditions of the Proposal and the Scheme

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;

- (b) the approval of the Scheme (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to the Scheme Shares held by all Disinterested Shareholders;
- (c) the passing of (i) a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve and give effect to any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares; and (ii) an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to approve the simultaneous maintenance of the share capital of the Company at the amount prior to the cancellation of the Scheme Shares by the issuance at par to the Joint Offerors, credited as fully paid, such number of new Shares as is equal to the number of Scheme Shares cancelled, and applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par the new Shares so issued, credited as fully paid, for issuance to the Joint Offerors;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and, to the extent necessary, its confirmation of any reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to any reduction of the issued share capital of the Company;
- (f) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;

- (g) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (h) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company having been obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (i) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Joint Offerors to proceed with the Proposal or the Scheme;
- (j) since the date of the Announcement, there having been no adverse change in the business, assets, prospects, profits, losses, results of operations, financial position or condition of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or the Scheme);
- (k) there being no material breach of the representations and warranties made by the Company under the Implementation Agreement as at the date of the Implementation Agreement, the date of despatch of the Scheme Document and the effective date of the Scheme, or the date as otherwise specified in the relevant representations and warranties, by reference to the facts and circumstances existing at such dates; and
- (l) there being no material breach of the representations and warranties made by the Joint Offerors under the Implementation Agreement as at the date of the Implementation Agreement, the date of despatch of the Scheme Document and the effective date of the Scheme, or the date as otherwise specified in the relevant representations and warranties, by reference to the facts and circumstances existing at such dates.

The Joint Offerors reserve the right to waive conditions (f), (g), (h), (i), (j) and (k) either in whole or in part, either generally or in respect of any particular matter. Conditions (a) to (e) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Joint Offerors may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Joint Offerors in the context of the Proposal. The Company reserves the right to waive condition (l) either in whole or in part, either generally or in respect of any particular matter.

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

In respect of Condition (f) and (g), as at the Latest Practicable Date, other than those set out in Conditions (a) to (e) (inclusive), the Joint Offerors and the Company were not aware of any necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals required for the Proposal. As at the Latest Practicable Date, the Joint Offerors and the Company were not aware of any circumstances which may result in Conditions (h), (i), (j), (k) and (l) not being satisfied.

If approved and implemented, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived (as applicable).

ARRANGEMENTS MATERIAL TO THE PROPOSAL

Implementation Agreement

On 19 December 2024, the Joint Offerors and the Company entered into the Implementation Agreement, pursuant to which the Joint Offerors requested the Board to put forward the Proposal to the holders of Scheme Shares.

Pursuant to the Implementation Agreement, each of the Joint Offerors and the Company has agreed, among other things, to use all commercially reasonable endeavours to implement the Proposal. The Company has undertaken to do all things as are reasonably necessary to implement the Scheme, and the Joint Offerors have undertaken to provide necessary assistance that the Company may reasonably request in connection with the implementation of the Scheme.

Pursuant to the Implementation Agreement, the Company has undertaken, among other things, that subject to certain exclusions in the Implementation Agreement, it will not (and will procure that each member of the Group will not), without the prior consent of the Joint Offerors (such consent not to be unreasonably withheld or delayed), conduct its business other than in the ordinary and usual course as set forth in the Implementation Agreement during the period between the date of the Implementation Agreement and the earlier of the Effective Date and the date of termination of the Implementation Agreement.

Subject to the Takeovers Code, the Joint Offerors and the Company have agreed to bear certain costs and expenses incurred by them in connection with the implementation of the Proposal in the manner as set forth in the Implementation Agreement.

Under the terms of the Implementation Agreement, the Implementation Agreement will terminate if the Proposal and the Scheme are not implemented by the Long Stop Date. The Joint Offerors will be entitled to terminate the Implementation Agreement following the non-satisfaction of any Condition (which cannot be waived or is not waived by the Joint Offerors in accordance with the terms of the Proposal), or if the recommendation of the Directors as to whether the Scheme Shareholders should vote to approve the Proposal at the Court Meeting and at the EGM contained in the Scheme Document is withdrawn at any time prior to the Grand Court's sanction of the Scheme and, to the extent necessary, confirmation of any reduction of the share capital of the Company, or upon a material breach of any warranty by the Company. The Company will be entitled to terminate the Implementation Agreement upon a material breach of any warranty by the Joint Offerors.

The Joint Offerors Agreement

As at the Latest Practicable Date, PCB held 1,533,549,989 Shares, representing approximately 63.90% of the issued Shares. The Joint Offerors entered into the Joint Offerors Agreement on 19 December 2024, pursuant to which the Joint Offerors agreed to make the Proposal to the Board and request the Board to put forward the Proposal to the Scheme Shareholders and that, upon the Scheme having become binding and effective in accordance with its terms and conditions, (a) in addition to its existing shareholding in the Company, PCB will acquire a further 170,400,000 Shares (representing approximately 7.10% of the issued Shares) under the Proposal, thereby increasing its shareholding in the Company to 1,703,949,989 Shares (representing approximately 71.00% of the issued Shares); and (b) Puga will acquire 696,050,011 Shares (representing approximately 29.00% of the issued Shares) under the Proposal.

Pursuant to the Joint Offerors Agreement, the Joint Offerors have agreed, among other things, that (a) each Joint Offeror undertakes to contribute sufficient financial resources to fulfill its obligation to pay the Cancellation Price in proportion to the percentage of the Scheme Shares to be acquired by such party under the Proposal, to discharge its obligation of contribution on a several but not joint basis and be solely responsible for all obligations and liabilities in relation to the arrangement in connection with its financial resources, and to arrange such financing as necessary to satisfy its commitment to the reasonable satisfaction of the financial adviser to the Joint Offerors, notwithstanding that PCB has agreed to bear 70% of the out-of-pocket costs and expenses incurred in connection with the Proposal by the Joint Offerors and the Investors; (b) all decisions relating to the Proposal will be jointly made by Puga and PCB; (c) each Joint Offeror shall use its reasonable endeavors to do (or procure to be done), and to assist and co-operate with each other in doing, all things reasonably necessary, proper or advisable to consummate and make effective, as promptly as practicable, the Proposal; (d) each Joint Offeror shall cooperate with each other and their professional advisers and proceed in good faith to consummate the Proposal and to consult with each other and to keep each other fully informed of any relevant material developments and the status of implementation in respect of the Proposal; and (e) each Joint Offeror acknowledges and agrees that it shall be fully responsible for ensuring the accuracy of all statements of fact furnished or confirmed by it in each of the transaction documents relating to it and its associates.

Pursuant to the Joint Offerors Agreement, (a) PCB has undertaken, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws and regulations, to exercise, or, as the case may be, to procure the exercise of the voting rights in respect of the Shares held by PCB immediately prior to the Scheme becoming effective on resolutions in relation to the implementation of the Proposal to vote in favour of all resolutions which are necessary to implement the Scheme proposed at the EGM (including the ordinary resolution at the EGM to approve the Special Dividend), and that it shall take all actions necessary to implement the Proposal; and (b) PCB has further undertaken that, during the period between the date of the Joint Offerors Agreement and the earlier of the Scheme becomes effective, lapses or is withdrawn, it shall comply with certain dealing restrictions and refrain from doing any prejudicial actions, including not, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by PCB immediately prior to the Scheme becoming effective, nor to accept any other offer in respect of all or any of such Shares.

