THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to take, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. Bursa Securities has not perused the contents of this Circular in relation to the Proposed Bonus Issue (as defined herein) prior to the issuance of this Circular as the said contents fall under the category of Exempt Circulars pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

This Circular shall not constitute an offer to sell or a solicitation of an offer to buy any securities, nor shall there be any sale or purchase of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Circular is issued to shareholders solely for the purpose of convening the Extraordinary General Meeting ("**EGM**") and seeking their approvals for the resolutions to be considered at such meeting. Shareholders are authorised to use this Circular solely for the purpose of considering the approvals sought. Persons to whom a copy of this Circular has been issued shall not circulate to any other person, reproduce or otherwise distribute this Circular or any information herein for any purpose whatsoever nor permit or cause the same to occur.

PENTAMASTER CORPORATION BERHAD
(Company No.: 572307-U)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

(I) PROPOSED LISTING EXERCISE OF PENTAMASTER INTERNATIONAL LIMITED ("PIL"), A SUBSIDIARY OF PENTAMASTER CORPORATION BERHAD ("PCB"), COMPRISING THE FOLLOWING:

(A) PROPOSED ESTABLISHMENT OF A SHARE AWARD SCHEME FOR THE ELIGIBLE EMPLOYEES OF PIL AND ITS SUBSIDIARIES ("PROPOSED SHARE AWARD SCHEME");

(B) PROPOSED LISTING OF PCB'S AUTOMATION SOLUTION BUSINESS ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("PROPOSED LISTING");

(C) PROPOSED DILUTION OF PCB'S EQUITY INTEREST IN PIL PURSUANT TO THE PROPOSED LISTING;

(II) PROPOSED BONUS ISSUE OF 11,725,386 NEW ORDINARY SHARES IN PCB ("PCB SHARE(S)") ("BONUS SHARES") ON THE BASIS OF 2 BONUS SHARES FOR EVERY 25 EXISTING PCB SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE"); AND

(III) PROPOSED SHARE SPLIT INVOLVING THE SUBDIVISION OF EVERY 1 PCB SHARE HELD AFTER THE PROPOSED BONUS ISSUE INTO 2 PCB SHARES

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

AFFIN HWANG INVESTMENT BANK BERHAD (14389-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the EGM of PCB to be held at the Conference Room of PCB at Plot 18 & 19 Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang on Thursday, 16 November 2017 at 11.00 a.m., or any adjournment of thereof together with the Proxy Form are enclosed in this Circular.

A member that is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and to vote on his/her behalf. As such, the Proxy Form must be completed and lodged at the registered office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang, not less than forty-eight (48) hours before the time fixed for holding the EGM, or at any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	:	Tuesday, 14 November 2017, at 11.00 a.m.
Date and time of EGM	:	Thursday, 16 November 2017, at 11.00 a.m.

This Circular is dated 24 October 2017

DEFINITIONS

Except where the context otherwise requires, the following terms and abbreviations shall apply throughout the Circular:

Act	:	The Companies Act, 2016, including any amendment that may be made thereto from time to time
Affin Hwang IB or Principal Adviser	:	Affin Hwang Investment Bank Berhad (14389-U)
AMS	:	Automated manufacturing solutions
Automation Solution Business	:	Comprising PT, PQ and PU, which are principally involved in the automated equipment and automated manufacturing solutions business segments
Board	:	Board of Directors of PCB
Bonus Share(s)	:	11,725,386 new PCB Shares to be issued pursuant to the Proposed Bonus Issue
Bursa Depository	:	Bursa Malaysia Depository Sdn. Bhd. (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Cayman 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
Circular	:	This circular to shareholders dated 24 October 2017 in relation to the Proposals
Director(s)	:	Director(s) of PCB
EGM	:	Extraordinary general meeting
Eligible Employee(s)	:	The directors and employees of the PIL Group who meet the criteria as set out in the Scheme Rules
Entitled Shareholders	:	Shareholders of PCB whose names appear in the Record of Depositors of the Company on the Entitlement Date
Entitlement Date	:	A date to be determined and announced later by the Board, on which the names of the shareholders of PCB must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to be entitled to participate in the Proposed Bonus Issue and Proposed Share Split
EPS	:	Earnings per share
FPE	:	Financial period ended
FYE	:	Financial year ended/ending, as the case may be
GEMS	:	GEMS Opportunities Limited Partnership
HKD	:	Hong Kong Dollar
i-ARMS	:	Intelligent automated robotic manufacturing system
Interested Parties	:	Chuah Choon Bin and Gan Pei Joo, collectively, by virtue of their interests in the Proposed Share Award
ISO	:	International Organisation for Standardisation
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	29 September 2017, being the latest practicable date prior to the printing of this Circular

McMillan Woods	:	McMillan Woods Partners (Singapore) PAC, a firm of Chartered Accountants in Singapore, who is appointed as the independent valuer by the Company to provide valuation on the fair market value of the PIL Group to the Board
MEMS	:	Microelectromechanical systems, a technology of microscopic devices that integrate electrical and mechanical elements
NA	:	Net assets
New Shares	:	192,000,000 new PIL Shares proposed to be offered for subscription at the Offer Price under the Proposed Share Offer, comprising 36,800,000 new PIL Shares under public offer and 155,200,000 new PIL Shares under placement (which is indicative and subject to change)
Offer Price	:	The final price for each Offer Share to be subscribed for under the Proposed Share Offer
Offer Share(s)	:	368,000,000 PIL Shares to be offered for subscription under the Proposed Share Offer (which is indicative and subject to change)
PACSB	:	Penang Automation Cluster Sdn. Bhd. (1192380-V)
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PCB or Company	:	Pentamaster Corporation Berhad (572307-U)
PCB Group or Group	:	PCB, its subsidiaries and associated company, collectively
PCB Share(s) or Share(s)	:	Ordinary share(s) in PCB
PIL	:	Pentamaster International Limited (MC-323853)
PIL Board	:	Board of Directors of PIL
PIL Group	:	PIL, its subsidiaries and associated company, collectively
PIL Share(s)	:	Ordinary share(s) of HKD0.01 each in PIL
PQ	:	Pentamaster Equipment Manufacturing Sdn. Bhd. (749166-A)
PRC	:	The People's Republic of China, but for the purpose of this Circular and unless otherwise indicated, excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
Proposals	:	Proposed Listing Exercise, Proposed Bonus Issue and Proposed Share Split, collectively
Proposed Bonus Issue	:	Proposed bonus issue of 11,725,386 new PCB Shares on the basis of 2 Bonus Shares for every 25 existing PCB Shares held on the Entitlement Date
Proposed Capitalisation Issue	:	The allotment and issuance of 1,407,761,904 PIL Shares (which is indicative and subject to change) to PIL's shareholders whose names are on the register of members of PIL prior to the Proposed Share Offer by way of capitalising HKD14,077,619.04 (equivalent to RM7,609,474) standing to the credit of PIL's share premium account
Proposed Dilution	:	Proposed dilution of PCB's equity interest in PIL pursuant to the Proposed Listing
Proposed Listing	:	Proposed listing of PIL Shares on the Main Board of SEHK

Proposed Listing Exercise	:	Proposed Share Award Scheme, Proposed Listing and Proposed Dilution, collectively
Proposed Share Award Scheme	:	Proposed establishment of a share award scheme by PCB for the Eligible Employees
Proposed Share Award	:	Proposed allocation of PIL Shares under the Proposed Share Award Scheme to the Eligible Employees
Proposed Share Offer	:	Proposed public offer and placement of 368,000,000 Offer Shares (which is indicative and subject to change) to the public and selected professional, institutional or other investors
Proposed Share Split	:	Proposed share split involving the subdivision of every 1 PCB Share held after the Proposed Bonus Issue into 2 Subdivided Shares
PT	:	Pentamaster Technology (M) Sdn. Bhd. (336488-H)
PU	:	Pentamaster Instrumentation Sdn. Bhd. (637373-M)
PU Acquisition	:	Acquisition of 120,000 ordinary shares in PU, representing the remaining 40% equity interest in PU not owned by PCB for a total cash consideration of RM6,000,000, from Moey Huey Chyan, Teoh Siow Khiang and Kang Soo Huah
R&D	:	Research and development
Record of Depositors	:	A record of depositors established by Bursa Depository under the rules of Bursa Depository
RM and sen	:	Ringgit Malaysia and sen, respectively
Sale Shares	:	176,000,000 PIL Shares proposed to be offered by PCB under placement at the Offer Price under the Proposed Share Offer (which is indicative and subject to change)
Scheme Rules	:	The rules of the Proposed Share Award Scheme to be adopted by PCB subsequent to obtaining approval from PCB's shareholders
Scheme Consideration	:	The total cash consideration of RM29,500,000 to be paid by the Eligible Employees to PCB for the purchase of a total of 20,000 PIL Shares under the Proposed Share Award Scheme
SEHK	:	The Stock Exchange of Hong Kong Limited
Sq. ft.	:	Square feet
Subdivided Share(s)	:	Ordinary share(s) in PCB after the completion of the Proposed Share Split
US	:	United States of America

Exchange rates:

Unless otherwise stated, the following exchange rate as at the LPD is used in this Circular:

HKD100 : RM54.0537

(Source: Bank Negara Malaysia website)

References to "we", "us", "our" and "ourselves" are reference to our Company, and where the context otherwise requires, our subsidiaries. All references to "you" are to our shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time or date in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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PENTAMASTER CORPORATION BERHAD
(Company No.: 572307-U)
(Incorporated in Malaysia)

Registered Office:

35, 1st Floor
Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya
Penang

24 October 2017

Board of Directors:

Chuah Choon Bin *(Executive Chairman)*
Chuah Chong Ewe *(Chief Executive Officer)*
Gan Pei Joo *(Finance Executive Director)*
Loh Nam Hooi *(Non-Executive Independent Director)*
Sim Seng Loong @ Tai Seng *(Non-Executive Independent Director)*
Leng Kean Yong *(Non-Executive Independent Director)*

To: The shareholders of PCB

Dear Sirs,

(I) PROPOSED LISTING EXERCISE;
(II) PROPOSED BONUS ISSUE; AND
(III) PROPOSED SHARE SPLIT.

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1. INTRODUCTION

On 11 September 2017, Affin Hwang IB, on behalf of the Board had announced that PCB proposes to undertake the Proposed Listing Exercise and that the SEHK had, on even date, acknowledged receipt of PIL's application for the Proposed Listing, through Altus Capital Limited (being the sponsor to the Proposed Listing). Altus Capital Limited is a corporation licensed by the Securities and Futures Commission of Hong Kong to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On 21 September 2017, Affin Hwang IB, on behalf of the Board had announced that PCB proposes to undertake the Proposed Bonus Issue and Proposed Share Split.

On 29 September 2017, Affin Hwang IB, on behalf of the Board had announced that the listing application in relation to the Proposed Bonus Issue and Proposed Share Split had been submitted to Bursa Securities. Bursa Securities had vide its letter dated 16 October 2017, approved the Proposed Share Split and the listing of and quotation for the Bonus Shares, subject to the conditions as set out in **Section 9** of this Circular.

Further details of the Proposals are set out in **Section 2** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF PCB WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK THE APPROVAL FROM THE SHAREHOLDERS OF PCB ON THE RELEVANT RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF THE FORTHCOMING EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

SHAREHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS TOGETHER WITH THE APPENDICES OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

THIS CIRCULAR SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SHARES NOR SHALL THERE BE ANY SALE OF ANY SHARES IN ANY JURISDICTION IN WHICH SUCH AN OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION. THIS CIRCULAR IS ISSUED TO YOU SOLELY FOR THE PURPOSE OF CONVENING THE EGM AND SEEKING YOUR APPROVAL FOR THE RESOLUTIONS TO BE CONSIDERED AT THE EGM. YOU ARE AUTHORISED TO USE THIS CIRCULAR SOLELY FOR THE PURPOSE OF CONSIDERING THE APPROVAL SOUGHT.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Listing Exercise

To facilitate the Proposed Listing Exercise, the PCB Group had undertaken the following restructuring exercise:

(i) PU Acquisition

On 9 June 2017, PCB had announced that the Company had, on even date, acquired 120,000 ordinary shares in PU ("**PU Shares**"), representing the remaining 40% equity interest in PU not owned by PCB for a total cash consideration of RM6,000,000, from Moey Huey Chyan, Teoh Siow Khiang and Kang Soo Huah. Upon completion of PU Acquisition, PU became a wholly-owned subsidiary of PCB.

The purchase consideration for the PU Acquisition is arrived at on a willing seller and willing buyer basis and based substantially on the estimated current NA of PU. In arriving at the price which works out to RM50.00 per PU Share, the parties took into consideration the NA of RM33.15 per PU Share based on the audited financial statements of PU as at 31 December 2016 and the NA of RM41.12 per PU Share based on the unaudited management accounts as at 31 March 2017. As PU is currently a profitable company, the parties agreed at the price of RM50.00 per PU Share taking into consideration the current NA and its earnings contribution going forward.

The PU Acquisition was funded through the Company's internally generated funds. The PU Acquisition is not subject to the approval of any governmental authorities or the shareholders of the Company, as announced on Bursa Securities on 9 June 2017.The PU Acquisition was completed on 9 June 2017.

(ii) Incorporation of PIL

PIL was incorporated in the Cayman Islands on 12 June 2017 to act as the listing vehicle for the Proposed Listing and the holding company of the Automation Solution Business, comprising PT, PQ and PU.

(iii) Internal Reorganisation

On 17 July 2017, the PCB Group had undertaken a reorganisation ("**Internal Reorganisation**"). Details of the Internal Reorganisation are set out below:

Subsidiary	Transferor	Transferee	No. of ordinary shares transferred	Equity interest (%)	Audited NA as at 31 December 2016 (RM)	Reorganisation consideration (RM)
PT	PCB	PIL	2,400,000	100.00	65,837,630	65,837,630
PQ	PCB	PIL	13,160,000	100.00	10,994,363	10,994,363
PU	PCB	PIL	300,000	100.00	9,944,494	9,944,494
Total						**86,776,487**

The total consideration for the Internal Reorganisation of RM86,776,487 was determined with reference to the aggregate audited NA of PT, PQ and PU as at 31 December 2016 and was settled via the issuance of an aggregate of 999 PIL Shares to PCB on 21 July 2017. Upon completion of the Internal Reorganisation, PT, PQ and PU became direct wholly-owned subsidiaries of PIL to form the PIL Group.

The date and cost of investment of PCB in PT, PQ and PU are as follows:

Company	Date of investment	No. of shares	Cost of investment by PCB (RM)
PT	30.11.2002	600,000	7,053,821
	01.12.2004	1,800,000	1,800,000
		2,400,000	8,853,821
PQ	02.10.2006	2	2
	11.01.2007	499,998	499,998
	22.09.2014	12,660,000	12,660,000
		13,160,000	13,160,000
PU	19.07.2004	180,000	180,000
	21.06.2017	120,000	6,000,000
		300,000	6,180,000

Pursuant to the Internal Reorganisation, the date and total cost of investment of PIL in PT, PQ and PU is as follows:

Company	Date of investment	No. of shares	Cost of investment (RM)
PT, PQ and PU	21.07.2017	Entire ordinary shares of PT, PQ and PU	86,776,487

(iv) Investment by GEMS ("GEMS Investment")

On 17 July 2017, PCB entered into a sale and purchase agreement with GEMS, pursuant to which, PCB agreed to sell and GEMS agreed to purchase 74 PIL Shares, representing 7.40% of the equity interest in PIL, after the Internal Reorganisation, for a total cash consideration of RM25,500,000 ("**GEMS Consideration**"), which was fully settled in cash on 8 August 2017.

The 74 PIL Shares were transferred from PCB to GEMS on 31 July 2017. The resultant shareholding structure of PIL pursuant to the GEMS Investment is as follows:

Name	No. of PIL Shares	%
PCB	926	92.60
GEMS	74	7.40
Total	**1,000**	**100.00**

(a) Information on GEMS

GEMS is a private equity limited partnership fund incorporated in Singapore with the Accounting and Corporate Regulatory Authority and having its registered office at 8 Eu Tong Sen Street, #21-83, The Central, Singapore 059818.

GEMS focuses 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, a registered fund management company in Singapore with its address at 8 Eu Tong Sen Street, #21-83, The Central, Singapore 059818. GEMS Capital Pte Ltd was formed in 1999 and has been in the fund management business for approximately 18 years.

GEMS Capital Pte Ltd is an exempt private company limited by shares with its principal activities in fund management activities. The directors and shareholders of GEMS Capital Pte Ltd are as follows:

Name	Designation	No. of shares	%
Lim Choon Kee	Director	600,000	75.00
Chng Kwei Hoong	Director	200,000	25.00
Total		**800,000**	**100.00**

(b) Basis and justification in arriving at the GEMS Consideration

The GEMS Consideration of RM25,500,000 was arrived at after taking into consideration the following:

(aa) Price to earnings multiple ("**PE Multiple**") of approximately 10.40 times to the aggregate audited PAT of PT, PQ and PU of RM33,141,137 for the FYE 31 December 2016.