The Joint Offerors Agreement will be terminated if the Scheme lapses or is withdrawn, terminated, rescinded by the Joint Offerors or is finally dismissed, refused or rejected by the Grand Court.

The Shareholder Arrangements

Pursuant to the Joint Offerors Agreement, the Joint Offerors have also agreed to enter into the Shareholders' Agreement, which sets out the Joint Offerors' mutual agreement on the arrangements pertaining to the management and governance of the Company upon the Scheme becoming effective within five Business Days after the withdrawal of listing of the Shares on the Stock Exchange subject to the Scheme becoming effective.

The Shareholder Arrangements contemplate that the Board will establish an IPO steering committee to oversee and approve any matters in connection with the implementation of an IPO of the Company within four years from the effective date of the Scheme (or such other dates to be agreed between the Joint Offerors). As at the Latest Practicable Date, the Joint Offerors had not agreed on any proposal or material terms with respect to the implementation of any separate listing of the Company (including whether the IPO will be conducted in Hong Kong or elsewhere or whether it is an IPO of the same Company).

The Consortium Agreement

On 31 October 2024, the Investors entered into the Consortium Agreement in connection with the implementation of the Proposal.

Pursuant to the Consortium Agreement, each of the Investors would make cash contribution to Puga in proportion to their respective percentage ownerships in Puga for the purpose of satisfying in full Puga's obligations in respect of the Cancellation Price payable for 29.00% of the issued Shares under the Proposal.

The Consortium Agreement shall terminate in accordance with its terms (a) upon the completion of the Proposal or (b) upon a written agreement by the parties to terminate the Consortium Agreement or (c) on the Long Stop Date, whichever is earlier.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposal and the Scheme, we have taken into account the following principal factors and reasons:

1. Background information of the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability, whose Shares have been listed on the Main Board of the Stock Exchange since 19 January 2018. The Company is an investment holding company and, together with its subsidiaries, is principally engaged in (a) designing, development and manufacturing of standard and non-standard automated test equipment; (b) designing, development and installation of integrated factory automation solutions; and (c) manufacturing and assembling of medical machines and manufacturing of die casting parts.

1.1 Financial information of the Group

Set out below is a summary of (a) the audited consolidated financial information of the Company for the years ended 31 December 2022 (“FY2022”) and 2023 (“FY2023”) as extracted from the 2023 Annual Report; and (b) the unaudited consolidated financial information of the Company for the nine months ended 30 September 2023 (“9M2023”) and 2024 (“9M2024”) as extracted from the 2024 Third Quarter Results Announcement.

	FY2022 (MYR'000) (audited)	FY2023 (MYR'000) (audited)	9M2023 (MYR'000) (unaudited)	9M2024 (MYR'000) (unaudited)
Revenue	600,587	691,850	522,836	492,179
– Automated test equipment	420,716	452,254	358,277	187,169
– Factory automation solutions	179,871	239,596	164,528	305,010
– Adjustment	–	–	31	–
Gross profit	185,452	209,644	155,676	141,167
Administrative expenses	55,120	76,208	46,707	57,767
Profit attributable to the				
Shareholders for the year/period	133,301	142,233	108,375	88,801
Gross profit margin	30.9%	30.3%	29.8%	28.7%
Net profit margin	22.2%	20.6%	20.7%	18.0%

Revenue by customers' segment:

	FY2022 (MYR'000) (audited)	%	FY2023 (MYR'000) (audited)	%	9M2023 (MYR'000) (unaudited)	%	9M2024 (MYR'000) (unaudited)	%
Automotive	254,856	42.4	329,392	47.6	271,682	52.0	127,903	26.0
Medical devices	84,581	14.1	148,197	21.4	98,459	18.8	234,487	47.6
Semiconductor	84,001	14.0	103,794	15.0	72,310	13.8	37,743	7.7
Electro-optical	117,409	19.5	65,315	9.5	51,182	9.8	67,147	13.6
Consumer and industrial products	59,740	10.0	45,152	6.5	29,203	5.6	24,899	5.1
Total revenue	600,587	100.0	691,850	100.0	522,836	100.0	492,179	100.0

	As at		
	31 December 2022 (MYR'000) (audited)	31 December 2023 (MYR'000) (audited)	30 September 2024 (MYR'000) (unaudited)
Total assets	1,001,661	1,159,041	1,139,515
Total liabilities	264,948	311,069	229,731
Net assets	736,713	847,972	909,784

1.1.1 Financial performance

FY2023 as compared with FY2022

The Group recorded an increase in revenue of approximately 15.2% from approximately MYR600.6 million for FY2022 to approximately MYR691.9 million for FY2023. The increase was driven by both the automated test equipment (“ATE”) and factory automation solutions (“FAS”) segments, with each segment contributed approximately 65.4% and 34.6% respectively to the Group’s revenue for FY2023.

In terms of customers’ segments, the automotive segment accounted for the largest portion of the Group’s revenue at approximately 42.4% and 47.6% for FY2022 and FY2023 respectively, with the amount increasing by approximately 29.2% from FY2022 to FY2023. Such increase was primarily fueled by a structural shift in the automotive industry towards electric mobility, with global automotive companies and related component manufacturers showing increased interest in the Group’s comprehensive product line. For the medical devices segment, its revenue also experienced a growth of approximately 75.2% from FY2022 to FY2023, resulting in its revenue contribution to the Group increasing from approximately 14.1% for FY2022 to approximately 21.4% for FY2023. Such increase was mainly driven by the demand for medical technology application for better productivity and efficiency, leveraging on the Group’s proprietary intelligent Automated Robotic Manufacturing System in medical manufacturing automation. For the semiconductor segment, its revenue increased by approximately 23.6% from FY2022 to FY2023. Such increase was mainly driven by the growth of integrated chips and fifth generation higher performing, ultra speed semiconductor content. The Group’s revenue from its electro-optical segment decreased by approximately 44.4% from FY2022 to FY2023, mainly due to the subdued demand for consumer electronics and smartphones amidst a sluggish global economic recovery and a climate of high interest rates and inflation. For the consumer and industrial products segment, its revenue witnessed an approximately 24.4% decrease from FY2022 to FY2023, which was mainly due to the overall sentiment of this segment remaining fairly muted with a sense of caution among manufacturing companies and contract manufacturers.

The increase in gross profit of the Group by approximately 13.0% from approximately MYR185.5 million for FY2022 to approximately MYR209.6 million for FY2023 was mainly due to the increase in the Group's revenue as discussed above, while the Group's gross profit margin remained relatively stable at approximately 30.9% and 30.3% for FY2022 and FY2023 respectively. The Group recorded a profit attributable to the Shareholders of approximately MYR142.2 million for FY2023, representing an increase of approximately 6.7% from approximately MYR133.3 million for FY2022. Such increase was mainly due to the increase in the Group's gross profit, which was partially offset by the increase in administrative expenses by approximately 38.3% from approximately MYR55.1 million for FY2022 to approximately MYR76.2 million for FY2023, which was mainly attributable to the increase in foreign exchange loss, higher administrative staff costs and research and development costs incurred.