The PE Multiple against the proportion of interest to be held by GEMS i.e. 7.40% to the aggregate audited PAT of PT, PQ and PU of RM2,452,444 for the FYE 31 December 2016 is approximately 10.40 times.

The high and low of PCB's traded PE Multiple for the past twelve (12) months up to 30 June 2017 are set out in the table below:

Date	High PE Multiple (times)	Low PE Multiple (times)
12-months up to 30 June 2017	17.96	6.45

(Source: Bloomberg)

The PE Multiple of approximately 10.40 times falls within the range of the high (17.96 times) and low (6.45 times) of PCB's traded PE Multiple for the past twelve (12) months up to 30 June 2017.

(bb) Price to book multiple ("**PB Multiple**") of approximately 3.97 times to the aggregate audited NA of PT, PQ and PU of RM86,776,487 as at 31 December 2016.

The PB Multiple against the proportion of interest to be held by GEMS i.e. 7.40% to the aggregate audited NA of PT, PQ and PU of RM6,421,460 as at 31 December 2016 is approximately 3.97 times.

The closing PB Multiple of PCB for the past twelve (12) months up to 30 June 2017 are set out in the table below:

Date	Closing PB Multiple (times)	Premium/ (Discount) to the closing PB Multiple (%)
1-month up to 30 June 2017	4.76	(16.60)
3-months up to 30 June 2017	3.69	7.59
6-months up to 30 June 2017	1.92	106.77
12-months up to 30 June 2017	1.47	170.07

(Source: Bloomberg)

The PB Multiple of approximately 3.97 times falls within the range of the high (4.76 times) and low (1.47 times) of PCB's closing PB Multiple for the past twelve (12) months up to 30 June 2017.

(c) Expected gain arising from the GEMS Investment

The GEMS Investment is expected to result in a gain on disposal at PCB's company level of RM19,078,540.

There will be no gain or loss on disposal to be registered at PCB's consolidated statement of comprehensive income as the GEMS Investment will not result in a loss of control of PIL from the perspective of the PCB Group. The difference between the GEMS Consideration and the NA shared by GEMS in PIL of 7.40%, will be recognised directly in the retained profits of the consolidated statement of financial position of the PCB Group.

(d) Utilisation of proceeds

The proceeds from the GEMS Investment are proposed to be utilised in the following manner:

Details of utilisation	Amount (RM'000)	Estimated timeframe for utilisation*
Expenses in relation to the Proposed Listing[(1)]	15,000	Within 12 months
Repayment of bank borrowings[(2)]	7,500	Within 12 months
Staff and other general administrative and operating related expenses[(3)]	2,500	Within 12 months
Sales and marketing expenses	500	Within 12 months
Total	**25,500**	

Notes:

* *From the completion date of GEMS Investment.*

(1) *PCB will prepay the expenses incidental to the Proposed Listing to be borne by PIL. The amount paid by PCB will be reimbursed by PIL via proceeds raised from the Proposed Listing in due course.*

The actual expenses in relation to the Proposed Listing cannot be determined at this juncture as it is subject to the appointment of various advisers, finalisation of the listing scheme (including the issue price) and the outcome of the book building exercise to be conducted in the future.

Notwithstanding this, the expenses are estimated to be approximately RM15.00 million (including professional fees, regulatory fees and other miscellaneous expenses). Any variation in the estimated expenses for the Proposed Listing will be adjusted to/ from the proceeds allocated for staff and other general administrative and operating related expenses. The receipt of RM15.00 million from PIL is subject to the successful listing of PIL on the Main Board of the SEHK, the timing of which has yet to be determined at this juncture.

It is anticipated that the amount to be reimbursed by PIL will be utilised for the working capital requirement of the PCB Group. The working capital would be used to fund the PCB Group's day-to-day operations to support its existing business operations which shall include, but not limited to, payment of trade and other payables, employee costs, marketing and administrative expenses. The breakdown of utilisation for each component cannot be determined at this juncture.

(2) *As at the LPD, the PCB Group has fully repaid the bank borrowings amounting to RM7.50 million. The repayment is expected to result in interest savings of RM551,250 to PCB (based on an interest rate of 7.35% per annum).*

(3) *The breakdown of proceeds for staff and other general administrative and operating related expenses are set out below:*

Details of utilisation	***Amount (RM'000)***
Staff related expenses (including payment of staff salaries and other statutory contributions for additional headcounts to support the Company's existing business)	*2,000*
Other general administrative and operating related expenses (including payment of insurance premium, purchase of various office supplies, utilities and professional fees)	*500*
Total	***2,500***

Pursuant to the sale and purchase agreement with GEMS, PCB and GEMS had also entered into an option arrangement letter whereby GEMS had granted PCB the right to acquire the PIL Shares held by GEMS at the equivalent of RM25,500,000 in the event that the Proposed Listing does not take place on or before 31 December 2018 or such later date as may be agreed in writing by PCB and GEMS ("**Call Option**"). In the event the application for the Proposed 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 application has been either lapsed, withdrawn or rejected by the SEHK.

Should the Call Option be exercised, PCB expects to fund the acquisition of PIL Shares under the Call Option via internally generated funds.

The PIL Shares held by GEMS will be subject to a lock-up period of twelve (12) months after the listing date of PIL, during which it shall not dispose of any of the PIL Shares it holds.

2.1.1 Proposed Share Award Scheme

Subject to approval being obtained from the shareholders of PCB and prior to the Proposed Share Offer, the Company proposes to undertake the Proposed Share Award Scheme to recognise contributions made by 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 PIL Group.

To facilitate the transfer of PIL Shares to the Eligible Employees by PCB under the Proposed Share Award Scheme, each of PCB and GEMS proposes to subscribe for 219,551 PIL Shares and 17,545 PIL Shares (being proportional to their shareholdings) at a consideration of HKD2,195.51 (equivalent to RM1,186.75) and HKD175.45 (equivalent to RM94.84), respectively ("**Proposed PIL Shares Subscription**"). The consideration for the Proposed PIL Shares Subscription is payable in cash upon subscription of PIL Shares by both PCB and GEMS and was determined with reference to the par value of PIL Shares. Upon completion of the Proposed PIL Shares Subscription, PCB's and GEMS' equity interest in PIL will remain at approximately 92.60% and 7.40%, respectively.

Pursuant to the Proposed Share Award Scheme, PCB proposes to transfer a total of 20,000 PIL Shares, representing approximately 8.40% of the equity interest in PIL, to the Eligible Employees for a total cash consideration of RM29,500,000. The Eligible Employees who meet the criteria as set out in the Scheme Rules may be able to participate in the Proposed Share Award Scheme whereby the Eligible Employees will purchase for their respective entitlement of the awarded PIL Shares at approximately RM1,475 per PIL Share. The Eligible Employees may accept the offer of PIL Shares within one (1) month from the date of offer and they shall pay the subscription amount in cash to PCB within seven (7) days of acceptance.

The Scheme Consideration was arrived at based on the number of PIL Shares in issue after the Proposed PIL Shares Subscription i.e. 238,096 PIL Shares as well as the fair market value for PIL of RM351,235,344 (translating into approximately RM1,475 per PIL Share) as at 1 September 2017 as ascribed by McMillan Woods.

In arriving at the said valuation, McMillan Woods has adopted the average of the fair market value of PIL derived from both the Income Method and Comparable Market Method that it considers to be appropriate and made certain assumptions (including diversification into new niche market i.e. i-ARMS, the nature of the semiconductor and automation industry where the growth may fluctuate significantly throughout its life cycle, business risk, revenue growth of 30% and implementation of cost savings measures), as set out in its Business Valuation Report dated 1 September 2017. Please refer to **Appendix II** of this Circular for further details on the Business Valuation Report.

(i) Principal terms of the Scheme Rules

The principal terms of the Proposed Share Award Scheme, details of which will be governed by the Scheme Rules, are set out in **Appendix I** of this Circular.

(ii) Proposed Share Award

The maximum number of PIL Shares to be awarded to the Eligible Employees pursuant to the Proposed Share Award Scheme are as follows:

Category	No. of persons	No. of PIL Shares
Directors[1]	2	3,860
Heads of department	6	6,290
Managers, Senior Executives and Supervisors	214	9,788
Other employees	10	62
Total	**232**	**20,000**

Note:

(1) *The allocation of PIL Shares to the directors of PIL is as follows:*

Name	***Designation***	***No. of PIL Shares***
Chuah Choon Bin	*Executive Director*	*3,000*
Gan Pei Joo	*Executive Director*	*860*
Total		***3,860***

The allocation of PIL Shares to the directors of PIL represents approximately 1.43% of the enlarged issued share capital of PIL upon completion of the Proposed Listing.

(iii) Expected gain arising from the Proposed Share Award Scheme

Upon completion of the Proposed Share Award Scheme, PCB expects to realise a gain on disposal of approximately RM22.22 million at its company level.

There will be no gain or loss on disposal to be registered at the group level of PCB's consolidated statement of comprehensive income as the Proposed Share Award Scheme will not result in a loss of control of PIL and the net positive financial effect of the dilution in equity interest will therefore be accounted as an equity transaction in the statement of changes in equity instead. The difference between the Scheme Consideration and the NA shared by the Eligible Employees in PIL based on 8.40% equity interest of PIL transferred to Eligible Employees under the Proposed Share Award Scheme will be recognised directly in the retained profits of the consolidated statement of financial position of the PCB Group.

(iv) Utilisation of proceeds

The proceeds raised from the Proposed Share Award Scheme are proposed to be utilised to fund the PCB Group's (excluding the PIL Group) working capital requirements to finance the growth of its existing operations and to support its day-to-day operations, the detailed breakdown of which are set out below:

Details of utilisation	**Amount (RM'000)**	**Estimated timeframe for utilisation***
Payment of staff salaries and benefits, including hiring of new staff and other statutory contributions	4,500	Within 12 months
Payment to suppliers/contractors/sub-contractors for the purchase of raw materials such as sensors, control panels, input/output control and computer field bus system and other services such as subcontracting work	20,000	Within 24 months
General administrative and operating expenses such as rental, utilities, telephone and sundry expenses	5,000	Within 12 months
Total	**29,500**	

Note:

* *From the date of receipt of such proceeds.*

2.1.2 Proposed Listing

Prior to the listing of PIL Shares on the Main Board of SEHK and subject to the approval of the SEHK, PIL proposes to increase its authorised share capital from HKD380,000 to HKD50,000,000 through the creation of 4,962,000,000 additional PIL Shares.

The Proposed Listing is expected to involve the following:

(i) Proposed Capitalisation Issue

Conditional upon the crediting of PIL's share premium account as a result of the issue of the Offer Shares pursuant to the Proposed Share Offer, the directors of PIL will be authorised to capitalise an amount of HKD14,077,619.04 (equivalent to RM7,609,474) standing to the credit of the share premium account of PIL by applying such sum towards the paying up in full at par a total of 1,407,761,904 PIL Shares* for allotment and issue to PIL's shareholders whose names are on the register of members of PIL prior to the Proposed Share Offer pro rata to their then shareholdings.

Note:

* *The size of the Proposed Capitalisation Issue is for information purposes only and is indicative and subject to change.*

(ii) Proposed Share Offer

PIL proposes to undertake an offer of 368,000,000 Offer Shares* for subscription by way of public offer and placement to the public and selected professional, institutional or other investors respectively, representing in aggregate 23.00% of the enlarged issued and paid-up share capital of PIL immediately after the completion of the Proposed Share Offer and Proposed Capitalisation Issue, at an Offer Price to be determined at a later date, involving the following:

(i) public issue of 192,000,000 new PIL Shares* comprising 36,800,000 new PIL Shares under public offer and 155,200,000 new PIL Shares under placement; and

(ii) offer for sale of 176,000,000 existing PIL Shares* to be offered by PCB under placement.

Note:

* *The number of Offer Shares is for information purposes only and is indicative and subject to change.*

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

The Offer Price shall be determined by PIL (for itself and on behalf of PCB) and the lead manager of the Proposed Listing (for itself and on behalf of the underwriters of the Proposed Listing) after taking into consideration the book building and the demand from investors as well as PE Multiples of selected comparable companies trading in the Asia Pacific region. The exact Offer Price and the structure of the Proposed Share Offer are subject to changes and cannot be ascertained as at the date of this Circular.

The details in respect of the Proposed Listing, including size and structure of the Proposed Share Offer, the Offer Price and amount of proceeds to be raised, will be determined at a later date upon approval being obtained from the SEHK and closer to the launch of the prospectus of PIL and after taking into account the prevailing equity market condition and industry condition in which the PIL Group is operating in.

The resultant changes in the shareholding structure of PIL prior to and upon completion of the Proposed Listing are as follows:

	Shareholdings as at the LPD		**Shareholdings after the Proposed PIL Shares Subscription and the Proposed Share Award Scheme**	
	No. of PIL Shares	**%(1)**	**No. of PIL Shares**	**%(2)**
PCB	926	92.60	200,477	84.20
Eligible Employees	-	-	20,000	8.40
GEMS	74	7.40	17,619	7.40
Other public shareholders	-	-	-	-
Total	**1,000**	**100.00**	**238,096**	**100.00**

	Shareholdings after the Proposed Capitalisation Issue		**Shareholdings after the Proposed Share Offer and upon completion of the Proposed Listing**	
	No. of PIL Shares	**%(3)**	**No. of PIL Shares**	**%(4)**
PCB	1,185,536,993	84.20	1,009,536,993	63.10
Eligible Employees	118,271,622	8.40	118,271,622	7.39
GEMS	104,191,385	7.40	104,191,385	6.51
Other public shareholders	-	-	368,000,000	23.00
Total	**1,408,000,000**	**100.00**	**1,600,000,000**	**100.00**

Notes:

(1) Computed based on the existing number of PIL Shares in issue of 1,000.

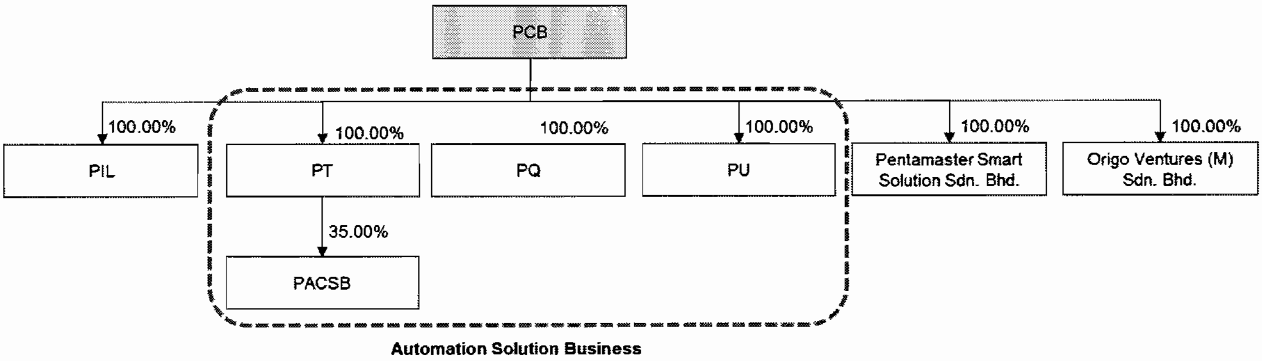
(2) Computed based on the number of PIL Shares in issue of 238,096 upon completion of the Proposed PIL Shares Subscription and Proposed Share Award Scheme.

(3) Computed based on the number of PIL Shares in issue of 1,408,000,000 upon completion of the Proposed Capitalisation Issue.

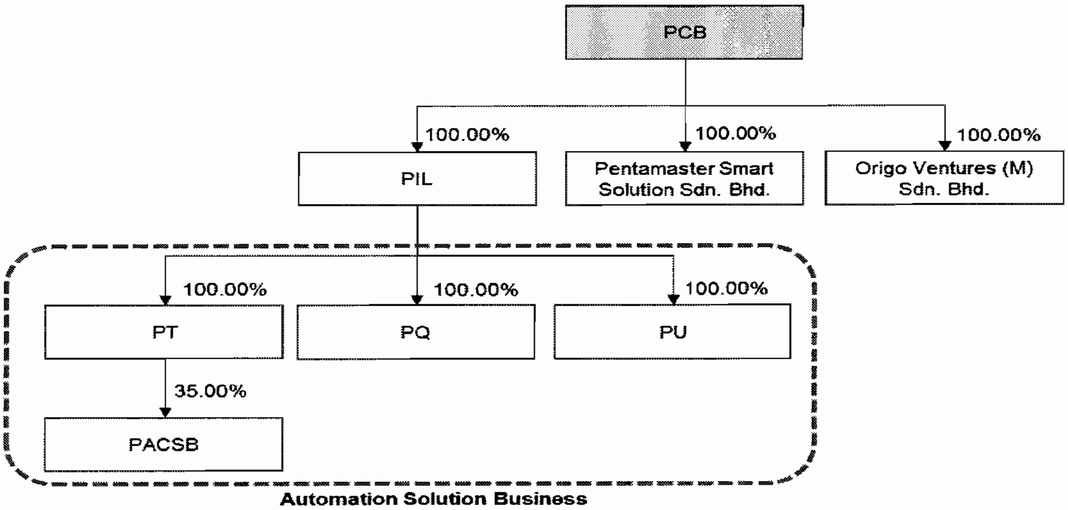
(4) Computed based on the enlarged number of PIL Shares of 1,600,000,000 upon completion of the Proposed Listing. The enlarged number of PIL Shares is for information purposes only and is indicative and subject to change.

The corporate structure of the PCB Group prior to and upon completion of the Proposed Listing are as follows:

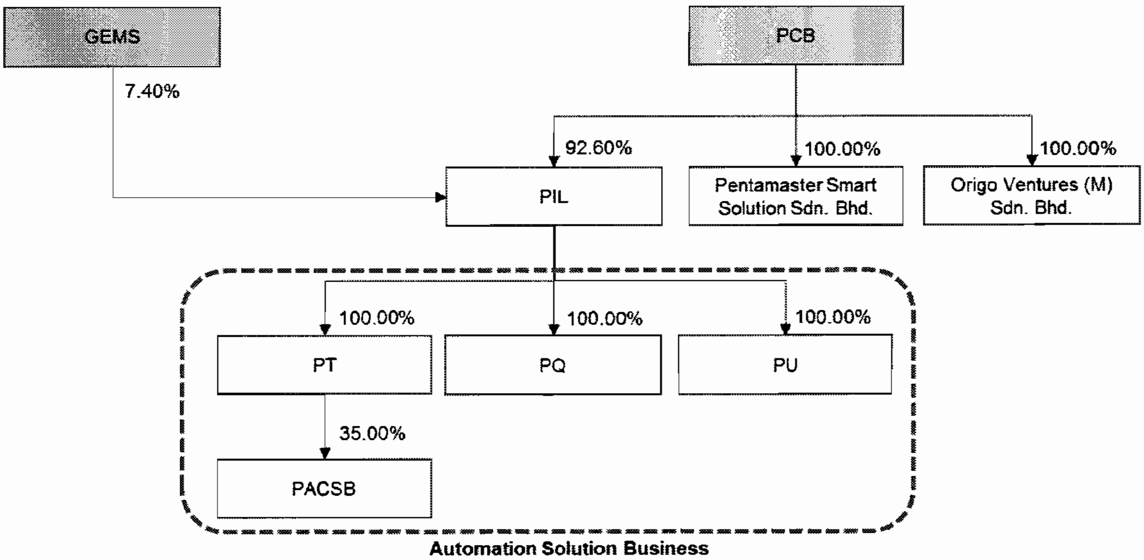
(i) **Upon completion of PU Acquisition and incorporation of PIL**



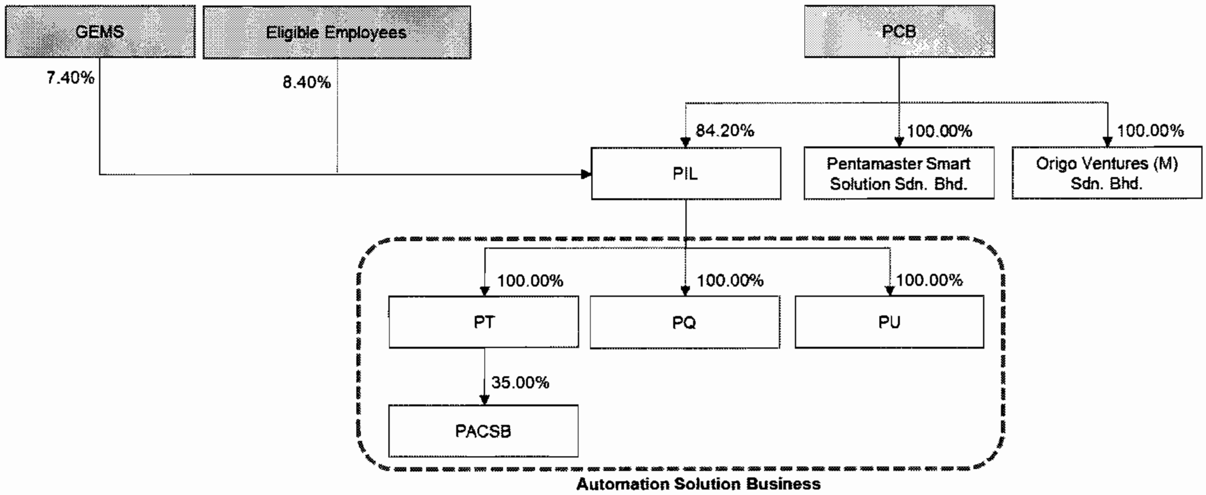
(ii) **Upon completion of the Internal Reorganisation**



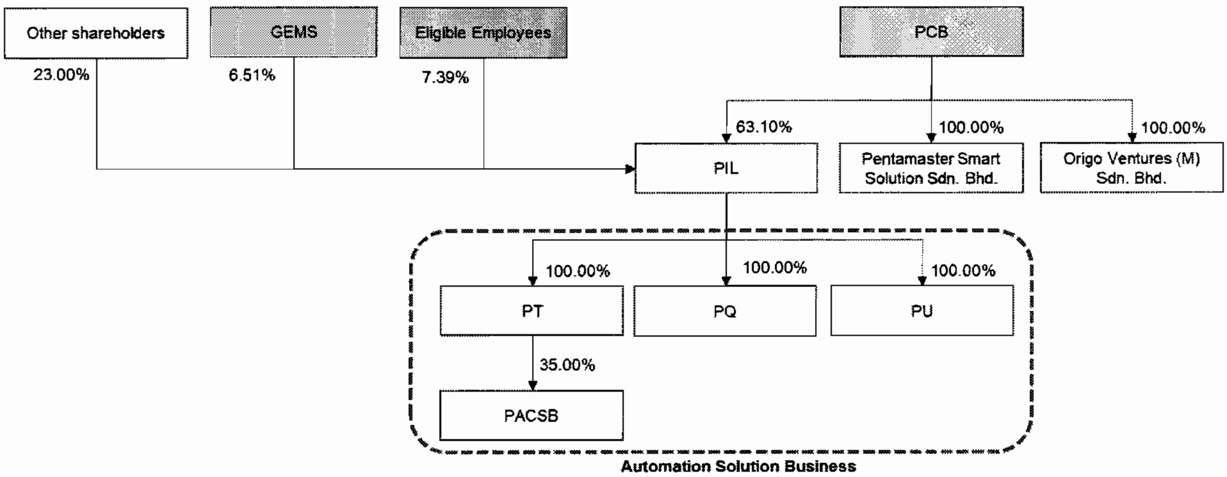
(iii) **Upon completion of the GEMS Investment**



(iv) **Upon completion of the Proposed Share Award Scheme**



(v) **Upon completion of the Proposed Listing**



2.1.3 Proposed Dilution

As a result of the Proposed Listing, PCB's equity interest in PIL will be diluted by approximately 29.50% from 92.60% as at the LPD to approximately 63.10% upon the completion of the Proposed Listing. Pursuant to Paragraph 8.21 of the Listing Requirements, PCB must obtain its shareholders' approval in a general meeting for the issue of shares or convertibles securities or options by its principal subsidiary (i.e. PIL) that results or could potentially result in a material dilution of PCB's equity interest in such principal subsidiary.

For avoidance of doubt, principal subsidiary and material dilution have the same meaning as defined in Chapter 1 and Paragraph 8.21 of the Listing Requirements, respectively.

2.2 Proposed Bonus Issue

2.2.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue will entail the issuance of 11,725,386 Bonus Shares to be credited as fully paid-up on the basis of 2 Bonus Shares for every 25 existing PCB Shares held by the Entitled Shareholders.

The issuance of 11,725,386 Bonus Shares is based on the issued share capital of the Company as at the LPD of RM79,303,370 comprising 146,567,333 PCB Shares. The Company does not hold any treasury shares as at the LPD.

In determining the shareholders' entitlement to the Proposed Bonus Issue, fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as the Board, in their discretion, thinks expedient and in the best interests of the Company.

The Proposed Bonus Issue will not be implemented on a staggered basis and will be implemented concurrently with the Proposed Share Split. It is the Board's intention to fix the Entitlement Date for the Proposed Bonus Issue and Proposed Share Split on the same date, which will be determined at a later date upon receipt of all relevant approvals for the Proposed Bonus Issue and Proposed Share Split.

2.2.2 Capitalisation of reserves

The Proposed Bonus Issue will be capitalised entirely from the Company's share premium account at RM0.50 per Bonus Share, being the reference to the par value of PCB Shares immediately before the effective date of the Act, pursuant to Section 618(7) of the Act.

An illustration of the proposed capitalisation for the Proposed Bonus Issue based on the Company's latest audited financial statements for the FYE 31 December 2016 and latest unaudited quarterly results for the 6-month FPE 30 June 2017 are as follows:

Company level	Audited as at 31 December 2016 (RM)	Unaudited as at 30 June 2017 (RM)
Share premium *	6,019,703	6,019,703
Less:		
Amount to be capitalised pursuant to the Proposed Bonus Issue	(5,862,693)	(5,862,693)
After the Proposed Bonus Issue	**157,010**	**157,010**

Note:

* *Pursuant to the Act which came into effect on 31 January 2017, the concept of par value will no longer be applicable and any amount standing to the credit of the Company's share premium account has been consolidated as part of its share capital. However, Section 618(3)(c) of the Act provides that the Company may utilise its share premium balance by undertaking the Proposed Bonus Issue within 24-month period from 31 January 2017.*

The Board confirms that the Proposed Bonus Issue and the implementation of the Proposed Bonus Issue is and will be in full compliance with the Act and Practice Note 1/2017 issued by the Companies Commission of Malaysia on 8 February 2017 for the purposes of subsections 618(3) and (4) of the Act.

Pursuant to Paragraph 6.30(1) of the Listing Requirements, the Board confirms that the Company has adequate reserves available for capitalisation of the Bonus Shares and such reserves are unimpaired by losses on a consolidated basis based on the latest audited financial statements of PCB for the FYE 31 December 2016 as well as the latest unaudited quarterly results for the FPE 30 June 2017.

2.2.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing PCB Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date precedes the date of allotment of the Bonus Shares.

2.2.4 Listing of and quotation for the Bonus Shares

Bursa Securities had vide its letter dated 16 October 2017, approved the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities, subject to the conditions as stated in **Section 9** of this Circular.

The Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day following the Entitlement Date. The notice of allotment of the Bonus Shares will be issued and despatched to the Entitled Shareholders within four (4) market days after the date of listing of and quotation for the Bonus Shares, or such other period as may be prescribed by Bursa Securities.

The Proposed Share Split will be undertaken immediately after the issuance of the Bonus Shares. Thus, the Bonus Shares to be listed shall be in the form of the Subdivided Shares.

2.3 Proposed Share Split

2.3.1 Basis and number of Subdivided Shares to be issued

The Proposed Share Split will entail the subdivision of every 1 PCB Share held by the Entitled Shareholders after the Proposed Bonus Issue into 2 Subdivided Shares.

Pursuant to the Proposed Bonus Issue, the issued share capital of PCB will be RM79,303,370 comprising 158,292,719 PCB Shares. Subsequently, upon completion of the Proposed Share Split, the issued share capital of PCB will be RM79,303,370 comprising 316,585,438 Subdivided Shares.

For illustrative purposes, based on the last transacted market price of PCB Shares as at the LPD of RM4.74, the market price of the Subdivided Shares after the Proposed Bonus Issue and Proposed Share Split shall theoretically be adjusted as follows:

	Market price/ Theoretical price per share	Assumed no. of ordinary shares held	Total value (RM)
As at the LPD	4.74	1,000	4,740
After the Proposed Bonus Issue	4.39	1,080	4,740
After the Proposed Share Split	2.19	2,160	4,740

As illustrated above, the Proposed Bonus Issue and Proposed Share Split are not expected to have any impact on the total value of PCB Shares held by the Entitled Shareholders.

2.3.2 Ranking of the Subdivided Shares

The Subdivided Shares shall, upon allotment and issuance, rank *pari passu* in all respects with each other.

2.3.3 Listing of and quotation for the Subdivided Shares

Bursa Securities had vide its letter dated 16 October 2017, approved the Proposed Share Split.

No suspension will be imposed on the trading of PCB Shares on Bursa Securities for the purpose of implementing the Proposed Share Split as the Proposed Share Split is prescribed as a Specified Subdivision pursuant to Paragraph 13.04(3) of the Listing Requirements.

The Subdivided Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day following the Entitlement Date. The notice of allotment of the Subdivided Shares will be issued and despatched to the Entitled Shareholders within four (4) market days after the date of listing of and quotation for the Subdivided Shares, or such other period as may be prescribed by Bursa Securities.

3. INFORMATION ON PIL

PIL was incorporated in the Cayman Islands on 12 June 2017 as an exempted company with limited liability under the Cayman Companies Law. As at the LPD, the authorised share capital of PIL is HKD380,000 divided into 38,000,000 PIL Shares.

Upon incorporation of PIL, one (1) PIL Share was allotted and issued to Mapcal Limited as an initial subscriber, which was then transferred to PCB on the same day. Pursuant to the Internal Reorganisation, the issued and paid-up share capital of PIL was increased to HKD10 divided into 1,000 PIL Shares on 21 July 2017.

As at the LPD, PIL is a 92.60%-owned subsidiary of PCB. The principal activity of PIL is investment holding and the principal activities of its subsidiaries are set out in **Section 5,** Appendix II of this Circular.

Please refer to **Appendix V** of this Circular for further details on PIL.

4. PROPOSED UTILISATION OF PROCEEDS FROM THE PROPOSED LISTING

The exact amount of proceeds to be raised from the Proposed Share Offer will depend upon the Offer Price which will be determined at a later date closer to the launch of PIL's prospectus.

(i) Proposed utilisation of proceeds by PCB

The indicative Offer Price is derived from preliminary assessment and feedback from market practitioners in Hong Kong. For illustrative purposes, the indicative Offer Price is expected to be between HKD0.95 (equivalent to RM0.51) ("**Minimum Scenario**") to HKD1.05 (equivalent to RM0.57) ("**Maximum Scenario**") per PIL Share ("**Indicative Offer Price**"). Based on the above, PCB is expected to receive gross proceeds of approximately HKD167.20 million (equivalent to RM90.38 million) and HKD184.80 million (equivalent to RM99.89 million) under the Minimum Scenario and Maximum Scenario, respectively, from the Sale Shares.

The gross proceeds are proposed to be utilised in the following manner:

Details of utilisation	Minimum Scenario		Maximum Scenario		Estimated timeframe for utilisation*
	HKD'000	RM'000	HKD'000	RM'000	
Business expansion through investment and acquisition[(1)]	62,848	33,972	69,884	37,775	Within 24 months
Investment into technology related solutions and business applications[(2)]	54,993	29,726	61,160	33,059	Within 60 months
Working capital[(3)]	39,169	21,172	43,566	23,549	Within 60 months
Defray estimated expenses in relation to the Proposals[(4)]	10,190	5,508	10,190	5,508	Within 6 months
Total	**167,200**	**90,378**	**184,800**	**99,891**	

Notes:

* *From the date of receipt of the proceeds.*

(1) *PCB intends to use approximately HKD62.85 million (equivalent to RM33.97 million) (Minimum Scenario) to approximately HKD69.88 million (equivalent to RM37.78 million) (Maximum Scenario) for the acquisition of and investment into companies, businesses or assets which have yet to be identified and will largely be complimentary to the existing business of PCB. This may include acquisitions of strategic investments and/or strategic collaborations, joint-ventures or alliances which will be announced upon being identified and agreements entered into. In the event the approval of the shareholders of PCB is required pursuant to the Listing Requirements for the strategic acquisitions or collaborations, joint ventures and/or alliances, such approval will be sought as per the provisions of the Listing Requirements.*

(2) *To complement PCB's existing smart control solutions system segment, PCB intends to use:*

(i) *approximately HKD15.71 million (equivalent to RM8.49 million) (Minimum Scenario) to approximately HKD17.48 million (equivalent to RM9.45 million) (Maximum Scenario) for internet of things solutions with applications covering digital mobile software, payment gateway, secured software and/or building construction applications and solutions; and*

(ii) *approximately HKD39.28 million (equivalent to RM21.23 million) (Minimum Scenario) to approximately HKD43.68 million (equivalent to RM23.61 million) (Maximum Scenario) for technology related investments into business applications covering areas of healthcare, bio-science, aviation, information and communication technology, finance, social environment, energy and infrastructure.*

The investment into technology related solutions and business applications is part of PCB's 5-year business development plan after the Internal Reorganisation and Proposed Listing Exercise. Such investment will enable PCB to offer higher value added products and services by incorporating the new technology or know-how into its existing smart control solutions system rather than developing the said technology internally which will be costlier and more time consuming. PCB will establish an internal team to scout for and assess the suitability of such potential investments in the future. The Company intends to identify and offer these products and services to the local Malaysian market first and subsequently the Asia Pacific region.