9M2024 as compared with 9M2023

The Group recorded a decline in revenue of approximately 5.9% from approximately MYR522.8 million for 9M2023 to approximately MYR492.2 million for 9M2024. The decline was mainly due to (a) escalating conflicts in the Middle East coupled with uncertainty in global trades especially between the United States and China, creating significant downside risk; and (b) in the post-pandemic environment with inflation being a key focus that followed subsequently, escalating geopolitical tensions and restrictive monetary policies in key markets that had led to a sharp and profound cautious spending environment.

In terms of customers' segment, revenue from the automotive segment decreased by approximately 52.9% from 9M2023 to 9M2024, resulting in its revenue contribution declining from approximately 52.0% to approximately 26.0%. Such decrease was primarily due to (a) the headwind of greater market uncertainty and disruptions accelerated by the shift to electric vehicles, including the policies and tariffs announced by key automotive markets toward Chinese-made electric vehicles; (b) the electric vehicles market and supply chain in China becoming highly competitive and disruptive, limiting the Group's ability to fully capitalise on the expanding market locally in China. For the medical devices segment, its revenue recorded a strong growth by approximately 138.2% from 9M2023 to 9M2024, resulting in its revenue contribution to the Group increasing from approximately 18.8% for 9M2023 to approximately 47.6% for 9M2024. Such increase was mainly driven by the increasing demand of factory automation solutions in the medical industry, mainly due to its specific need for operational efficiency, safety and adherence to stringent regulatory standards. For the electro-optical segment, its revenue rebounded by approximately 31.2% from 9M2023 to 9M2024, resulting in its revenue contribution to the Group increasing from approximately 9.8% to approximately 13.6%. The rise in revenue was largely driven by product cycle upgrades relating to the Group's ambient light and its related smart sensor test equipment. Meanwhile, revenue from the

semiconductor segment decreased by approximately 47.8% from 9M2023 to 9M2024, which was mainly due to the cyclical nature of such industry, characterised by phases of inventory buildup and subsequent corrections. Revenue from the consumer and industrial products segment also decreased by approximately 14.7% from 9M2023 to 9M2024.

The decrease in gross profit of the Group by approximately 9.3% from approximately MYR155.7 million for 9M2023 to approximately MYR141.2 million for 9M2024 was mainly due to (a) the decline in revenue from the ATE segment, leading to a lack of economies of scale; (b) the increase in the Group's operating expenses contributed by additional bonus payouts in the earlier quarter of the year and provisions for slow-moving inventories. The Group recorded a profit attributable to the Shareholders of approximately MYR88.8 million for 9M2024, representing a decrease of approximately 18.1% from approximately MYR108.4 million for 9M2023, which was mainly attributed to the decrease in gross profit and other factors including the increase in expected credit loss allowance on trade receivables, and increase in administrative expenses mainly due to adverse foreign exchange movements and increased research and development expenses for 9M2024.

1.1.2 Financial position

As at 30 September 2024, total assets of the Group amounted to approximately MYR1,139.5 million, which mainly consisted of (a) property, plant and equipment of approximately MYR380.0 million; (b) cash and cash equivalents of approximately MYR366.6 million; and (c) trade receivables of approximately MYR162.9 million.

As at 30 September 2024, total liabilities of the Group amounted to approximately MYR229.7 million, which mainly consisted of (a) trade payables of approximately MYR112.9 million; (b) contract liabilities of approximately MYR70.4 million; and (c) other payables, accruals and provisions of approximately MYR43.2 million.

1.1.3 Historical dividend payout

According to the 2023 Annual Report, the Company has adopted a dividend policy. In proposing any dividend payout, the Board shall take into account, *inter alia*, the Group's operations, earnings, financial condition, working capital requirements, future expansion plans and other factors it may deem relevant and appropriate. Any final dividend for a financial year declared by the Company must be approved by the Shareholders at an annual general meeting of the Company and must not exceed the amount recommended by the Board. The dividend policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific period. The table below sets out the Company's historical dividend, the dividend payout ratio and the dividend yield from the financial year ended 31 December 2018 to FY2023.

	For the financial year ended 31 December						Total
	2018	2019	2020	2021	2022	2023	
Dividend per Share (HK\$)	0.015	0.015	0.02	0.02	0.02	0.02	0.11
Earnings per share – basic (MYR sen)	6.29	8.21	7.12	4.87	5.59	5.97	38.05
Dividend payout ratio (Note 1)	12.7%	9.6%	14.6%	22.0%	20.2%	19.7%	15.7%
Year-end closing price of the Shares (HK\$)	0.593	1.253	1.127	1.300	0.790	0.990	N/A
Dividend yield (Note 2)	2.5%	1.2%	1.8%	1.5%	2.5%	2.0%	N/A

Notes:

1. Dividend payout ratio is calculated by dividing total dividend (excluding the bonus issue of Shares announced in 2021) per Share by earnings per Share.
2. Dividend yield is calculated by dividing the total dividend (excluding the bonus issue of Shares announced in 2021) per Share by the year-end closing price of the Shares for the relevant year.
3. For illustrative purpose, the dividend payout ratio and dividend yield are calculated based on the exchange rate extracted from Bloomberg as at the year-end date of each year.

As shown above, the Company's dividend payout ratio ranged from approximately 9.6% to approximately 22.0%, while the dividend yield ranged from approximately 1.2% to approximately 2.5%, from the financial year ended 31 December 2018 to FY2023. For the financial year ended 31 December 2024, the Company has not declared any dividend other than the Special Dividend under the Proposal. The Special Dividend of HK\$0.07 per Share is much higher than those declared throughout the years. The Company has confirmed that, other than the Special Dividend, it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date or the lapse, withdrawal or termination of the Scheme (whichever is earlier). Shareholders should note that the payment of the Special Dividend is part of the Proposal and is subject to, among other things, the Scheme having become binding and effective in accordance with its terms and conditions. If the Scheme is not approved or if the Scheme lapses, the Special Dividend will not materialise and there is no assurance that the Company will pay the same or higher amount of dividend in the future even if it is financially capable of doing so, given that financial condition is only one of the factors considered by the Board in proposing any dividend payout under the dividend policy of the Company discussed above.

We noted that the dividend yield of Hang Seng High Dividend Yield Index, as a reference of the highest dividend yield achievable for investment in stocks listed on the Stock Exchange, was approximately 6.32% as at the Latest Practicable Date, which was above the range of historical dividend yields of the Company throughout the years as mentioned above. Therefore, for those Disinterested Shareholders interested in dividend return from investments, they may consider to reinvest the proceeds from the Proposal in other listed companies in Hong Kong to achieve a higher dividend return.

1.2 Property valuation

The valuation report (the “**Valuation Report**”) prepared by Cushman & Wakefield Limited (the “**Valuer**”) relating to the valuation (the “**Valuation**”) of properties interests held by the Group (the “**Properties**”) as at 30 November 2024 is set out in Appendix II to the Scheme Document. The Properties are factories and ancillary facilities in Malaysia.

We have conducted an interview with the Valuer to assess its qualifications and experiences in valuing similar property interests and we casted no doubt that the Valuer and the signor of the Valuation Report have sufficient qualifications and experiences in valuing the Properties. The Valuer has also confirmed its independence from the Company, the Joint Offerors and Joint Offerors Concert Parties. Save for the Valuation engagement, the Valuer has no relationships with the core connected persons of the Company, the Joint Offerors or the Joint Offerors Concert Parties. In addition, we have reviewed the Valuer’s terms of engagement and noted that the scope of work is appropriate for arriving at the opinion in the Valuation and there are no limitations on the scope of work which might adversely affect the degree of assurance given by the Valuer in the Valuation Report. As noted in the Valuation Report, in valuing the Properties, the Valuer has complied with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules, Rule 11 of the Takeovers Code and The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors.

We have reviewed the Valuation Report and discussed with the Valuer, among others, the bases and assumptions and the methodology adopted, and the major procedures performed by the Valuer for the Valuation. With reference to the Valuation Report, the Properties are completed properties held by the Group for owner occupation. Following discussions with the Valuer, we noted that the Valuer has adopted market comparison method, assuming sale of each of the Properties in its existing state by making reference to comparable sales transactions as available in the relevant market subject to suitable adjustments between the Properties and the comparable properties. As advised by the Valuer, the market comparison method is commonly adopted for valuing properties of similar nature as the Properties. Based on our discussion with the Valuer and our review of the Valuation Report, we consider the principal bases and assumptions adopted by the Valuer in respect of the Valuation are appropriate.

1.3 Adjusted net asset value

In evaluating the Proposal, we have taken into account the Group's Adjusted NAV, which is provided by the Company and calculated based on the unaudited net asset value as at 30 September 2024, adjusted with reference to the Valuation as at the valuation date (i.e. 30 November 2024). As stated in the Scheme Document, details of the adjustments are set out in the table below:

	<i>MYR\$'000</i>
Unaudited net asset value as at 30 September 2024	909,784
Add: net revaluation surplus arising from the Valuation ⁽¹⁾	<u>47,167</u>
Adjusted NAV	956,951
Adjusted NAV per Share:	
In MYR ⁽²⁾	0.399
In HK\$ ^(2,3)	0.754
Premium of the Total Price over the Adjusted NAV per Share	32.6%

Notes:

1. This represents the net revaluation surplus calculated by comparing the market value of the Properties from the Valuation, over the corresponding book value of the Properties as at 30 September 2024.
2. It is calculated based on 2,400,000,000 Shares in issue as at the Latest Practicable Date.
3. Based on the exchange rate of MYR1.00 = HK\$1.89 as at 30 September 2024.

1.4 Outlook of the Group

As discussed under section 1.1.1 above, revenue and profit attributable to the Shareholders decreased by approximately 5.9% and 18.1% respectively from 9M2023 to 9M2024, both of which were affected by adverse macro factors such as the uncertainties caused by geopolitical tensions and restrictive monetary policies in key markets.

According to the 2024 Third Quarter Results Announcement, the Management expected the global macroeconomic environment to remain murky and uncertain as the pace of economic recovery continues to fall short of expectations with heightened geopolitical risk. The weakness at the macro front has been placing significant constraints on the Group's ability to drive revenue growth. Weak demand across key segments, particularly in the automotive sector, being the largest revenue contributor of the Group's ATE segment for 9M2024, where capital investments are sensitive to economic cycles and shifting government policies has prolonged the expected structural growth trend, leading to slow demand up-tick for the Group's solution offerings. Additionally, aggressive pricing war in domestic China market continues to challenge margin preservation and expansion strategies for the Group's automotive segment. The Management expected that the performance of the ATE segment will remain subdued with this outlook potentially extending through the first half of 2025 given the lack of certainty at the macro front, particularly in the automotive segment.

According to the publication titled "Fuel for Thought: Tariffs, Taxes, and EVs: The Road Ahead for the Global Auto Industry" published by S&P Global Mobility (<https://www.spglobal.com/mobility/en/research-analysis/automotive-industry-forecast-2025-tariffs-evs.html>) in December 2024, the global automotive industry is facing a period of significant uncertainty as it navigates the implications of a second Trump administration. The president's proposed policies, including tax cuts, deregulation, tariffs, and changes to electric vehicles incentives, will have ripple effects on global automotive markets. We noted that S&P Global is a financial intelligence company with global presence and over 160 years of history in providing financial market analysis, benchmarks, and credit ratings. S&P Global Mobility is a division of S&P Global providing insights, forecasts and advisory services particularly on automotive industry, and has been publishing research and analysis on the industry from time to time. Therefore, we considered that it is appropriate to make reference to the publication above.

In respect of the Group's FAS business, according to the 2024 Interim Report, in recent years, the industrial automation industry has undergone a rapid evolution for high throughput manufacturing process that runs across various business segments particularly in the context of deglobalisation trends where companies are seeking to localise production to enhance resilience and reduce global supply chain dependency. Coupled with the overarching trends towards the integration of artificial intelligence in automation technology, industrial automation is setting the stage for continued advancements. According to the 2024 Third Quarter Results Announcement, owing to technological disruptions and macrotrends such as reshoring, a global skilled-labour shortage, and environmental, social, and governance (ESG) efforts, the Management expected that industrial automation across the medical devices industry as well as other sectors will continue to sustain the Group's FAS segment momentum. The construction of the Group's new campus 3 facility mainly to support the growing needs of the FAS and medical devices segments has been completed recently.

According to the publication titled “2025 Manufacturing Industry Outlook” published by Deloitte Research Center for Energy & Industrials (<https://www2.deloitte.com/us/en/insights/industry/manufacturing/manufacturing-industry-outlook.html>) in November 2024, given the need to address elevated material and labour costs, an ongoing skills gap, and potential disruptions from geopolitical factors, investments in digital technologies across manufacturing organisations, or the push toward smart operations, is likely to continue in 2025. However, the manufacturers, being the target customers of the Group’s FAS business, are expected to be cautious in their capital expenditures as they continue to face a challenging and uncertain business climate due to potential policy changes following the United States and global elections, and geopolitical uncertainty. We noted that Deloitte is a global network of professional firms with over 175 years of history in providing audit, tax and consulting services. Deloitte Research Center for Energy & Industrials is one of the research centers of Deloitte particularly focusing on energy and industrials sector, and has been publishing research and insights on the sector from time to time. Therefore, we considered that it is appropriate to make reference to the publication above.

Having considered, among others, (a) the headwinds and challenges faced by the Group in the near term for its ATE segment driven by macroeconomic factors; (b) manufacturers are expected to be cautious in their capital expenditures due to uncertainties in the business climate which, in turn, may potentially affect the demand in the Group’s FAS business; and (c) the deterioration of the Group’s profitability for 9M2024 as compared to 9M2023, we maintain a cautious view on the outlook of the Group in the near term.

2. Background information of the Joint Offerors, the Investors and the Joint Offerors Concert Parties

2.1 The Joint Offerors

PCB

PCB is a public limited liability company incorporated in Malaysia. PCB has been listed on the Main Market of Bursa Malaysia Securities Berhad (stock code: 7160) since 2004 and has been included in the constituents of the FTSE4Good Bursa Malaysia Index since 2021. PCB is an investment holding company and together with its subsidiaries including the Company, has two operating segments, namely (a) automated test equipment and (b) factory automation solutions.