(3) *The proceeds would be used for the PCB Group's working capital requirement for the aforementioned new initiatives. The detailed breakdown of the proceeds earmarked for working capital is set out below:*

	Minimum Scenario		***Maximum Scenario***	
	HKD'000	***RM'000***	***HKD'000***	***RM'000***
Investment in R&D equipment, software and design applications	*11,751*	*6,352*	*13,070*	*7,065*
Staff costs for new hires of software engineers, application engineers and R&D personnel	*19,584*	*10,586*	*21,783*	*11,774*
Marketing and administrative expenses including ancillary costs related to installation and commissioning of smart control solutions	*7,834*	*4,234*	*8,713*	*4,710*
Total	***39,169***	***21,172***	***43,566***	***23,549***

The Company intends to hire a team comprising up to five (5) software engineers, up to five (5) application engineers and up to ten (10) R&D personnel.

R&D effort is also crucial for the PCB Group's future growth as it will enable the Company to develop new products/ software with updated functions and features to adapt to the rapid technology changes within the smart control solutions industry.

(4) *Includes professional fees, regulatory fees, printing and advertising expenses, other miscellaneous expenses and the goods and services tax (GST) incurred in connection with the Proposals, as well as underwriting fees and estimated expenses to be borne by PCB in relation to the Sale Shares and any applicable stamp duty in connection with the sale of the Sale Shares. Any variation to the estimated expenses will be adjusted to or from the amount allocated for working capital requirements, as the case may be.*

Pending full utilisation of the proceeds from the Sale Shares to be received by PCB, the proceeds or the balance thereof will be placed into short-term demand deposits with licensed banks or financial institutions.

(ii) Proposed utilisation of proceeds by PIL

Based on the Indicative Offer Price, PIL is expected to receive net proceeds (after deducting estimated expenses of approximately HKD20.70 million (equivalent to RM11.19 million) in relation to the Proposed Listing) ("**Net Proceeds**") of approximately HKD161.70 million (equivalent to RM87.41 million) and HKD180.90 million (equivalent to RM97.78 million) under the Minimum Scenario and Maximum Scenario, respectively, from the New Shares.

The Net Proceeds are proposed to be utilised in the following manner:

	Minimum Scenario		Maximum Scenario		Estimated timeframe for utilisation*
Details of utilisation	**HKD'000**	**RM'000**	**HKD'000**	**RM'000**	
Costs in relation to a new production plant and the expansion of its existing production plant[1]	80,042	43,266	89,547	48,403	Within 12 months
Business expansion plan into the Greater China region[2]	35,897	19,404	40,160	21,708	Within 24 months
Establishment of an office in California, US[3]	26,680	14,422	29,84	16,134	Within 60 months
Marketing, branding and promotional activities[4]	2,911	1,573	3,256	1,760	Within 60 months
Working capital[5]	16,170	8,741	18,090	9,779	Within 60 months
Total	**161,700**	**87,406**	**180,900**	**97,784**	

Notes:

* *From the date of receipt of the proceeds.*

(1) *For the purpose of expanding the PIL Group's manufacturing capacity, the PIL Group intends to utilise approximately 49.50% of the Net Proceeds for the construction of the new production plant in Batu Kawan Industrial Park, Penang ("**New Production Plant**") and expansion of its existing production plant in Bayan Lepas, Penang ("**Existing Production Plant**").*

The PIL Group has on 19 March 2015 (via PT) acquired a plot of land in Batu Kawan for a total cash consideration of RM5,015,490 for the construction of the New Production Plant. The Batu Kawan land, measuring at approximately 3.2309 acres, is a leasehold land with a term of 60 years until 6 December 2075 under qualified title and ultimately to be held under a state lease. The acquisition of Batu Kawan land was funded via a combination of internally generated funds and bank borrowings. The acquisition of Batu Kawan land is not subject to the approval of PCB's shareholders, as announced on Bursa Securities on 19 March 2015. The acquisition of Batu Kawan land was completed on 12 May 2017.

The construction of the New Production Plant has commenced in September 2017 and is expected to complete and commence operations by mid-2018 with a gross floor area of approximately 97,033 sq. ft. with a production floor area of approximately 47,700 sq. ft. The total construction cost of the New Production Plant (including the relevant fittings and clean room) is estimated to be approximately RM35.00 million and will be funded via bank loans. The PIL Group intends to repay these bank loans via the proceeds from the Proposed Listing.

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 catered for the PIL Group's diversification into the medical device sector).

The PIL Group is in the process of expanding its Existing Production Plant to add approximately 13,000 sq. ft. production floor space to the Existing Production Plant, which has a gross floor area of approximately 90,310 sq. ft. with production floor space of approximately 23,500 sq. ft. The construction of the expansion to the Existing Production Plant will commence in early-2018 and is expected to be completed in mid-2018. The total construction cost of the expansion to the Existing Production Plant is estimated to be RM10.00 million and will be funded via the proceeds from the Proposed Listing.

As the core of the PIL Group's business model is product innovation and customised design, its production capacity at any one time is defined by the number of in-house engineers, the complexity and size of the projects on hand as well as production floor space. As such, there is no meaningful measure to quantify its production capacity to demonstrate utilisation. For illustrative purposes, the details of the production floor space and production staff for the past three (3) FYE 31 December 2014 to FYE 31 December 2016 and the six (6) months ended 30 June 2017 are set out below:

	For the year ended/ as at 31 December			***For the six (6) months ended/ as at 30 June 2017***
	2014	***2015***	***2016***	
Production floor space (sq. ft.)	*21,360*	*21,360*	*22,260*	*23,500*
*Production staff**	*136*	*154*	*180*	*239*
Overtime (hours)	*51,565*	*58,554*	*73,870*	*58,252*

Note:

* *Production staff represents engineers (including Directors and senior management) and technicians.*

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, the PIL Group introduced late night work shifts for the production staff as a temporary means to further raise the production capacity. Such practices will cease by mid-2018 when operations are expected to commence at the New Production Plant and with the expansion to the Existing Production Plant (which in aggregate will add 60,700 sq. ft. to the production floor area). As at the LPD, the PIL Group intends to raise the production headcount by 46 to 285 by end of 2018.

The proceeds are intended to be used in the following manner:

	Minimum Scenario		*Maximum Scenario*	
	HKD'000	*RM'000*	*HKD'000*	*RM'000*
New Production Plant				
• *Repayment of bank loans to be drawn down in the fourth (4th) quarter of 2017 to fund the construction of the New Production Plant, including costs related to architectural, civil, structural, mechanical and electrical works**	*43,660*	*23,600*	*48,844*	*26,402*
• *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*	*18,919*	*10,226*	*21,166*	*11,441*
Existing Production Plant				
• *Capital expenditure related to architectural, civil, structural, mechanical and electrical works*	*14,876*	*8,041*	*16,643*	*8,996*
• *Purchase of new equipment and fittings*	*2,587*	*1,399*	*2,894*	*1,564*
Total	***80,042***	***43,266***	***89,547***	***48,403***

Note:

* *The expected effective interest rates of these loans are approximately 4.00% to 5.00% per annum based on prevailing bank rates.*

(2) *PIL intends to utilise approximately 22.20% of the Net Proceeds for business expansion into the Greater China region (comprising PRC, Hong Kong, Macau and Taiwan) within 2019 for:*

(a) *potential future business or share acquisitions, joint ventures or other strategic arrangements to increase its presence and deepen its penetration into the Greater China region. In particular, PIL is seeking for targets:*

(aa) *in the factory automated solutions industry to create synergy with its automated manufacturing solutions business;*

(bb) *with customer networks in the Greater China region;*

(cc) *with established local supply chains in the Greater China region;*

(dd) *with technology or know-how that could expand PIL's automated manufacturing solutions business; or*

(ee) *a combination of (aa), (bb), (cc) or (dd); and/or*

In relation to the business expansion into the Greater China region, the PIL Group has yet to identify any acquisition targets as at the LPD. PIL and/or PCB will make the necessary announcements upon any business or share acquisitions, joint ventures or other strategic arrangements proposals being identified and agreements entered into (if required). In the event the approval of the shareholders of PIL and/or PCB are required pursuant to the listing rules of SEHK and/or Bursa Securities, such approval will be sought accordingly.

(b) *organic expansion in the Greater China region by setting up of a sales and service office that entails the leasing of office premises, staff placement and recruitment, related marketing, branding and promotional activities as well as ongoing operating expenses. As at the LPD, the PIL Group has yet to identify the premises to be leased for its sales and service office in the Greater China region and the number of persons to be recruited nor the position of the recruitment.*

(3) *The PIL Group intends to utilise approximately 16.50% of the Net Proceeds to establish an office in California, US, 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 (5) years. As at the LPD, the PIL Group has yet to identify the premises to be leased for its sales and service office in US and the number of persons to be recruited nor the position of the recruitment.*

(4) *The PIL Group intends to utilise approximately 1.80% of the Net Proceeds for marketing, branding and promotional activities in the next five (5) years in accordance with the expansion of its business, including increasing its exposure and level of participation in industrial exhibitions such as SEMICON West in the US, 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.*

(5) *Approximately 10.00% of the Net Proceeds will be utilised for the PIL Group's working capital such as payment of trade and other payables, employee costs, travelling and administrative expenses and other general corporate purposes. The breakdown of utilisation for each component cannot be determined at this juncture.*

Pending full utilisation of the proceeds from the New Shares to be received by PIL, the proceeds or the balance thereof will be placed into short-term demand deposits with licensed banks or financial institutions.

5. RATIONALE OF THE PROPOSALS

5.1 Proposed Listing Exercise

5.1.1 Proposed Share Award Scheme

(i) The Proposed Share Award Scheme is intended to recognise contributions made by the Eligible Employees whose services have contributed to the growth of the PIL Group; and

(ii) The Proposed Share Award Scheme serves to provide the Eligible Employees with incentives in order to retain them for the continual operation, growth and future development of the PIL Group.

5.1.2 Proposed Listing

(i) The Proposed Listing will enable the Automation Solution Business to gain recognition and corporate stature through the listing status of its own and further enhance its corporate reputation which will assist in expansion of its customer base;

(ii) The Proposed Listing will enhance efficiency by way of promoting a clearer segregation of business responsibilities and operations for PCB's existing Automation Solution Business, thereby enabling the respective management teams to focus on opportunities specific to each of the Automation Solution Business;

(iii) The Proposed Listing is expected to unlock shareholders' value in the Automation Solution Business and provide a transparent valuation benchmark for the same in Hong Kong; and

(iv) The Proposed Listing will provide the Company and its Automation Solution Business with a 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.

5.1.3 Proposed Dilution

The management is of the opinion that the PIL Group are deemed principal subsidiaries of PCB as they account for approximately 115.71% and 80.12% of the consolidated PAT and NA attributable to owners of PCB, respectively based on the audited consolidated financial statements of PCB for the FYE 31 December 2016. In relation thereto and pursuant to Paragraph 8.21 of the Listing Requirements, PCB is required to seek its shareholders' approval in a general meeting to approve the Proposed Dilution, which will result in PCB's equity interest in PIL to be diluted from 92.60% as at the LPD to approximately 63.10% upon completion of the Proposed Listing.

The Proposed Dilution is the resultant effect of the Proposed Share Award Scheme and Proposed Listing, of which their rationales are set out in **Section 5.1.1 and Section 5.1.2** of this Circular, respectively. The Proposed Listing also serves to provide the Company with a platform to raise funds for both the PCB Group and PIL Group for the purposes as stated in **Section 4** of this Circular.

5.2 Proposed Bonus Issue

The Proposed Bonus Issue is intended to reward the shareholders of the Company for their loyalty and continued support to the PCB Group. After due consideration of the various options available, the Board is of the view that the Proposed Bonus Issue is an appropriate avenue for PCB to reward its shareholders as it will enable the existing shareholders to have greater participation in the equity of the Company in terms of the number of PCB Shares held, whilst maintaining their percentage of equity interest.

5.3 Proposed Share Split

(i) The Proposed Share Split is expected to enhance the marketability and trading liquidity of PCB Shares on the Main Market of Bursa Securities; and

(ii) As PCB Shares reference market price will be adjusted downwards as a result of the Proposed Share Split, potentially increasing the affordability of PCB Shares which is expected to appeal to a wider group of public investors to invest in the Company.

6. RISK FACTORS IN RELATION TO THE PROPOSED LISTING EXERCISE

The Proposed Listing Exercise is not expected to expose the PCB Group to any new or additional risks inherent to the industry that PIL is currently operating in as the Proposed Listing Exercise will only result in a reduction of PCB's equity interest in PIL from 92.60% as at the LPD to approximately 63.10% upon completion of the Proposed Listing.

However, shareholders should carefully consider the following risk factors arising from the Proposed Listing Exercise (which may not be exhaustive) that are relevant to the PCB Group, in addition to other information contained in this Circular, before voting on the resolutions pertaining to the Proposed Listing Exercise at the forthcoming EGM.

6.1 Delay in or termination of the Proposed Listing

The implementation of the Proposed Listing is conditional upon the fulfilment of all required approvals as set out in **Section 9** of this Circular, which includes the approval from the shareholders of PCB and the granting of approval from the Listing Committee of the SEHK for the listing of, and permission to deal in, the PIL Shares in issue and the PIL Shares to be issued pursuant to the Proposed Share Offer and permission not subsequently being revoked prior to the commencement of dealings in the PIL Shares on the SEHK. In addition, depending on the then prevailing market conditions, the Company may decide not to proceed with the Proposed Listing. There can be no assurance that such approvals and/or conditions imposed by the relevant authorities will be obtained and/or satisfied or that the Proposed Listing will proceed as anticipated.

The Proposed Listing may be potentially delayed or aborted in the event (i) if PIL is unable to meet the public spread requirement of at least 25% of the total number of shares in issue upon the Proposed Listing; or (ii) If there is inadequate spread of holders of securities of PIL and the number of shareholders of PIL is less than 300 at the time of the Proposed Listing.

In the event the Proposed Listing is aborted, any monies paid in respect of any application for PIL Shares will be returned in full without interest and PCB may eventually be able to hold 100% equity interest in PIL as PCB shall have the right to exercise the Call Option with GEMS as well as to request the Eligible Employees to transfer the Proposed Share Award back to PCB at the Scheme Consideration (without any interest).

Notwithstanding the above, PCB will take all reasonable steps including to fulfil the conditions imposed by the relevant authorities (if any) to ensure the completion of the Proposed Listing.

6.2 No prior market for PIL Shares and possible volatility on the price of PIL Shares

Prior to the Proposed Listing, there is no public market for PIL Shares. Accordingly, there can be no assurance that an active market for PIL Shares will develop upon the completion of the Proposed Listing or if developed, that such market will be sustained. In addition, PIL Shares could trade at prices that may be lower than the Offer Price as a result of many factors, some of which are not within PIL's control and may be unrelated or disproportionate to its operating results. These factors include, amongst others, prevailing global and local economic conditions, the depth and liquidity of the market of PIL Shares and investors' individual risk-return profile requirements.

7. EFFECTS OF THE PROPOSALS

7.1 Share capital

The Proposed Listing Exercise will not have any effect on the share capital of the Company as it does not involve any issuance of new PCB Shares.

For illustrative purposes, the proforma effects of the Proposed Bonus Issue and Proposed Share Split on the share capital of PCB are as follows:

	No. of PCB Shares	RM
Share capital as at the LPD	146,567,333	79,303,370[(1)]
New PCB Shares to be issued pursuant to the Proposed Bonus Issue	11,725,386	-[(2)]
Enlarged share capital after the Proposed Bonus Issue	**158,292,719**	**79,303,370**
After the Proposed Share Split	**316,585,438**	**79,303,370**

Notes:

(1) The Company's share premium balance of RM6,019,703 as at the LPD became part of PCB's share capital pursuant to Section 618(2) of the Act.

(2) After the utilisation of the share premium balance for purposes of capitalisation of the Bonus Shares as set out in ***Section 2.2.2*** *of this Circular.*

7.2 NA, NA per Share and gearing

The actual impact of the Proposed Listing Exercise on the PCB Group's consolidated NA, NA per Share and gearing can only be determined once the Offer Price has been determined.

For illustrative purposes only, based on the PCB's latest audited consolidated statement of financial position as at 31 December 2016 and on the assumption that the following events had been effected on that date:

(i) PU Acquisition, which was completed on 9 June 2017, and the GEMS Investment, which was completed on 31 July 2017 ("**Subsequent Events**"); and

(ii) the Proposals.