As at the Latest Practicable Date, PCB held 1,533,549,989 Shares, representing approximately 63.90% of the issued Shares.

As at the Latest Practicable Date, Mr. Chuah was the single largest shareholder of PCB, who owned approximately 19.74% of the Shares in PCB.

Puga

Puga is a company incorporated under the laws of the British Virgin Islands. As at the Latest Practicable Date, Puga was held as to 17.38% by Beacon Path, 67.02% by Supari, 6.00% by Digimoc Holdings Limited, 3.60% by Fortune Venture Capital Corporation, 3.00% by Mr. Chen Hsin-Yu, and 3.00% by Mr. Chen Hsin-Tso, respectively. Puga is a special purpose vehicle established for the purpose of acquiring the Scheme Shares under the Proposal. As of the Latest Practicable Date, Puga did not hold any investments or assets other than cash to fund the Proposal. The sole director of Puga is Mr. Wang Li-Wei, who currently serves as a partner of AchiCapital and has over 15 years' experience in corporate finance and accounting.

2.2 The Investors

Beacon Path and Supari

Beacon Path is a company incorporated under the laws of the British Virgin Islands. Supari is a company incorporated under the laws of the British Virgin Islands. As at the Latest Practicable Date, each of Beacon Path and Supari was indirectly wholly owned by Achi Capital Partners Fund LP, a limited partnership registered under the laws of Cayman Islands. The Achi Capital Partners Fund LP's general partner is AchiCapital GP Limited and, as at the Latest Practicable Date, Achi Capital Partners Fund LP had over twenty limited partners, none of which held more than 20% of the limited partnership interest therein. AchiCapital GP Limited is owned as to (a) 75% by its director, Mr. Chen Chu-Wan, and (b) 25% by the late Mr. Lee Ming-Shan. Mr. Chen Chu-Wan currently serves as the managing partner of AchiCapital and has over 25 years' experience in marketing, operations and investment management within the global semiconductor industry. AchiCapital is a private equity investment firm which is principally engaged in managing equity investments in the semiconductor and technology industry, ranging from early-stage venture investments to late-stage buyout investments in semiconductor companies. As of 30 November 2024, AchiCapital managed assets totaling US\$723 million across a diversified portfolio of global semiconductor and technology companies, such as ITH Corporation (stock code: 6962.TW), Alchip Technologies, Limited (stock code: 3661.TW) and DigitalLand Holdings Limited (a subsidiary controlled by GDS Holdings Limited (stock code: 9698.HK; NASDAQ: GDS)).

Digimoc Holdings Limited

Digimoc Holdings Limited is a company incorporated under the laws of the British Virgin Islands which is principally engaged in investment holding. As at the Latest Practicable Date, Digimoc Holdings Limited was wholly owned by MediaTek Inc., a fabless semiconductor company which is listed on the Taiwan Stock Exchange (stock code: 2454).

Fortune Venture Capital Corporation

Fortune Venture Capital Corporation is a company incorporated under the laws of Taiwan. As at the Latest Practicable Date, Fortune Venture Capital Corporation was wholly-owned by United Microelectronics Corporation, a semiconductor foundry company which is listed on the Taiwan Stock Exchange (stock code: 2303) and New York Stock Exchange (stock code: UMC). Fortune Venture Capital Corporation is principally engaged in venture capital investment.

Mr. Chen Hsin-Yu

Mr. Chen Hsin-Yu is a Taiwanese private investor with years of experience in property investments.

Mr. Chen Hsin-Tso

Mr. Chen Hsin-Tso is a Taiwanese individual and the brother of Mr. Chen Hsin-Yu. He is a private investor with a background in the electronics and biomedical industries.

2.3 The Joint Offeror Concert Parties

Mr. Chuah

Mr. Chuah, an executive Director and the chairman of the Company and the executive chairman of PCB, is considered to be acting in concert with the Joint Offerors. The Shares held by Mr. Chuah will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective.

Ms. Gan

Ms. Gan, an executive Director and an executive director of PCB, is considered to be acting in concert with the Joint Offerors. The Shares held by Ms. Gan will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective.

Mr. Leng

Mr. Leng, the non-executive Director and a non-independent non-executive director of PCB, is considered to be acting in concert with the Joint Offerors. The Shares held by Mr. Leng will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective.

Dato' Loh Nam Hooi

Dato' Loh Nam Hooi, a non-independent non-executive director of PCB, is considered to be acting in concert with the Joint Offerors. The Shares held by Dato' Loh Nam Hooi will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective.

Trustee

PIL – PERKERJA SS LIMITED, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned structured entity of the Company, which was appointed by the Company as trustee to assist with the administration of the Share Award Scheme (including purchasing, administering, and holding the Shares for the Share Award Scheme), is considered to be acting in concert with the Joint Offerors. The Trustee Held Shares will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective. The power that the Company has over the Trustee is with respect to directing the activities of the Trustee to affect its exposure to returns, and as a result of which, the assets and liabilities of the Trustee are included in the consolidated statement of financial position of the Company, notwithstanding that it is not a subsidiary of the Company and the Company has no control over the shareholding of the Trustee.

2.4 The Joint Offerors' intention in relation to the Company

The Joint Offerors intend for the Company to withdraw the listing of the Shares on the Stock Exchange upon the Scheme becoming effective. The Joint Offerors also intend for the Group's existing operations to continue without disruption, regardless of the Proposal or its completion. As at the Latest Practicable Date, (a) the Joint Offerors did not expect to introduce any major changes to the existing business of the Group (including any redeployment of the fixed assets of the Company); and (b) the Joint Offerors did not have any plans to make any major changes to the continued employment of the employees of the Group. Subject to the Group's business requirements and prevailing market conditions, the Joint Offerors may explore various opportunities to further develop the Group's business, enhance efficiency and create long-term shareholder value.

2.5 The Shareholder Arrangements

Pursuant to the Joint Offerors Agreement, the Joint Offerors have agreed to enter into the Shareholders' Agreement, which sets out the Joint Offerors' mutual agreement on the arrangements pertaining to the management and governance of the Company upon the Scheme becoming effective within five Business Days after the withdrawal of listing of the Shares on the Stock Exchange subject to the Scheme becoming effective.

The Shareholder Arrangements contemplate that the Board will establish an IPO steering committee to oversee and approve any matters in connection with the implementation of an IPO of the Company within four years from the effective date of the Scheme (or such other dates to be agreed between the Joint Offerors). As at the Latest Practicable Date, the Joint Offerors had not agreed on any proposal or material terms with respect to the implementation of any separate listing of the Company (including whether the IPO will be conducted in Hong Kong or elsewhere or whether it is an IPO of the same Company).

Upon the withdrawal of listing of the Shares on the Stock Exchange, Shareholders will no longer benefit from the regulatory protections for minority shareholders that apply to listed companies on the Stock Exchange. As such, if the Disinterested Shareholders were given the opportunity to retain interests in the Company, they would face reduced protection and potential risks associated with holding shares in an unlisted company. These risks include uncertainties about whether the Company's IPO will materialise as there is no assurance that the IPO plan will proceed. In addition, if the IPO plan does not materialise, the Disinterested Shareholders might face challenges in liquidating their shareholdings due to lack of public trading. Even if the IPO plan materialises, there is no certainty that the share prices of the Company at or post IPO will exceed the Total Price offered under the Proposal. The share price performance will depend on, among other things, the then financial performance and prospect of the Company and market conditions.

Therefore, while the Disinterested Shareholders do not have the opportunity to participate in the potential IPO of the Company post privatisation under the Proposal, the Proposal provides the Disinterested Shareholders with an assured opportunity to exit and monetise their investments in the Company at a fixed Total Price, which is fair and reasonable as further discussed below. We consider that our assessment on the fairness and reasonableness of the Proposal is not affected in this regard.

3. Cancellation Price and Total Price

3.1 Comparison of values

The table below sets out the premiums or discount of (i) the Cancellation Price of HK\$0.93 per Scheme Share; and (ii) the Total Price of HK\$1.00 per Scheme Share (representing the Cancellation Price plus Special Dividend of HK\$0.07 per Share) compared to various benchmarks, including historical trading prices of the Shares, the audited and unaudited consolidated net asset value attributable to Shareholders (“NAV”) and the Adjusted NAV:

Comparison metric	Share price/ NAV per Share HK\$	Premium/ (Discount) represented by Cancellation Price %	Premium represented by Total Price %
Closing price on the Latest Practicable Date	0.950	(2.1)	5.3
Closing price on the Last Trading Day	0.800	16.3	25.0
Average closing prices up to and including the Last Trading Day:			
Average closing price for the 10 consecutive trading days up to and including the Last Trading Day	0.651	42.9	53.6
Average closing price for the 30 consecutive trading days up to and including the Last Trading Day	0.655	42.0	52.7
Average closing price for the 60 consecutive trading days up to and including the Last Trading Day	0.666	39.7	50.2
Average closing price for the 90 consecutive trading days up to and including the Last Trading Day	0.662	40.4	51.0
Average closing price for the 120 consecutive trading days up to and including the Last Trading Day	0.666	39.7	50.2
Closing price on the Last Undisturbed Day	0.640	45.3	56.3
Average closing prices up to and including the Last Undisturbed Day:			
Average closing price for the 10 consecutive trading days up to and including the Last Undisturbed Day	0.631	47.4	58.5
Average closing price for the 30 consecutive trading days up to and including the Last Undisturbed Day	0.652	42.6	53.4
Average closing price for the 60 consecutive trading days up to and including the Last Undisturbed Day	0.663	40.3	50.8
Average closing price for the 90 consecutive trading days up to and including the Last Undisturbed Day	0.660	40.9	51.5
Average closing price for the 120 consecutive trading days up to and including the Last Undisturbed Day	0.666	39.7	50.2

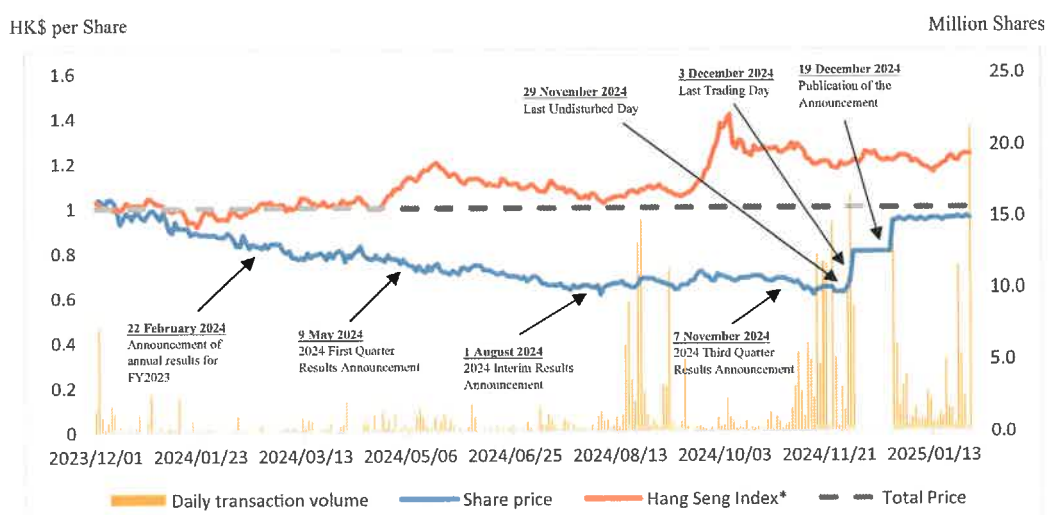
Comparison metric	Share price/ NAV per Share HK\$	Premium/ (Discount) represented by Cancellation Price %	Premium represented by Total Price %
Audited consolidated NAV per Share as at 31 December 2023 (Note 1)	0.601	54.8	66.5
Unaudited consolidated NAV per Share as at 30 September 2024 (Note 2)	0.716	29.8	39.6
Adjusted NAV per Share (Note 2)	0.754	23.3	32.6

Notes:

1. Based on an exchange rate of MYR1.0 = HK\$1.70 as at 31 December 2023.
2. Based on an exchange rate of MYR1.0 = HK\$1.89 as at 30 September 2024.

3.2 Analysis of historical price performance of the Shares

Set out below is the movement of the closing price of the Shares and Hang Seng Index from 1 December 2023, being approximately one-year period before the Last Trading Day (i.e. 3 December 2024), and up to the Latest Practicable Date (the “Review Period”). We consider the length of such period is sufficient and representative to provide a general overview of the recent market performance of the Shares and market sentiment for conducting a reasonable comparison between the closing Share prices and the Total Price.



Source: The website of the Stock Exchange (www.hkex.com.hk)

* Hang Seng Index is rebased to the closing price of the Shares as at 1 December 2023

Save for the first seven trading days during the Review Period, the Shares closed below the Total Price from the beginning of the Review Period to the Last Undisturbed Day. During the aforesaid period, the closing price of the Shares exhibited a downward trend in general, reaching the lowest of HK\$0.610 (5 August 2024 and 14 November 2024), and the Total Price represents a premium of approximately 32.8% over the average closing price of HK\$0.753 per Share during such period.

From the beginning of the Review Period to late January 2024, the closing price of Shares exhibited a downward trend. While the Hang Seng Index also declined, the extent of decrease for the closing price of Shares was larger during such period. Thereafter, while the Hang Seng Index started to rebound until late May 2024, the Share price did not exhibit the same upward trend but continued to drop. On 9 May 2024, the Company announced its first quarterly results for the three months ended 31 March 2024, which reported a decrease in profit attributable to the Shareholders by approximately 11.8% for the first quarter of 2024 as compared with the first quarter of 2023, which might attribute to the downward trend of the Share price. From late May 2024 to early August 2024, the closing Share price continued its downward trend and hit the lowest of HK\$0.610 on 5 August 2024, which was generally in line with the downward trend of Hang Seng Index. From 6 August 2024 to 23 September 2024, the closing Share price remained relatively stable and oscillated between HK\$0.630 and HK\$0.710. From 24 September 2024 to 7 October 2024, while the Hang Seng Index increased sharply possibly due to the stimulus package announced by the Chinese regulatory authorities in late September 2024 aiming at revitalising the economy which included, among others, cuts in mortgage-debt servicing and provision of facilities for stock markets, the closing Share price continued to remain relatively stable and traded between HK\$0.670 and HK\$0.710. Thereafter, the Share price exhibited a downward trend until the Last Undisturbed Day on 29 November 2024, which was generally in line with the Hang Seng Index. The Company announced the third quarterly results for 9M2024 on 7 November 2024, which registered declines in revenue and profit attributable to the Shareholders from 9M2023 to 9M2024 as discussed under section headed “1.1.1 Financial performance” above. This might have an adverse impact on the Share price.