The profoma effects of the Proposals on the PCB Group's consolidated NA, NA per Share and gearing are as follows:

						Minimum Scenario	Maximum Scenario
		(I)	(II)	(III)	(IV)	(V)	(V)
	Audited as at 31 December 2016 RM'000	Adjusted for Subsequent Events RM'000	After I and the Proposed Share Award Scheme RM'000	After II and the Proposed Bonus Issue RM'000	After III and the Proposed Share Split RM'000	After IV and the Proposed Listing RM'000	After IV and the Proposed Listing RM'000
Share capital	73,284	73,284	73,284	79,147	79,147	79,147	79,147
Share premium	6,020	6,020	6,020	157(2)	157	157	157
Retained profits	28,893	45,956	68,174(1)	68,174	68,054(3)	189,779(4)	205,841(4)
Shareholders' fund/ NA attributable to the owners of the Company	**108,197**	**125,260**	**147,478**	**147,478**	**147,358**	**269,083**	**285,145**
No. of PCB Shares in issue ('000)	146,567	146,567	146,567	158,292	316,585	316,585	316,585
NA per Share (RM)	**0.74**	**0.85**	**1.01**	**0.93**	**0.47**	**0.85**	**0.90**
Borrowings (RM'000)	447	447	447	447	447	447	447
Gearing (times)	**0.004**	**0.004**	**0.003**	**0.003**	**0.003**	**0.002**	**0.002**

Notes:

(1) The movement in retained profits represents the difference between the Scheme Consideration and the proportionate share of the Eligible Employees' equity interest in PIL.

(2) After capitalisation of RM5,862,693 for the Proposed Bonus Issue.

(3) After deduction of estimated expenses amounting to RM120,000 in relation to the Proposed Bonus Issue and Proposed Share Split.

(4) The movement in retained profits of both Minimum Scenario and Maximum Scenario represents (i) the difference between the excess of consideration received from the Proposed Share Offer and the proportionate share of equity interest in PIL by public shareholders; and (ii) the total estimated expenses amounting to approximately RM16.70 million, of which approximately RM5.51 million and RM11.19 million are to be borne by PCB and PIL respectively, in relation to the Proposed Listing Exercise.

The proforma consolidated statements of financial position of PCB as at 31 December 2016 together with the notes and Reporting Accountants' letter is set out in **Appendix IV** of this Circular.

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7.3 Earnings and EPS

Save for the defrayment of costs incurred pursuant to the Proposed Listing, the Proposed Listing Exercise is not expected to have any material effect on the earnings of the PCB Group for the FYE 31 December 2017.

In any event, the earnings contribution from the PIL Group will be reduced to the extent of the dilution of the PCB Group's equity interest in PIL from 92.60% as at the LPD to approximately 63.10% as a result of the Proposed Listing Exercise. Accordingly, there may be a corresponding reduction in the earnings and EPS of the PCB Group assuming the earnings of the PCB Group remains unchanged. There will also be a corresponding dilution in the EPS of the PCB Group as a result of the increase in the number of PCB Shares arising from the Proposed Bonus Issue and Proposed Share Split.

For illustration purposes only, the profoma effects of the Proposals based on the consolidated PAT and EPS of PCB Group for the FYE 31 December 2016, and on the assumption that the Proposals had been effected on 1 January 2016, being the beginning of the FYE 31 December 2016, are as follows:

		(I)	(II)	(III)	(IV)	(V)
	Audited as at 31 December 2016	Adjusted for Subsequent Events	After I and the Proposed Share Award Scheme	After II and the Proposed Bonus Issue	After III and the Proposed Share Split	After IV and the Proposed Listing
PCB's equity interest in PIL (%)	100.00	92.60	84.20	84.20	84.20	63.10
PAT attributable to the owners of PCB based on PCB's equity interest in PIL (RM'000)	27,028	25,028	22,758	22,758	22,758	17,055
No. of PCB Shares in issue ('000)	146,567	146,567	146,567	158,292	316,585	316,585
Basic EPS (sen)	18.44	17.08	15.53	14.38	7.19	5.39

The decrease in PCB's equity interest in PIL (from 92.60% to approximately 63.10%) as a result of the Proposed Listing Exercise does not result in a loss of control and the net positive financial effect of the dilution in equity interest of approximately RM134.29 million (Minimum Scenario) and RM150.35 million (Maximum Scenario) will therefore be accounted as an equity transaction in the statement of changes in equity instead of the statement of comprehensive income. Hence, there will be no gain or loss recorded in PCB's consolidated statements of comprehensive income.

7.4 Substantial shareholders' shareholdings

The Proposed Listing Exercise will not have any effect on the substantial shareholders' shareholdings in the Company.

Save for the proportionate increase in the total number of PCB Shares held by each substantial shareholder, the Proposed Bonus Issue and Proposed Share Split will not have any effect on the percentage shareholdings of the substantial shareholders of the Company.

7.5 Convertible securities

As at the LPD, PCB does not have any existing convertible securities.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest closing market prices of the PCB Shares traded on Bursa Securities for the past 12 months up to the LPD are as follows:

	Low (RM)	High (RM)
2016		
October	1.27	1.54
November	1.20	1.50
December	1.20	1.38
2017		
January	1.35	1.53
February	1.57	1.75
March	1.74	2.78
April	2.46	2.96
May	2.90	3.50
June	3.40	3.85
July	3.43	4.40
August	4.20	4.95
September	4.54	4.91

Last transacted price of PCB Shares as at 20 September 2017 (being the latest date prior to the announcement of the Proposed Bonus Issue and Proposed Share Split)	4.54
Last transacted market price on 23 October 2017 (being the latest practicable date prior to the printing of this Circular)	4.79

(Source: Bloomberg)

9. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

(i) Bursa Securities for the Proposed Share Split and the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities;

The approval from Bursa Securities for the abovementioned was obtained vide its letter dated 16 October 2017, and is subject to the following conditions:

Conditions		Status of compliance
(1)	PCB and Affin Hwang IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue.	Noted.
(2)	PCB and Affin Hwang IB to inform Bursa Securities upon the completion of the Proposed Bonus Issue.	To be complied.

Conditions		Status of compliance
(3)	PCB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue is completed.	To be complied.
(4)	PCB and Affin Hwang IB are required to make the relevant announcements pursuant to Paragraph 6.35(2)(a) & (b) and 6.35(4) of the Listing Requirements.	To be complied.

(ii) the shareholders of PCB at an EGM to be convened for the:

(a) Proposals; and

(b) Proposed Share Award to the Interested Parties and/or persons connected with them, if any.

(c) approval by the Listing Committee of the SEHK for the Proposed Listing and permission to deal in PIL Shares in issue and to be issued pursuant to the Proposed Share Offer; and

(d) any other relevant authorities or parties, if required.

10. INTER-CONDITIONALITY

The Proposed Share Award Scheme, Proposed Listing and Proposed Dilution are inter-conditional upon each other but not conditional upon the Proposed Share Award to the Interested Parties and/or persons connected with them. The Proposed Share Award to the Interested Parties and/or persons connected with them is conditional upon the Proposed Share Award Scheme. The Proposed Bonus Issue and Proposed Share Split are inter-conditional upon each other.

Save for the above, the Proposals are not conditional upon any other corporate exercise undertaken by the Company.

11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Chuah Choon Bin is a major shareholder of PCB and also a director of PCB and PIL, while Gan Pei Joo is a director of PCB and PIL. As both Chuah Choon Bin and Gan Pei Joo are Eligible Employees under the Proposed Share Award Scheme, they are deemed interested in the Proposed Share Award.

Accordingly, the Interested Parties have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings of the Company pertaining to the Proposed Share Award to themselves as well as persons connected with them, if any. The Interested Parties will also abstain and will undertake to ensure that persons connected with them will abstain from voting, in respect of their direct and/or indirect shareholdings in the Company (if any), on the resolutions pertaining to their respective Proposed Share Award, as well as the Proposed Share Award to persons connected with them (if any), to be tabled at the forthcoming EGM.

Chuah Lay Kuan is a person connected with Chuah Choon Bin, who is a major shareholder of PCB and also a director of PCB and PIL. Chuah Lay Kuan is the sister of Chuah Choon Bin as well as an Eligible Employee who will be entitled to participate in the Proposed Share Award Scheme. Accordingly, Chuah Lay Kuan will abstain from voting, in respect of her direct and/or indirect shareholdings in the Company (if any), on the resolutions pertaining to the Proposed Share Award to herself and to Chuah Choon Bin, to be tabled at the forthcoming EGM. Chuah Choon Bin will also abstain from voting, in respect of his direct and/or indirect shareholdings in the Company, on the resolution pertaining to the Proposed Share Award to Chuah Lay Kuan, to be tabled at the forthcoming EGM.

Save as disclosed above, none of the Directors, major shareholders of the Company and/or persons connected with them have any interest, directly or indirectly, in the Proposals, apart from their respective entitlements under the Proposed Bonus Issue and Proposed Share Split as shareholders of PCB, to which all other Entitled Shareholders are similarly entitled to.

The shareholdings of the Interested Parties as well as the persons connected with them in PCB as at the LPD are as follows:

	As at the LPD			
	Direct		Indirect	
	No. of PCB Shares	%	No. of PCB Shares	%
<u>Director and Major Shareholder</u>				
Chuah Choon Bin	30,642,000	20.91	28,500	0.02[(1)]
<u>Director</u>				
Gan Pei Joo	100	-[(2)]	-	-
<u>Person connected with Director and Major Shareholder</u>				
Chuah Lay Kuan	10,000	0.01	-	-

Notes:

(1) Deemed interested through the shareholdings of his spouse pursuant to Section 59(11)(c) of the Act.

(2) Negligible.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Parties who express no opinion on the Proposed Share Award to themselves and persons connected with them), after taking into consideration all aspects of the Proposals, is of the opinion that the Proposals are fair and reasonable, and in the best interest of the Company.

Accordingly, the Board recommends that the shareholders of PCB vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM. The Board (save for the Interested Parties) also recommends the shareholders of PCB to vote in favour of the resolutions pertaining to the Proposed Share Award to the Interested Parties to be tabled at the forthcoming EGM.

13. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there is no other outstanding corporate exercise which has been announced but not yet completed as at the date of this Circular.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all the required approvals being obtained as set out in **Section 9** of this Circular, the Proposals are expected to be completed by the first (1st) quarter of 2018.

Tentative Timeline	Key milestones
16 November 2017	EGM for the Proposals
End November 2017	Announcement of the Entitlement Date
Mid December 2017	Entitlement Date
Mid December 2017	Listing of and quotation for the Bonus Shares and Subdivided Shares on the Main Market of Bursa Securities
Early January 2018	Completion of the Proposed Listing

15. EGM

The EGM will be held at the Conference Room of PCB at Plot 18 & 19 Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang on Thursday, 16 November 2017, at 11.00 a.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing, inter alia, with or without modifications, the resolutions to give effect to the Proposals, the notice of which is set out in this Circular.

If you are entitled to attend and vote at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you are requested to complete, sign and deposit the Proxy Form enclosed in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the registered office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

The completion and lodgement of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

16. FURTHER INFORMATION

Shareholders are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board,
PENTAMASTER CORPORATION BERHAD

CHUAH CHONG EWE
Chief Executive Officer

PRINCIPAL TERMS OF THE SCHEME RULES

Eligible Person	: The Eligible Employees are eligible to be considered as a selected Eligible Employee for participation in the Proposed Share Award Scheme at the absolute discretion of the Board based on eligibility criteria including: (i) performance; (ii) seniority; (iii) years of service; and (iv) other factors as determined by the Board.
Share Award Scheme Limit	: The maximum number of PIL Shares which may be purchased by the Eligible Employees under the Proposed Share Award Scheme in total is 20,000 PIL Shares, representing approximately 8.40% of the issued share capital of PIL as at the date the Proposed Share Award Scheme is approved and adopted by PCB.
Administration and Operation	: The Proposed Share Award Scheme shall be subject to the administration of the PIL Board, in accordance with the articles of association of PIL and rules relating to the Proposed Share Award Scheme, as amended, modified or supplemented from time to time. The Board shall, at its sole and absolute discretion, select Eligible Employees for participation in the Proposed Share Award Scheme for the award of PIL Shares ("**Award**") based on the eligibility criteria set out above. In determining the number of PIL Shares to be awarded to an Eligible Employee ("**Awarded Shares**"), the Board may also take into consideration matters including (without limitation) the best interests of the PIL Group. The Board will issue an offer letter ("**Offer Letter**") to such Eligible Employee stating details of the offer ("**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 ("**Subscription Amount**"); (iii) the latest date on which the Eligible Employee may accept the related offer ("**Acceptance Deadline**"); and (iv) the latest date on which the awarded Eligible Employee shall pay the Subscription Amount to PCB ("**Payment Deadline**"). Certain other conditions may be imposed on the Eligible Employees. 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.

PRINCIPAL TERMS OF THE SCHEME RULES *(CONT'D)*

Post offer events	:	In the event an Eligible Employee ceases to be an employee of the PIL 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 the Company, the 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 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 SEHK, PCB shall have the right to request the Eligible Employees to transfer the Awarded Shares back to PCB at the Subscription Amount (without any interest).
Restrictions	:	An Eligible Employee shall not have: (a) any right to transfer the right to acquire the Awarded Shares; and (b) any interest or rights (including the right to vote or receive dividends or cash income) in the Awarded Shares and any related income (including dividends, bonus shares and scrip shares in connection with the Awarded Shares) ("**Related Income**") until the Eligible Employee becomes registered as a shareholder of PIL. Within 12 months after the date on which his/her name is registered as a shareholder of PIL, an Eligible Employee shall not, without the prior written consent of the PIL 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 ("**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.

PRINCIPAL TERMS OF THE SCHEME RULES *(CONT'D)*

Alteration of the terms of the Proposed Share Award Scheme	:	Subject to relevant law and regulations, the terms of the Proposed Share Award Scheme may be altered in any respect by resolutions of the PIL 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.
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 Proposed Share Award Scheme or any right which he may have to participate in the Proposed Share Award Scheme. The Proposed 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 Proposed 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.

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McMillanWoods
Chartered Accountants of Singapore

Business Valuation Report

Prepared for:

Board of Directors

Pentamaster Corporation Berhad
Plot 18 & 19, Technoplex,
Medan Bayan Lepas, Taman Perindustrian Bayan Lepas
Phase IV, 11900 Penang
Malaysia

Date: 1 September 2017

"The Business Mind"

McMillanWoods
Professionalism at the forefront

"The Business Mind"

Preface

This report was prepared at the request of and for the exclusive use of the client, Pentamaster Corporation Berhad ("PCB"or the"Company") for the purpose of proposed establishment of a share award scheme for the directors and employees of Pentamaster International Limited ("PIL") and its subsidiaries ("PIL Group") ("Proposed Share Award Scheme") and may need to be used in the circular to shareholders of the Company ("Circular"). No third party shall have any right to use or rely upon this appraisal for any other purpose. This report may not be used for any purpose other than the purpose for which it was prepared. Its use is restricted to considerations of its entire contents. No responsibility is accepted for any other use. Furthermore, legal matters are beyond the scope of this report and thus, any legal considerations have been excluded.

Other than for the purpose of the Circular, neither all nor any part of the contents of this report shall be disseminated to the public through advertising media or any other means of public communication without the prior written consent and approval of McMillan Woods Partners (Singapore) PAC .

McMillan Woods Partners (Singapore) PAC recognizes the possibility that any valuation can eventually be the subject of audit or court testimony. If such an audit or testimony becomes necessary as a result of this valuation, it will be a new assignment subject to fees then in effect.

McMillan Woods Partners (Singapore) PAC has no responsibility to update this report for events or circumstances occurring after the date of this report.

Any liability on the part of McMillan Woods Partners (Singapore) PAC is limited to the amount of the fee actually collected for the work done by McMillan Woods Partners (Singapore) PAC. Nothing in this report, or should be relied upon, as a promise of McMillan Woods Partners (Singapore) PAC as to the future performance PIL Group or PCB. Actual results may differ from the opinion contained in this report, as anticipated events may not occur as expected and the variation may be significant.

The report contains the opinion of McMillan Woods Partners (Singapore) PAC as to the fair value of Pentamaster International Limited as at 1th September 2017. The findings and conclusions presented in this report are subjected to the assumptions and limiting conditions set out in the following pages and to any further qualifications referred to in the body of the report.

MCMILLAN WOODS

McMillan Woods Partners (Singapore) PAC
Chartered Accountant

Table of Contents

(I) Executive Summary

We have been engaged by Pentamaster Corporation Berhad to estimate the fair market value of the entire issued share capital of PIL in relation to Proposed Share Award Scheme. The scope of work is to prepare a limited valuation report, which is advisory in nature and intended to be used only for the stated purpose, instead of a self-contained comprehensive report. Please refer to the statement of limiting conditions contained in the report.

For this purpose of business valuation, **fair market value ("FMV")** is defined as the reasonable price at which an asset or a company will fetch in the marketplace between a willing buyer and a willing seller, neither being under a compulsion to conclude the transaction and both having reasonable knowledge of all relevant information regarding the asset or company. Thus, an asset's FMV should represent an accurate valuation or assessment of its worth.

There are three methods that we will consider to evaluate the estimated range of fair values of Pentamaster International's entire issued share capital:

(A) Asset-based Method

(B) Income Method

(C) Comparable Market Method

Each method will be described in Section IV of this report.