From 20 December 2024, being the first trading day after publication of the Announcement, to the Latest Practicable Date, the closing Share price increased sharply and fluctuated between HK\$0.940 and HK\$0.960, which was likely associated with the market response to the Proposal. The Shares closed below the Total Price at all times during the aforesaid period. There is no assurance that the closing price of the Shares will remain at the current level or continue to rise if the Scheme is not approved or the Proposal otherwise lapses.

Save as disclosed above, we did not notice any other announcements of the Company during the Review Period which may have any correlation to the Share price movement shown in the chart above.

3.3 Trading volume analysis

The table below sets out the average daily trading volume of the Shares on a monthly basis during the Review Period and the respective percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares and the total number of issued Shares held by the Disinterested Shareholders.

Month/period	Average daily trading volume	Approximate percentage of average daily trading volume to total number of issued Shares	Approximate percentage of average daily trading volume to total number of issued Shares held by the Disinterested Shareholders
	Number of Shares (Note 1)	% (Note 2)	% (Note 3)
2023			
December	1,051,547	0.04%	0.13%
2024			
January	237,377	0.01%	0.03%
February	125,118	0.01%	0.02%
March	289,740	0.01%	0.04%
April	485,360	0.02%	0.06%
May	519,407	0.02%	0.06%
June	300,000	0.01%	0.04%
July	425,725	0.02%	0.05%
August	2,803,489	0.12%	0.35%
September	1,412,026	0.06%	0.18%
October	544,309	0.02%	0.07%
November	4,982,039	0.21%	0.62%
December	2,762,959	0.12%	0.34%
2025			
January and February (up to and including the Latest Practicable Date)	3,150,615	0.13%	0.39%

Source: The website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Based on the total number of issued Shares at the respective month/period end.
3. Based on the number of issued Shares held by the Disinterested Shareholders as at the Latest Practicable Date.

As illustrated in the above table, the average daily trading volume of the Shares was thin during the Review Period, representing approximately 0.01% to approximately 0.21% of the total number of the Shares in issue and approximately 0.02% to approximately 0.62% of the issued Shares held by the Disinterested Shareholders. As the liquidity of Shares was thin, it is difficult for the Disinterested Shareholders to sell their shareholdings in large volume in the open market without having an adverse impact on the Share price.

In view of the above, we consider that the Proposal provides an opportunity for the Shareholders to realise their investment in the Company for cash regardless of the number of Shares they held without exerting downward pressure on the Share price.

3.4 Comparables analysis

In evaluating the fairness and reasonableness of the Total Price, we have attempted to conduct a price multiple analysis with comparable listed companies. We have searched for companies listed on the Main Board of the Stock Exchange which (a) derived over 50% of their revenue from the design, development, manufacturing and/or installation of automated test equipment and/or factory automated solutions, which is similar to the Group's businesses; (b) had market capitalisation of less than HK\$5.0 billion as at the Last Trading Day, after taking into account the implied valuation of the Company calculated based on the Total Price of approximately HK\$2.4 billion.

Based on the above selection criteria, no comparable companies could be identified. We have extended the scope of criterion (b) to include companies with market capitalisation of less than HK\$10.0 billion. However, no comparable companies could be identified. We consider that it is not appropriate to amend criterion (a) above as it is critical for identifying comparable companies that are principally engaged in the design, development, manufacturing and/or installation of automated test equipment and/or factory automated solutions, which is a rather specialised business. In particular, given the specialised nature of such automated equipment or solutions businesses, we consider that it is not appropriate to expand such criterion to include broadly the companies engaged in general application software businesses, given that the business models, revenue drivers and market dynamics of these companies may differ from the Group, potentially distorting our assessment from the perspective of comparables analysis. We are of the view that the primary factor in assessing the fairness and reasonableness of the Total Price is to compare the Total Price to the recent Share prices, which are the market consensus of the value of the Company. As such, we consider that our assessment on the Total Price is not affected in this regard.

3.5 Privatisation precedents

To assess the fairness and reasonableness of the terms of the Proposal, we have identified recent successful privatisation precedents on the Main Board of the Stock Exchange and compared their respective cancellation prices relative to their share prices and NAV per share. In selecting the privatisation precedents, we have screened for companies listed on the Main Board of the Stock Exchange for which: (a) the privatisation proposal was conducted by way of a scheme of arrangement; (b) the privatisation was announced between 1 December 2022 and the Last Trading Day; and (c) the privatisation had been successful on or before the Last Trading Day. Based on our research, we have identified an exhaustive list of 16 privatisations precedents (the “Privatisation Precedents”). We consider that such review period which covers approximately two years and the sample size identified under such basis are appropriate and sufficient for analysis of the pricing of recent privatisations and such period is close enough to reflect the prevailing market conditions in Hong Kong. It should be noted that the subject companies in the Privatisation Precedents were involved in industries which are not identical to that of the Company. As such, the analysis should not be considered on an isolated basis but should be taken into account in totality with other factors for considering the Proposal. Nevertheless, we are of the view that the Privatisation Precedents would be able to provide us with a fair and representative reference of the recent market pricings of privatisations. Set out below is the premium/discount of the cancellation price over/to (i) the respective closing share prices on the last trading day; (ii) the respective average closing share prices for the last 10, 30, 60, 90 and 120 trading days up to and including the last trading day of shares; and (iii) the companies’ NAV or adjusted NAV (if available) per share of the Privatisation Precedents and the Proposal.

Date of announcement	Company	Stock code	Principal business	Premium/(discount) of cancellation price over/to the closing price/average closing price per share ^(Note 1)						Premium/(discount) of cancellation price over/to latest NAV or adjusted NAV per share ^(Note 3)
				Last trading day	Last 10 trading days average ^(Note 2)	Last 30 trading days average ^(Note 2)	Last 60 trading days average ^(Note 2)	Last 90 trading days average ^(Note 2)	Last 120 trading days average ^(Note 2)	
16 Jul 2024	Samson Holdings Ltd.	531	Manufactures, sells and trades furniture, and provides procurement services	50.0%	94.6%	143.2%	181.4%	182.2%	171.2%	(47.1)%
19 Jun 2024	Asia Standard Hotel Group Limited	292	Engages in holding and operating hotels and property development	52.8%	41.0%	57.1%	71.9%	71.9%	64.2%	(98.6)%
12 Jun 2024	A8 New Media Group Limited	800	Engages in online literature and film and television production	162.8%	168.7%	185.7%	185.7%	174.8%	155.3%	(48.1)%
27 May 2024	Huafa Property Services Group Company Limited	982	Offers property and facility management, design and engineering consulting, brand introduction, hotel advisory, events, and exhibition services	30.6%	40.1%	70.6%	82.2%	88.3%	90.0%	970.1%
18 Apr 2024	Kin Yat Holdings Limited	638	Develops and produces niche, technology-driven and quality electrical and electronic products as well as provides electric motor drives and related products	33.3%	52.4%	51.5%	53.6%	55.9%	63.5%	(57.4)%
28 Mar 2024	SciClone Pharmaceuticals (Holdings) Limited	6600	Develops, produces and sells oncology drug, infectious diseases drugs, and other products	17.2%	34.1%	45.7%	47.6%	48.0%	57.3%	228.4%

Date of announcement	Company	Stock code	Principal business	Premium/(discount) of cancellation price over/to the closing price/average closing price per share <i>(Note 1)</i>						Premium/ (discount) of cancellation price over/to latest NAV or adjusted NAV per share <i>(Note 3)</i>
				Last trading day	Last 10 trading days average <i>(Note 2)</i>	Last 30 trading days average <i>(Note 2)</i>	Last 60 trading days average <i>(Note 2)</i>	Last 90 trading days average <i>(Note 2)</i>	Last 120 trading days average <i>(Note 2)</i>	
14 Dec 2023	Sinosoft Technology Group Limited	1297	Develops and markets export tax software and related services, carbon management solutions, e-Government solutions	29.4%	31.2%	31.1%	22.5%	15.0%	11.4%	(78.9)%
6 Oct 2023	Haitong International Holdings Limited	665	Provides brokerage and retail margin financing, corporate finance, investment management, fixed income, currency and commodities as well as structured financing products	114.1%	108.2%	126.5%	122.2%	124.5%	125.2%	39.3%
6 Oct 2023	Fine Care Group Limited	1989	Operates care and attention homes for elderly and provides related services	(1.1)%	0.9%	1.5%	8.9%	22.9%	30.0%	(7.9)%
15 Sep 2023	Lansen Pharmaceutical Holdings Limited	503	Produces and sells rheumatic specialty prescription western pharmaceuticals	26.8%	22.5%	20.0%	15.4%	20.8%	21.2%	(22.1)%
1 Sep 2023	CST Group Limited	985	Provides e-logistics, mining businesses and copper mining services	61.3%	21.4%	36.6%	(1.4)%	(14.9)%	(24.0)%	(60.7)%
27 Jun 2023	Daji Foods Group Company Limited	3799	Manufactures and sells food and beverage	37.9%	39.4%	30.2%	21.8%	18.7%	14.6%	151.7%
11 Jun 2023	Mason Group Holdings Limited	273	Provides financial services, including financial brokerage, leveraged and acquisition financing, asset and wealth management and mortgages business, and also health solutions	20.7%	19.4%	19.0%	16.2%	12.7%	13.9%	(60.1)%
28 May 2023	Golden Eagle Retail Group Limited	3308	Operates department stores	40.4%	61.5%	54.9%	49.6%	54.6%	49.2%	(47.4)%
21 Feb 2023	Jiangnan Group Limited	1366	Manufactures and sells wires and cables for power transmission, distribution systems and electrical equipment	12.7%	89.9%	101.4%	99.6%	90.2%	82.7%	(65.4)%
17 Feb 2023	AAG Energy Holdings Limited	2686	Engages in coalbed methane exploration and development	10.1%	9.3%	10.7%	24.0%	27.2%	25.7%	(27.5)%
			Maximum	162.8%	168.7%	185.7%	185.7%	182.2%	171.2%	970.1%
			Minimum	(1.1)%	0.9%	1.5%	(1.4)%	(14.9)%	(24.0)%	(98.6)%
			Average	43.7%	52.2%	61.6%	62.6%	62.1%	59.5%	48.0%
			Median	32.0%	39.8%	48.6%	48.6%	51.3%	53.3%	(47.2)%
			The Proposal (based on Last Trading Day)	25.0%	53.6%	52.7%	50.2%	51.0%	50.2%	32.6%
			The Proposal (based on Last Undisturbed Day)	56.3%	58.5%	53.4%	50.8%	51.5%	50.2%	32.6%

Notes:

1. The figures are extracted from the respective scheme documents. If such data is not available, the figures are calculated based on the cancellation price divided by average closing price of shares during the relevant period. No special dividend was declared as part of the privatisation proposal for the Privatisation Precedents.
2. Up to and including the last trading day of the shares.
3. Represents the premium/discount of cancellation price over/to the latest NAV or adjusted NAV (if available) per share of the companies as extracted from the respective scheme documents.

As shown in the table above, the premium represented by the Total Price over the closing Share price on the Last Trading Day, the average closing prices of the last 10, 30, 60, 90 and 120 trading days up to and including the Last Trading Day are close to the average and/or median of the Privatisation Precedents in general. The aforesaid observation also applies for the Last Undisturbed Day. In addition, while the cancellation price for most of the Privatisation Precedents represented a discount to NAV per share or adjusted NAV per Share (if available), the Total Price represented a premium of approximately 32.6% over the Adjusted NAV per Share.

Therefore, we consider the Total Price is fair and reasonable from the perspective of the privatisation precedents analysis.

RECOMMENDATION

In arriving at our recommendation in respect of the Proposal, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and incorporated in the full context of the letter):

- (a) The deterioration in profitability of the Group for 9M2024 as compared with 9M2023;
- (b) The challenges and uncertainties faced by the ATE and FAS industries as a result of geopolitical tensions and economic uncertainties;
- (c) The Total Price represents a premium of approximately 32.8% over the average closing Share price from the beginning of the Review Period to the Last Undisturbed Day;
- (d) The premiums represented by the Total Price over the closing Share price on the Last Trading Day, the average closing Share prices of the last 10, 30, 60, 90 and 120 trading days up to and including the Last Trading Day are close to the average and/or median of the Privatisation Precedents in general;
- (e) While the cancellation price for most of the Privatisation Precedents represented a discount to NAV per share or adjusted NAV per share (if available), the Total Price represented a premium of approximately 32.6% over the Adjusted NAV per Share;

- (f) For those Disinterested Shareholders interested in dividend return from investments, they may consider to reinvest the proceeds from the Proposal in other listed companies in Hong Kong to achieve a higher dividend return; and
- (g) Given that the liquidity of the Shares was thin during the Review Period, it may be difficult for the Disinterested Shareholders to dispose of their Shares in the open market without exerting downward pressure on the Share price.

We consider that the Proposal provides the Disinterested Shareholders with an assured opportunity to exit and monetise their investments in the Company at a fixed Total Price, which is fair and reasonable.

Based on the above, we consider that the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of (a) the Scheme at the Court Meeting; (b) the implementation of the Proposal at the EGM; and (c) the Special Dividend at the EGM.

As different Disinterested Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Disinterested Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Quam Capital Limited



Noelle Hung
Managing Director

Ms. Noelle Hung is the Managing Director of Quam Capital and is licensed under the SFO as a Responsible Officer to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Noelle Hung has over 20 years of experience in corporate finance.