Based on the information contained in the report that follows, it is our estimate that PIL's FMV as at 1th September 2017 was **RM351,235,344**. This valuation is subject to the assumptions and limiting conditions set forth in this report.

We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

(II) Business Description of Pentamaster International Limited

Pentamaster International Limited is incorporated in the Cayman Islands on 12 June 2017. It's a 92.6% subsidiary of **Pentamaster Corporation Berhad**, having its business office address at Plot 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang, Malaysia. The principal activity of PIL is the investment holding company of the automated solution business comprising Pentamaster Technology (M) Sdn Bhd, Pentamaster Equipment Manufacturing Sdn Bhd and Pentamaster Instrumentation Sdn Bhd.

Pentamaster Technology (M) Sdn Bhd ("PT") is principally engaged in design, assembly and installation of computerized automation systems and equipment. PT was incorporated as a private limited liability company in Malaysia on 18 March 1995 under the Companies Act， 1965 ("Act").

Pentamaster Equipment Manufacturing Sdn Bhd ("PQ") is principally engaged in equipment design and manufacturing services and manufacturing of high precision machine parts. It was founded on 2 October 2006 as a private limited liability company in Malaysia under the Act.

Pentamaster Instrumentation Sdn Bhd ("PU") is principally engaged in designing and manufacturing of automated testing equipment and test and measurement system for the electrical and electronics industries. It was incorporated as a private limited liability company in Malaysia in December 2003 under the Act.

As of the date of this report, PT, PQ and PU are the wholly owned subsidiaries of PIL.

(III) Financial Statements Pro-Forma

Table 1: Income Statement (Profoma)

Consolidated statements of Profit or Loss and other Comprehensive Income Profoma						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**
	Per Forecast RM	**Per Forecast RM**	**Per Forecast RM**	**Per Report RM**	**Per Report RM**	**Per Report RM**
Revenue	313,069,479	240,439,576	184,659,296	141,819,646	73,683,486	75,072,333
Cost of goods sold	(220,427,759)	(169,290,079)	(130,015,979)	(96,682,157)	(53,009,151)	(53,384,998)
Gross profit	92,641,720	71,149,497	54,643,317	45,137,489	20,674,335	21,687,335
Other Income	6,030,322	6,030,322	1,737,464	5,586,034	3,139,088	2,454,366
Distribution Costs	(6,487,740)	(4,982,630)	(3,826,695)	(2,938,929)	(2,196,031)	(1,966,499)
Administrative Expenses	(32,968,367)	(25,319,940)	(19,445,893)	(14,934,583)	(9,779,230)	(9,376,303)
Other Expenses	(46,207)	(46,207)	(46,207)	(46,207)	(16,500)	(9,978)
Operating profit	59,169,728	46,831,042	33,061,986	32,803,804	11,821,662	12,788,921
Finance costs	(93,466)	(93,466)	(93,466)	(14,886)	(7,436)	(258,077)
Profit before taxation	59,076,262	46,737,576	32,968,520	32,788,918	11,814,226	12,530,844
Taxation	(1,871,851)	(1,871,851)	(1,871,851)	1,042,861	(1,871,851)	(1,963,724)
Profit after taxation	57,204,411	44,865,725	31,096,669	33,831,779	9,942,375	10,567,120
Profit before taxation	59,076,262	46,737,576	32,968,520	32,788,918	11,814,226	12,530,844
EBIT	59,169,729	46,831,043	33,061,987	32,803,804	11,821,662	12,788,921
Adjusted Cash Flow						
Profit before tax	59,076,262	46,737,576	32,968,520	32,788,918	11,814,226	12,530,844
Adjusted for non-cash						
Depreciation	2,715,263	2,715,263	2,715,263	2,715,263	2,423,088	2,450,366
Amortisation	1,227,821	1,227,821	1,227,821	1,116,176	1,002,162	742,618
Free cashflow	**63,019,346**	**50,680,660**	**36,911,604**	36,620,357	15,239,476	15,723,828

(III) Financial Statements Pro-Forma (continued)

Accurate estimation of business value depends upon the subject business's financial performance. While historical financials are important, business value relies upon the ability of the business to continue producing desired economic benefits for its owners.

For the purpose of this business valuation, we have received PIL combined audited finanical reports from the Management for the financial year ended ("FYE") 2014, FYE 2015, and FYE 2016. We have not performed any audit to confirm its accuracy. In preparing this appraisal report, we have assumed that these combined financial statements to be true and accurate.

(IV) Business Valuation

There are three (3) methods commonly used to estimate the value of a business.

(A) Asset-based Method

(B) Income Method

(C) Comparable Market Method

Note that PIL Group's valuation is based substantially on information provided by Management supplemented by publicly available information.

(A) Asset-based Method

This method assumes that the value of an enterprise is equivalent to the value of the individual assets adjusted to its fair market value net of its liabilities. This method is relatively objective though a qualification is that it may not reflect a company's earnings potential. But we can't simply apply the Asset-based approach to the business valuation.

(IV) Business Valuation (continued)

(B) Income Method

This method evaluates the estimated cash flow, which the assets are expected to generate over their remaining useful life and discounted the cash flow back to the date of the valuation using a discount rate. The discount rate represents the risk of receiving the cash flow over time.

For this valuation purpose, we have adjusted the pro-forma financial statement under a normalized state. The discount rate used is based on Malaysia's risk-free rate of return (10-year Government Bond Yields), the **FTSE Bursa Malaysia KLCI (^KLSE)'s** market risk premium, a risk premium for illiquidity and an industry beta factor to adjust the market risk premium. Based on Malaysia Government Securities (MGS) and Yahoo Finance, Malaysia's risk-free rate of return and the **FTSE Bursa Malaysia KLCI (^KLSE)'s** expected market return are 3.85% and 8.29% respectively.

PIL is not a listed company. Investing in a privately-held business involves additional risks, which should be compensated by a higher rate of return. These risks depend on many variables, including the company's financials, management, dividend policy, etc. Though this risk premium is subjective, a conservative risk premium rate at 7% shall be applied, being attributed to our risk assessment of the macro business environment factoring into the probable economic, legal, political, terrorism and foreign currency risks exhibited by the business entities domicile.

For the industry beta factor, we have assumed the beta factor is 1.2 which is the normal beta for the semiconductor and automation industry.

With the above factors, we have calculated the discount rate for PIL as follows:-:

Discount Rate = 3.85% + 1.2* (8.29% - 3.85%)+ 7%

= 16.18%

(IV) Business Valuation (continued)

(B) Income Method (continued)

Based on PIL pro forma Financial Statements, PIL is expected to generate free cash flow to equity ("FCFE") of RM36,911,604, RM50,680,660 and RM63,019,346 for FYE 2017, FYE 2018 and FYE 2019 respectively. In deriving the FCFE of PIL Group, we have discussed with management and our assumptions are adopted below (Please see notes to adjusted Income Statement).

In estimating PIL's fair market value under the income method, we have taken into consideration on the current semiconductor and automation industry and we expect that PIL Group will continue to generate high growth in the next three (3) years. Thereafter, we will impute terminal valuation to complete our calculation of PIL's fair market value.

Terminal valuation is defined as the present value at a future time of all future cash flows under stable growth rate. To compute terminal value of PIL Group, we have taken the estimated FCFE of PIL Group for FYE 2019 and divided by the discount rate. Due to the nature of semiconductor and automation industry where the growth may fluctuate significantly throughout its life cycle, we are safe to assume that no growth shall be included in calculating the terminal value.

Thus, PIL's estimated fair market value of its 92.6% equity is:

Terminal Valuation = $\mathbf{FCFE^t}$ **/ discount rate** (assuming no growth)

= 63,019,346/ 0.1618

= RM389,489,160

Equity = Free Cash Flow ^{t}/(1+discount rate)^n + Terminal Valuation/(1+discount rate)^n

$$= 36{,}911{,}604/(1+0.1618)^1+50{,}680{,}660/(1+0.1618)^2+63{,}019{,}346/(1+0.1618)^3 + 389{,}489{,}160/(1+0.1618)^3$$

= 31,771,048 + 37,547,370 + 40,186,462 + 248,371,213

= **RM357,876,093**

(IV) Business Valuation (continued)

(C) Comparable Market Method

Based on PIL's proposed listing on the main board of The Stock Exchange of Hong Kong Limited announcements dated 13 June 2017 and 19 June 2017, and taking into account the disposal of 74 ordinary shares in PIL (representing 7.40% equity interest in PIL to GEMS Opportunities Limited Partnership) for a total cash consideration of RM25,500,000, PIL Group's estimated fair market value is **RM344,594,595** (RM25,500,000/7.40%).

(V) Conclusion

In arriving at PIL Group's indicative business value, we will apply the average between fair market value under income method and comparable market method. Therefore, PIL Group's indicative business value is estimated to be RM **RM351,235,344**

Valuation Methods	Value
Income Method (i)	RM357,876,093
Comparable Market Method(ii)	RM344,594,595
Average Value (i+ii)/2	**RM351,235,344**

For the purpose of calculating PIL's fair market value, certain assumptions have been made to derive the Pro-forma consolidated statements of Profit or Loss and other Comprehensive Income in FYE 2017 to 2019, taking into consideration of management forecast as an on-going operation; diversification into new market niche like Intelligent Automated Robotic Manufacturing Solutions and implementation of cost-savings measure as well as the notes below on the adjusted Income Statement.
Notes to the adjusted Income Statement and Cash Flow Statement.

1. Revenue

The revenue is projecting 30% growth year-on-year from FYE 2017 to FYE 2019 which was based on the historical trend from past three (3) years combined financial statements of approximately average 30% growth per year between FYE 2014 to FYE 2016.

(V) Conclusion (continued)

2. Cost of goods sold

   Using three (3) years average based on historical combined financial statements. The average cost of goods sold is approximately 70% of revenue from FYE 2014 to FYE 2016.

3. Other income

   Using the forecasted figures from the Management, which approximates 0.02% of total revenue.

4. Distribution expenses

   Using three (3) years average based on the historical combined financial statements from FYE 2014 to FYE 2016. The average distribution expenses is approximately 2% of revenue.

5. Administrative expenses

   Using three (3) years average based on historical combined financial statements from FYE 2014 to FYE 2016. The average administrative expenses is approximately 11% of revenue.

6. Depreciation and Amortisation

   Both depreciation and amortisation of intangible assets are non-cash expenses. It will be added back and form part of our calculation to derive free cash flow.

7. Others

   The pro-forma consolidated statements of Profit or Loss and other Comprehensive Income is based on the information provided in the combined financial statements, management reports and feedbacks from management.

8. Terminal Valuation

   The proforma takes into account a Terminal Value of three years. Any forecast based on three years and above, to our opinion is not realistic.

Statement of Limiting Conditions

This business appraisal relies upon the following contingent and limiting conditions:

1. We assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all PIL Group's business assets is assumed good and marketable.
2. PIL Group's business interest and business assets have been appraised free and clear of any liens or encumbrances unless stated otherwise. No hidden or apparent conditions regarding its business assets or their ownership are assumed to exist.
3. No attempt in this appraisal report is made to revalue PIL Group's real estate and related property. The market value of any real estate is taken at face value as provided by the client.
4. Bad and doubtful account receivables, contingent liabilities, stocks valuation and goodwill are taken at face value as provided by PIL Group.
5. Loans and restricted cash & equivalent are taken at face value as provided by PIL Group.
6. Off-financial statement assets and liabilities unless otherwise represented by the PIL Group or their representatives are not part of the scope of this appraisal.
7. All information provided by the Company is deemed to be accurate and complete. However, we offer no assurance as to its accuracy and completeness.
8. Unless stated otherwise in this report, we have assumed PIL Group is in compliance with the applicable laws and regulations.
9. Absent a statement to the contrary, we have assumed that no hazardous conditions or materials exist which could affect the subject business or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same.
10. Per agreement with PCB, this appraisal report is considered as limited scope. Not all the pertinent information has been considered nor was a comprehensive valuation undertaken. This may affect the value conclusions presented in this report.
11. This report may not fully disclose all the information sources, discussions and business valuation methodologies used to reach the conclusion of value. Supporting information concerning this report is on file with the business appraiser.
12. The valuation analysis and conclusion of value presented in the report are for the purpose of this engagement only and are not to be used for any other context or by any other person except the Board of Directors of the Company, and to whom the report is addressed or with consent from McMillan.
13. The opinion of value expressed in this report does not obligate us to render a comprehensive business appraisal report, to give testimony, or attend court proceedings with regards to PIL Group's business assets, properties or business interests.
14. Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by the appraiser.
15. This report is valid only for 3 months from the date of issuance on condition no material event or development has occurred aftermath that render this report naturally obsolete.
16. Any reference to PCB, PIL Group or Management encompasses PIL, management team, authorized person(s) and agent.

McMillan Woods Partners (Singapore) PAC

Co.Reg.no:201118564H

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28 September 2017

The Board of Directors
Pentamaster International Limited
Plot 18 & 19 Technoplex
Medan Bayan Lepas
Taman Perindustrian Bayan Lepas
11900 Penang

Grant Thornton (AF:0042)
51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
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Dear Sirs,

REPORTING ACCOUNTANT'S OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF PENTAMASTER INTERNATIONAL LIMITED

We have audited the combined financial statements of Pentamaster International Limited (the "Company") and its subsidiaries (the "Group") which comprise the combined statements of financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017, combined statements of comprehensive income, combined statements of changes in equity and 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 thereon (the "Historical Financial Information").

The combined financial statements have been prepared for inclusion in the Circular to shareholders of Pentamaster Corporation Berhad in connection with the proposed initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Opinion

In our opinion, the combined financial statements of the Group give a true and fair view of its combined financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of its financial performance and cash flows for the Track Record Period in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("*By-Laws*") and the International Ethics Standards Board for Accounts' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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Directors' Responsibilities for the Combined Financial Statements

The Directors of the Company ("Directors") are responsible for the preparation of the combined financial statements that give a true and fair view in accordance with IFRS. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements for the Track Record Period as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

• Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the combined financial statements, including

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Reporting Accountants' Responsibility (cont'd)

• Obtain sufficient appropriate audit evidence regarding the combined financial statements of the entities or business activities within the Group to express an opinion on the combined financial statements during the Track Record Period. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

The comparative financial information for the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the six months ended 30 June 2016 and other explanatory information has not been audited.

Yours faithfully,

Grant Thornton
No. AF: 0042
Chartered Accountants

John Lau Tiang Hua, DJN
No. 1107/03/18 (J)
Chartered Accountant

Penang

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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, Chartered Accountants, Malaysia in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. The Historical Financial Information is presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

Combined Statements of Comprehensive Income

	Notes	Year ended 31 December 2014 RM'000	Year ended 31 December 2015 RM'000	Year ended 31 December 2016 RM'000	Six months ended 30 June 2016 RM'000 (unaudited)	Six months ended 30 June 2017 RM'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		10,567	9,943	33,831	11,571	18,818
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
		10,567	9,943	33,831	11,571	18,818
Earnings per share attributable to owners of the Company						
Basic and diluted	11	N/A	N/A	N/A	N/A	N/A

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Combined Statements of Financial Position

	Notes	As at 31 December 2014 RM'000	2015 RM'000	2016 RM'000	As at 30 June 2017 RM'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	-
		44,428	44,221	44,494	47,399
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
		35,079	32,399	81,984	174,423
Total assets		79,507	76,620	126,478	221,822
EQUITY AND LIABILITIES					
EQUITY					
Share capital	24	-	-	-	-*
Reserves	25	42,426	52,032	82,707	105,502
Equity attributable to owners of the Company		42,426	52,032	82,707	105,502
Non-controlling interests	26	1,484	1,821	3,977	-
Total equity		43,910	53,853	86,684	105,502
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
		31,540	19,131	39,169	115,729
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	-	-
		4,057	3,636	625	591
Total liabilities		35,597	22,767	39,794	116,320
Total equity and liabilities		79,507	76,620	126,478	221,822

* Representing one share of HK$0.01.

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Combined Statements of Changes in Equity

	Equity attributable to owners of the Company					
	Share capital RM'000 (note 24)	Capital reserve RM'000 (note 25)	(Accumulated losses)/ Retained profits RM'000 (note 25)	Sub-total RM'000	Non-controlling interests RM'000 (note 26)	Total equity RM'000
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.

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Combined Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2014 RM'000	2015 RM'000	2016 RM'000	2016 RM'000 (unaudited)	2017 RM'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	-	-	-
Net cash from operating activities	16,469	10,982	21,452	10,660	22,523

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Combined Statements of Cash Flows (Continued)

	Note	Year ended 31 December 2014 RM'000	2015 RM'000	2016 RM'000	Six months ended 30 June 2016 RM'000 (unaudited)	2017 RM'000
Cash flows from investing activities						
Interest received		75	137	280	96	348
Development expenditure paid ((note (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 (note (ii))		(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)
Net cash used in investing activities		(1,736)	(3,202)	(6,017)	(2,465)	(4,340)
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)	-	-	-	-
Net cash (used in)/from financing activities		(11,568)	(3,682)	73	(97)	(4,151)
Net increase in cash and cash equivalents		3,165	4,098	15,508	8,098	14,032
Cash and cash equivalents at the beginning of the year/period		3,797	6,926	11,495	11,495	26,298
Effect of foreign exchange rate changes		(36)	471	(705)	(755)	(777)
Cash and cash equivalents at the end of the year/period	23	6,926	11,495	26,298	18,838	39,553

Notes:

	2014	2015	2016	2016	2017
(i) Development expenditure paid					
Addition to development expenditure	1,046	504	-	-	-
Less: Depreciation capitalised	(15)	-	-	-	-
Total cash acquisition	1,031	504	-	-	-
(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	409	1,968	2,297	1,244	927

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I. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General Information

Pentamaster International Limited (the "Company" or "PIL") 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's internal 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 Securities Berhad. The directors of the Company (the "directors") regard PCB as the ultimate holding company.

Prior to the group's internal reorganisation (the "Internal Reorganisation") as detailed below, PCB directly owned the companies operating the Listing Businesses. Pursuant to the Internal 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.

Internal Reorganisation

Details of the Internal Reorganisation are set out below:

Subsidiary	Transferor	Transferee	No. of ordinary shares transferred	Equity interest (%)	Internal Reorganisation consideration (RM)
Pentamaster Technology (M) Sdn. Bhd. ("PT")	PCB	PIL	2,400,000	100.00	65,837,630
Pentamaster Equipment manufacturing Sdn. Bhd. ("PQ")	PCB	PIL	13,160,000	100.00	10,994,363
Petamaster Instrumentation Sdn. Bhd. ("PU")	PCB	PIL	300,000	100.00	9,944,494
Total					**86,776,487**

The total consideration for the Internal Reorganisation of RM86,776,487 was settled via the issuance of an aggregate of 999 PIL Shares to PCB. Upon completion of the Internal Reorganisation on 21 July 2017, the PIL Group was formed and PT, PQ and PU became direct wholly-owned subsidiaries of PIL.

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1.2 Basis of presentation

Immediately prior to and after the Internal Reorganisation, the Listing Businesses are controlled by PCB. Accordingly, there was a continuation of risks and benefits to PCB and the Internal 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 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 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 IFRS 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 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 RM, 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.

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The IASB has issued a number of new and revised IFRS. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS to the Track Record Period, except for the following new and revised IFRS that have been published but are not yet effective and which may be relevant to the Group:

IFRS 9	Financial instruments[1]
IFRS 15	Revenue from contracts with customers[1]
IFRIC 22	Foreign currency transactions and advance consideration[1]
IFRS 16	Leases[2]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]

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 a date to be determined

The Group is in the process of making an assessment of the impact of these new and revised IFRS upon initial application. So far the Group has identified some aspects of the new and revised IFRS that are expected to have an impact on the Group's accounting policies and are discussed below. Other new and revised IFRS 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.

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- 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.

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.

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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.

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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.

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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 contacts 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 settled 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.

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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.

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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) A 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 RM'000	2015 RM'000	2016 RM'000	2016 RM'000 (Unaudited)	2017 RM'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
	75,072	73,683	141,820	63,014	96,631

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 solution:	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.

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Year ended 31 December 2014	Automated equipment RM'000	Automated manufacturing solution RM'000	Adjustment RM'000	Note	Total RM'000
Revenue					
External customers	55,546	19,526			75,072
Inter-segment revenue	1,893	2	(1,895)	(i)	-
Total revenue	57,439	19,528			75,072
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	10,275	292			10,567
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	68,442	11,220			79,507
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	26,695	9,057			35,597
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)

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Year ended 31 December 2015	Automated equipment RM'000	Automated manufacturing solution RM'000	Adjustment RM'000	Note	Total RM'000
Revenue					
External customers	45,434	28,249		(i)	73,683
Inter-segment revenue	1,524	825	(2,349)		-
Total revenue	46,958	29,074			73,683
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	6,826	3,900			9,943
Assets					
Segment assets	58,650	8,222	(1,747)		65,125
Cash and cash equivalents	8,546	2,949			11,495
Total assets	67,196	11,171			76,620
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	18,624	5,107			22,767
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)

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Year ended 31 December 2016	Automated equipment RM'000	Automated manufacturing solution RM'000	Adjustment RM'000	Note	Total RM'000
Revenue					
External customers	101,695	40,125			141,820
Inter-segment revenue	2,127	3,904	(6,031)	(i)	-
Total revenue	103,822	44,029			141,820
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	28,210	4,930			33,831
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	111,111	15,724			126,478
Liabilities					
Segment liabilities	34,998	4,730	(265)		39,463
Finance lease liabilities	306	-			306
Provision for taxation	25	-			25
Total liabilities	35,329	4,730			39,794
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)

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	Automated equipment RM'000	Automated manufacturing solution RM'000	Adjustment RM'000	Note	Total RM'000
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)	-
Total revenue	52,627	16,194			63,014
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	8,356	2,868			11,571
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

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	Automated equipment RM'000	Automated manufacturing solution RM'000	Adjustment RM'000	Note	Total RM'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	83,727	19,995			96,631
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	17,549	3,311			18,818
Assets					
Segment assets	166,839	19,394	(4,998)		181,235
Investment in an associate	-	-	1,034		1,034
Cash and cash equivalents	36,850	2,703			39,553
Total assets	203,689	22,097			221,822
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	111,408	7,792			116,320
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 RM'000	2015 RM'000	2016 RM'000	2016 RM'000 (unaudited)	2017 RM'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
	75,072	73,683	141,820	63,014	96,631

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 RM'000	2015 RM'000	2016 RM'000	2016 RM'000 (unaudited)	2017 RM'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

[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.

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5. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2014 RM'000	2015 RM'000	2016 RM'000	2016 RM'000 (Unaudited)	2017 RM'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
	2,454	3,139	5,586	1,062	4,674

6. EMPLOYEE BENEFITS EXPENSES (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2014 RM'000	2015 RM'000	2016 RM'000	2016 RM'000 (Unaudited)	2017 RM'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
	12,736	15,358	20,528	9,195	9,733

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2014 RM'000	2015 RM'000	2016 RM'000	2016 RM'000 (Unaudited)	2017 RM'000
Interest on bank loans and overdrafts	247	2	1	-	-
Finance charges on finance lease liabilities	11	5	14	5	7
	258	7	15	5	7

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8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000 (Unaudited)	RM'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)	-	-

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	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000 (Unaudited)	RM'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)
	(634)	(1,417)	(1,462)	(1,504)	(2,223)
Deferred tax					
Current year/period	(1,420)	(473)	2,505	-	-
Attributable to change in tax rate	90	18	-	-	-
	(1,330)	(455)	2,505	-	-
	(1,964)	(1,872)	1,043	(1,504)	(2,223)

The reconciliation of tax expense of the Group is as follows:

	Year ended 31 December 2014 RM'000	2015 RM'000	2016 RM'000	Six months ended 30 June 2016 RM'000 (Unaudited)	2017 RM'000
Profit before taxation	12,531	11,815	32,788	13,075	21,041
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)
	(1,964)	(1,872)	1,043	(1,504)	(2,223)
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 2014 RM'000	2015 RM'000	2016 RM'000	As at 30 June 2017 RM'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)
	(5,168)	(4,715)	(3,793)	(3,067)

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(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 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Unabsorbed capital allowances	(691)	-	-	-
Unabsorbed tax losses	(22,324)	(20,392)	(15,817)	(12,381)
Reinvestment allowance	(892)	-	-	-
	(23,907)	(20,392)	(15,817)	(12,381)

10. DIRECTORS' EMOLUMENTS

	Year ended 31 December			Six months ended 30 June	
	2014 RM'000	2015 RM'000	2016 RM'000	2016 RM'000 (Unaudited)	2017 RM'000
Salaries, allowances and benefits in kind	-	354	360	180	238
Bonuses	-	60	30	-	-
Contribution to EPF	-	50	47	22	29
	-	464	437	202	267

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 Internal 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 subsidiaries now comprising the Group, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014 RM'000	2015 RM'000	2016 RM'000	2016 RM'000 (Unaudited)	2017 RM'000
Dividends to PCB	-	-	600	-	-
Dividends to the non-controlling interests	-	-	400	-	-
	-	-	1,000 *	-	-

* Declared by PU.

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.

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land RM'000	Machineries and equipment RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Electrical installation RM'000	Motor vehicles RM'000	Construction in progress RM'000	Total RM'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 RM35,182,000, RM34,910,000, 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 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Motor vehicles	340	-	479	421

The allocation of the current depreciation charge is as follows:-

	As at 31 December			As at 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Capitalised under development expenditure	15	-	-	-
Charged to profit or loss	2,451	2,423	2,715	1,367
	2,466	2,423	2,715	1,367

14. LEASEHOLD LAND

	As at 31 December			As at 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Cost				
At the beginning of the year/period	3,690	3,690	3,690	3,690
Additions	-	-	-	5,015
At the end of the year/period	3,690	3,690	3,690	8,705
Accumulated amortisation				
At the beginning of the year/period	756	818	879	940
Current charge	62	61	61	31
At the end of the year/period	818	879	940	971
Carrying amount at the end of the year/period	2,872	2,811	2,750	7,734

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's leasehold land of RM2,872,000, RM2,811,000, 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 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Development expenditure (note (15.1))	1,742	1,727	699	525
Computer software acquired (note (15.2))	912	623	498	520
Carrying amount at the end of the year/period	2,654	2,350	1,197	1,045

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15.1 Development expenditure

	As at 31 December			As at 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'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)	-
Balance at the end of the year/period	20,193	20,697	19,850	19,850
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	-
Balance at the end of the year/period	(14,861)	(15,380)	(15,561)	(15,735)
Impairment loss	(3,590)	(3,590)	(3,590)	(3,590)
Carrying amount at the end of the year/period	1,742	1,727	699	525

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 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'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)
Balance at the end of the year/period	2,582	2,579	3,051	3,215
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
Balance at the end of the year/period	(1,670)	(1,956)	(2,553)	(2,695)
Carrying amount at the end of the year/period	912	623	498	520

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.

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16. INTEREST IN AN ASSOCIATE

	As at 31 December 2014 RM'000	2015 RM'000	2016 RM'000	As at 30 June 2017 RM'000
Cost of investment	-	-	-	1,050
Share of post-acquisition results and other comprehensive income	-	-	-	(16)
	-	-	-	1,034

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 31 December 2014	2015	2016	As at 30 June 2017	Principal activities
Penang Automation Cluster Sdn. Bhd. ("PAC")	Malaysia	RM3 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

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.

Set out below are the summarised financial information of PAC which is accounted for using the equity method:

	As at 31 December 2014 RM'000	2015 RM'000	2016 RM'000	As at 30 June 2017 RM'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 RM'000	2015 RM'000	2016 RM'000	2017 RM'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 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'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
	7,519	6,543	17,554	113,490

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 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'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)

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 30 June
	2014	2015	2016	2017
	RM'000	RM'000	RM'000	RM'000
Trade receivables	18,654	13,168	32,715	15,440
Less: allowance for impairment loss	(1,085)	(373)	(705)	(113)
	17,569	12,795	32,010	15,327

The normal credit terms granted to trade receivables range from 0 to 90 days.

The movement in the allowance for impairment loss of trade receivables is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RM'000	RM'000	RM'000	RM'000
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	1,085	373	705	113

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 RM1,085,000, RM373,000, RM705,000 and RM113,000 as individually impaired. Based on this assessment, impairment loss of nil, RM373,000, RM469,000 and RM106,000 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 30 June
	2014	2015	2016	2017
	RM'000	RM'000	RM'000	RM'000
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
	17,569	12,795	32,010	15,327

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 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Other receivables	260	255	146	85
Refundable deposits	617	402	411	449
Non-refundable deposits (note (i))	1,396	211	1,541	951
Prepayments	251	171	162	408
GST claimable	-	521	1,034	1,477
Receivables from PCB (note (ii))	-	-	-	87
	2,524	1,560	3,294	3,457

Notes:

(i) Non-refundable deposits are mainly for deposits paid to suppliers for purchase of raw materials/services.

(ii) Receivable 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 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
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

22. INVESTMENT SECURITIES

	As at 31 December			As at 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Fair value through profit and loss:				
- Listed equity securities outside Malaysia	-	-	2,563	2,569

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.

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23. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'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
	6,926	11,495	26,298	39,553

Notes:

(i) The fixed deposits earn 3.55% 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	RM'000
Authorised :		
Ordinary shares of HK$0.01 each	38,000,000	205
Issued and fully paid:		
Upon incorporation and as at 30 June 2017	1	-*

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 Internal Reorganisation and the waiver of the amount due to ultimate holding company of RM21,690,000 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.

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26. A SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

The Group includes a subsidiary, PU, with material non-controlling interest ("NCI"), the details and the summarised financial information are as follows:

	As at 31 December 2014 RM'000	2015 RM'000	2016 RM'000	As at 30 June 2017 RM'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 2014 RM'000	2015 RM'000	2016 RM'000	As at 30 June 2017 RM'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 2014 RM'000	2015 RM'000	2016 RM'000	Six months ended 30 June 2016 RM'000 (Unaudited)	2017 RM'000
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 PU at a cash consideration of RM6,000,000. The Group recognised a decrease in non-controlling interest of RM5,027,000 with a corresponding increase in capital reserve.

27. TRADE PAYABLES

The normal credit terms granted by trade payables range from 30 to 120 days.

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28. OTHER PAYABLES, ACCRUALS AND PROVISION

	As at 31 December 2014 RM'000	2015 RM'000	2016 RM'000	As at 30 June 2017 RM'000
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	-	-
	8,631	4,539	14,898	81,287

* This is in respect of deposits received from customers upon placing sales orders.

29. FINANCE LEASE LIABILITIES

	As at 31 December 2014 RM'000	2015 RM'000	2016 RM'000	As at 30 June 2017 RM'000
Total minimum lease payments:				
Due within one year	138	57	144	144
Due in the second to fifth years	57	-	180	108
	195	57	324	252
Future finance charges	(6)	-	(18)	(11)
Present value of finance lease liabilities	189	57	306	241
Present value of minimum lease payments:				
Due within one year	132	57	132	135
Due in the second to fifth years	57	-	174	106
	189	57	306	241
Less: Portion due within one year included under current liabilities	(132)	(57)	(132)	(135)
Portion due after one year included under non-current liabilities	57	-	174	106

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 2014 RM'000	2015 RM'000	2016 RM'000	As at 30 June 2017 RM'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)
Balance at the end of the year/period	1,950	1,131	451	485

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.

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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 RM'000	Others RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2014	2,205	241	2,446
Recognised in profit or loss	(155)	(31)	(186)
At 31 December 2014 and 1 January 2015	2,050	210	2,260
Recognised in profit or loss	87	158	245
At 31 December 2015 and 1 January 2016	2,137	368	2,505
Recognised in profit or loss	(2,137)	(368)	(2,505)
At 31 December 2016 and 1 January 2017 and 30 June 2017	-	-	-

	Unabsorbed reinvestment allowance RM'000
Deferred tax assets	
At 1 January 2014	(1,726)
Recognised in profit or loss	1,516
At 31 December 2014 and 1 January 2015	(210)
Recognised in profit or loss	210
At 31 December 2015 and 2016 and 30 June 2017	-

The amounts of deferred tax (assets)/liabilities recognised in the combined statements of financial position are as follows:

	As at 31 December 2014 RM'000	2015 RM'000	2016 RM'000	As at 30 June 2017 RM'000
Deferred tax assets	-	-	-	-
Deferred tax liabilities	2,050	2,505	-	-
	2,050	2,505	-	-

32. 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 RM12,660,000.

(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, RM400,000, RM400,000 and nil respectively.

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33. CAPITAL COMMITMENT

	As at 31 December			As at 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Contracted but not provided for				
- 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 RM31,280,000, RM31,280,000, nil and nil; and (ii) PCB of nil, RM7,500,000, RM7,500,000 and RM7,500,000 respectively. Under these guarantees, the Group would have been liable to pay the banks if the banks are unable to recover the loans. 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 was subsequently released in January 2016. As of the date of this report, the Group is in the midst of discharging the guarantee provided for PCB.

Under the financial guarantee contracts, property, plant and equipment and leasehold land of the Group with carrying amounts of RM35,182,000, RM34,910,000, nil and nil, and RM2,872,000, RM2,811,000, 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. ("PSS")	Entity controlled by the ultimate holding company
Pentamaster Engineering (M) Sdn. Bhd. ("PE")	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.

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(b) Related party transactions

	Year ended 31 December 2014 RM'000	2015 RM'000	2016 RM'000	Six months ended 30 June 2016 RM'000 (Unaudited)	2017 RM'000
Sales to:					
- PE	1,060	-	-	-	-
- Dixin	421	1,352	-	-	-
Purchase from:					
- PE	110	50	-	-	-
- Dixin	23	-	-	-	-
- PSS	-	-	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:					
- PE	459	25	-	-	-
- Dixin	61	188	-	-	-
- PSS	-	45	108	45	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 2014 RM'000	2015 RM'000	2016 RM'000	Six months ended 30 June 2016 RM'000 (Unaudited)	2017 RM'000
Employees' salaries, allowances and bonuses	1,785	2,145	3,146	1,283	1,100
Contribution to EPF	185	258	378	154	132
	1,970	2,403	3,524	1,437	1,232

(d) Balances with related parties

	As at 31 December 2014 RM'000	2015 RM'000	2016 RM'000	As at 30 June 2017 RM'000
Amount due from a fellow subsidiary:				
Trade nature:				
- PE	393	-	-	-
Non-trade nature:				
- PE	147	-	-	-
	540	-	-	-
Amounts due to fellow subsidiaries:				
Trade nature:				
- Dixin	320	-	-	-
- PSS	-	-	-	71
Non-trade nature:				
- Dixin	353	-	-	-
	673	-	-	71

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	As at 31 December			As at 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Amount due to ultimate holding company:				
Non-trade nature:				
- PCB	12,466	9,122	10,346	6,260

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 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'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
	25,912	24,953	61,428	58,097
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
	27,196	18,480	28,336	39,008

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.

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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.

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	Within 1 year or on demand RM'000	Over 1 year but within 5 years RM'000	Over 5 years RM'000	Total undiscounted amount RM'000	Carrying amount RM'000
As at 31 December 2014					
Non-derivative financial liabilities					
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
	28,082	57	-	26,139	26,133
Derivative financial liabilities					
Foreign currency forward contracts:					
Outflow-Net	1,063	-	-	1,063	1,063
	27,145	57	-	27,202	27,196

	Within 1 year or on demand RM'000	Over 1 year but within 5 years RM'000	Over 5 years RM'000	Total undiscounted amount RM'000	Carrying amount RM'000
As at 31 December 2015					
Non-derivative financial liabilities					
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
Derivative financial liabilities					
Foreign currency forward contracts:					
Outflow-Net	199	-	-	199	199
	18,480	-	-	18,480	18,480
As at 31 December 2016					
Non-derivative financial liabilities					
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
	24,647	180	-	24,827	24,809
Derivative financial liabilities					
Foreign currency forward contracts:					
Outflow-Net	3,527	-	-	3,527	3,527
	28,174	180	-	28,354	28,336
As at 30 June 2017					
Non-derivative financial liabilities					
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
	38,911	108	-	39,019	39,008

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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 30 June
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Fixed rate instruments				
Financial assets	3	3,425	14,467	14,111
Financial liabilities	189	57	306	241

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 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 RM at the closing rates, are as follows:

	US$ RM'000	Euro RM'000	Singapore Dollar RM'000	Chinese Renminbi RM'000	Australian Dollar ("AUD") RM'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	10,256	2	398	10	-
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	10,525	45	283	64	-
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	32,586	71	244	148	2,563

	US$ RM'000	Euro RM'000	Singapore Dollar RM'000	Chinese Renminbi RM'000	Australian Dollar ("AUD") RM'000
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	24,972	12	708	136	2,568

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 RM'000	Decrease in equity RM'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

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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets/(liabilities):				
As at 31 December 2014				
Foreign currency forward contract (liabilities)	-	(1,063)	-	(1,063)
As at 31 December 2015				
Foreign currency forward contract assets	-	6	-	6
Foreign currency forward contract (liabilities)	-	(199)	-	(199)
	-	(193)	-	(193)
As at 31 December 2016				
Investment securities	2,563	-	-	2,563
Foreign currency forward contract (liabilities)	-	(3,527)	-	(3,527)
	2,563	(3,527)	-	(964)
As at 30 June 2017				
Investment securities	2,569	-	-	2,569
Foreign currency forward contract assets	-	27	-	27
	2,569	27	-	2,596

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 2014 RM'000	2015 RM '000	2016 RM '000	As at 30 June 2017 RM '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

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38. EVENT AFTER THE REPORTING PERIOD

On 17 July 2017, the Group completed the Internal 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 PT, PQ and PU from PCB and the consideration was settled by issuance of 999 shares of the Company to PCB. Subsequent to the Internal Reorganisation, the Company became the holding company of the Group.

39. 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.

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REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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19 October 2017

The Board of Directors
Pentamaster Corporation Berhad
Plot 18 & 19, Technoplex
Medan Bayan Lepas
Taman Perindustrian Bayan Lepas, Phase IV
11900 Penang

Dear Sirs,

PENTAMASTER CORPORATION BERHAD AND ITS SUBSIDIARIES REPORT ON THE COMPILATION OF PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

We have completed our assurance engagement to report on the compilation of the proforma consolidated statements of financial position of Pentamaster Corporation Berhad ("PCB" or the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2016 together with the accompanying notes which have been compiled by the Board of Directors of PCB ("Directors"), and which have been stamped by us for the purpose of identification. The applicable criteria on the basis of which the Directors have compiled the proforma consolidated statements of financial position are as described in the accompanying Note 1 and Note 2.

The proforma consolidated statements of financial position have been compiled by the Directors to illustrate the effects of the Proposals (as defined below) on the Group's audited consolidated statement of financial position as at 31 December 2016, had the Proposals been effected on that date:

(i) **Proposed Listing Exercise**

Proposed listing exercise of Pentamaster International Limited ("PIL"), a subsidiary of PCB, comprising the following:

(a) Proposed establishment of a share award scheme for the eligible employees of PIL and its subsidiaries ("PIL Group") ("Proposed Share Award Scheme");

(b) Proposed listing of the Company's automation solution business on the Main Board of the Stock Exchange of Hong Kong Limited ("Proposed Listing"); and

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(c) Proposed dilution of PCB's equity interest in PIL pursuant to the Proposed Listing.

Further details of the Proposed Listing are as disclosed in the accompanying Note 1.

(ii) **Proposed Bonus Issue**

Proposed bonus issue of 11,725,386 new ordinary shares in PCB ("PCB Share(s)") ("Bonus Share(s)") on the basis of 2 Bonus Shares for every 25 existing PCB Shares held on an entitlement date to be determined later ("Entitlement Date").

(iii) **Proposed Share Split**

Proposed share split involving the subdivision of every 1 PCB Share held after the Proposed Bonus Issue into 2 ordinary shares in PCB ("Subdivided Share(s)").

(Collectively referred to as the "Proposals")

As part of this process, information about the consolidated statement of financial position has been extracted by the Directors from the audited consolidated financial statements of PCB Group for the financial year ended 31 December 2016 on which audit report had been published.

The Directors' Responsibility for the Proforma Consolidated Statements of Financial Position

The Directors are responsible for compiling the proforma consolidated statements of financial position as at 31 December 2016 on the basis as described in the accompanying Note 1 and Note 2.

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 International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies *International Standard on Quality Control 1: Quality Control for Firms that Perform Audits and Review of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Our Responsibilities

Our responsibility is to express an opinion about whether the proforma consolidated statements of financial position have been compiled by the Directors on the basis as described in the accompanying Note 1 and Note 2.

We conducted our engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Proforma Financial Information included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the proforma consolidated statements of financial position on the basis as described in the accompanying Note 1 and Note 2.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the proforma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the proforma consolidated statements of financial position.

The purpose of the proforma consolidated statements of financial position included in the circular to PCB's shareholders is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the events had occurred or the transactions 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 events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the proforma consolidated statements of financial position have been compiled on the basis as described in the accompanying Note 1 and Note 2 involves performing procedures to assess whether the basis as described in the said accompanying notes used by the Directors in the compilation of proforma consolidated statements of financial position provides a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related proforma adjustments give appropriate effect to those criteria; and

- The proforma consolidated statements of financial position reflect the proper application of those adjustments to the audited consolidated statement of financial position of the Company as at 31 December 2016.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF PCB AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON *(CONT'D)*

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The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the proforma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluation of the overall presentation of the proforma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the proforma consolidated statements of financial position have been properly compiled, in all material respects, on the basis of applicable criteria as set out in the accompanying Note 1 and Note 2.

Other Matters

This letter is issued for the sole purpose of inclusion in the submission to Bursa Malaysia Securities Berhad and circular to PCB's shareholders in connection with the abovementioned Proposals. As such, this letter is not to be used, circulated, quoted or otherwise referred to, for any other purposes nor is it to be filed with, reproduced, copied, disclosed or referred, in whole or in part, in any other document.

Yours faithfully,

Grant Thornton	**John Lau Tiang Hua**
No. AF: 0042	**No. 1107/03/18 (J)**
Chartered Accountants	**Chartered Accountant**

Penang

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF PCB AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON *(CONT'D)*

PENTAMASTER CORPORATION BERHAD
Company No. 572307-U
(Incorporated in Malaysia under the Companies Act 2016)

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

			Proforma I		Proforma II		Proforma III		Proforma IV	Minimum scenario		Maximum scenario	
											Proforma V		Proforma V
	Audited as at 31.12.2016 RM'000	Proforma adjustment I RM'000	Adjusted for subsequent events RM'000	Proforma adjustment II RM'000	After I and the Proposed Share Award Scheme RM'000	Proforma adjustment III RM'000	After II and the Proposed Bonus Issue RM'000	Proforma adjustment IV RM'000	After III and the Proposed Share Split RM'000	Proforma adjustment V RM'000	After IV and the Proposed Listing RM'000	Proforma adjustment V RM'000	After IV and the Proposed Listing RM'000
ASSETS													
Non-current assets													
Property, plant and equipment	43,418		43,418		43,418		43,418		43,418		43,418		43,418
Intangible assets	5,304		5,304		5,304		5,304		5,304		5,304		5,304
	48,722		48,722		48,722		48,722		48,722		48,722		48,722
Current assets													
Inventories	17,617		17,617		17,617		17,617		17,617		17,617		17,617
Trade receivables	36,442		36,442		36,442		36,442		36,442		36,442		36,442
Other receivables, deposits and prepayments	6,855		6,855		6,855		6,855		6,855		6,855		6,855
Tax recoverable	429		429		429		429		429		429		429
Investment securities	2,563		2,563		2,563		2,563		2,563		2,563		2,563
Cash and cash equivalents	30,843	19,500	50,343	29,500	79,843		79,843	(120)	79,723	172,275	251,998	192,167	271,890
	94,749		114,249		143,749		143,749		143,629		315,904		335,796
TOTAL ASSETS	143,471		162,971		192,471		192,471		192,351		364,626		384,518
EQUITY AND LIABILITIES													
Share capital	73,284		73,284		73,284	5,863	79,147		79,147		79,147		79,147
Share premium	6,020		6,020		6,020	(5,863)	157		157		157		157
Retained profits	28,893	17,063	45,956	22,218	68,174		68,174	(120)	68,054	121,725	189,779	137,787	205,841
	108,197		125,260		147,478		147,478		147,358		269,083		285,145
Non-controlling interests	3,978	2,437	6,415	7,282	13,697		13,697		13,697	50,550	64,247	54,380	68,077
Total equity	112,175		131,675		161,175		161,175		161,055		333,330		353,222
Non-current liabilities													
Finance lease liabilities	269		269		269		269		269		269		269
Deferred income	450		450		450		450		450		450		450
	719		719		719		719		719		719		719
Current liabilities													
Trade payables	10,278		10,278		10,278		10,278		10,278		10,278		10,278
Other payables, accruals and provision	16,569		16,569		16,569		16,569		16,569		16,569		16,569
Derivative financial liabilities	3,527		3,527		3,527		3,527		3,527		3,527		3,527
Finance lease liabilities	178		178		178		178		178		178		178
Provision for taxation	25		25		25		25		25		25		25
	30,577		30,577		30,577		30,577		30,577		30,577		30,577
Total liabilities	31,296		31,296		31,296		31,296		31,296		31,296		31,296
TOTAL EQUITY AND LIABILITIES	143,471		162,971		192,471		192,471		192,351		364,626		384,518
No. of PCB Shares in issue ('000)	146,567		146,567		146,567	11,725	158,292	158,293	316,585		316,585		316,585
NA per PCB Share * (RM)	0.74		0.85		1.01		0.93		0.47		0.85		0.90
Total borrowings (RM'000)	447		447		447		447		447		447		447
Gearing ratio * (times)	0.004		0.004		0.003		0.003		0.003		0.002		0.002

* These ratios are computed using net assets or equity attributable to owners of the Company.

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PENTAMASTER CORPORATION BERHAD ("PCB")
Company No. 572307-U
(Incorporated in Malaysia under the Companies Act 2016)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

1. BASIS OF PREPARATION

The proforma consolidated statements of financial position have been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2016 and in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of the Group. Furthermore, such financial information does not purport to predict the future financial position of PCB.

The proforma consolidated statements of financial position, for which the Directors of PCB are solely responsible, have been prepared for illustrative purposes only, for inclusion in the Circular to PCB's shareholders ("Circular") in connection with the Proposals (as defined below) which include:

(i) Proposed listing exercise of Pentamaster International Limited ("PIL"), a subsidiary of PCB, comprising the following:

(a) Proposed establishment of a share award scheme for the eligible employees of PIL and its subsidiaries ("Eligible Employees") ("Proposed Share Award Scheme"); and

(b) Proposed listing of the Company's automation solution business on the Main Board of the Stock Exchange of Hong Kong Limited involving:

(aa) allotment and issuance of 1,407,761,904 PIL Shares (which is indicative and subject to change) to PIL's shareholders whose names are on the register of members of PIL prior to the Proposed Share Offer (as defined below) by way of capitalising HKD14,077,619.04 (equivalent to RM7,609,474) standing to the credit of PIL's share premium account ("Proposed Capitalisation Issue"); and

(bb) a public issue of 192,000,000 new ordinary shares of HKD0.01 each in PIL ("PIL Shares") and offer for sale of 176,000,000 existing PIL Shares by PCB ("Proposed Share Offer").

(c) Proposed dilution of PCB's equity interest in PIL pursuant to the Proposed Listing.

((a), (b) and (c) are collectively referred to as "Proposed Listing Exercise")

(ii) Proposed bonus issue of 11,725,386 new ordinary shares in PCB ("PCB Share(s)") ("Bonus Share(s)") on the basis of 2 Bonus Shares for every 25 existing PCB Shares held on an entitlement date to be determined later ("Entitlement Date");

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

(iii) Proposed share split involving the subdivision of every 1 PCB Share held after the Proposed Bonus Issue into 2 ordinary shares in PCB ("Subdivided Share(s)");

((i), (ii) and (iii) are collectively referred to as "Proposals")

The proforma consolidated statements of financial position illustrated the effects of the above Proposals, had the Proposals been implemented and completed on 31 December 2016. The proforma consolidated statements of financial position incorporate the adjustments in Note 2 below.

The proforma consolidated statements of financial position is presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

The exchange rate of HKD100: RM54.0537, based on the exchange rate from Bank Negara Malaysia as at 29 September 2017 is used in the proforma consolidated statements of financial position. (HKD= Hong Kong Dollar, RM = Ringgit Malaysia).

2. **PRO FORMA ADJUSTMENTS**

Proforma I

Proforma I incorporates the effects of the subsequent events which include:

(i) The acquisition of the remaining 40% equity interest in Pentamaster Instrumentation Sdn. Bhd. ("PU") which PCB does not own for a cash consideration of RM6,000,000, which was completed on 9 June 2017. The said acquisition gave rise to a reduction in non-controlling interests and cash and cash equivalents by RM3,977,807 and RM6,000,000 respectively. Correspondingly, the premium paid on the acquisition from the non-controlling shareholders of RM2,022,193 is recognised as a reduction in the retained profits;

(ii) The internal reorganisation which involved the transfer of PCB's entire equity interests in the automation solution business, comprising Pentamaster Technology (M) Sdn. Bhd. ("PT"), Pentamaster Equipment Manufacturing Sdn. Bhd. ("PQ") and PU to PIL for a total consideration of RM86,776,487 and was settled via the issuance of an aggregate of 999 PIL Shares to PCB. The said internal reorganisation does not give rise to any financial effects on the proforma consolidated statements of financial position; and

(iii) The investment by GEMS Opportunities Limited Partnership ("GEMS") ("GEMS Investment") which involved the disposal of 74 PIL Shares, representing 7.40% of the equity interest in PIL, by PCB to GEMS, for a total cash consideration of RM25,500,000. The GEMS Investment gave rise to an increase in non-controlling interests and cash and cash equivalents by RM6,414,638 and RM25,500,000 respectively. Correspondingly, the difference between the disposal consideration and the proportionate share of GEMS' equity interest in PIL of RM19,085,362 is recognised as an increase in retained profits.

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2016 (CONT'D)

Proforma II

Proforma II incorporates the effects of Proforma I and the Proposed Share Award Scheme, pursuant to which PCB proposes to allocate a total of 20,000 PIL Shares, representing approximately 8.40% of the equity interest in PIL, to the Eligible Employees for a total cash consideration of RM29,500,000 ("Scheme Consideration").

The Proposed Share Award Scheme gave rise to an increase in non-controlling interests and cash and cash equivalents by RM7,281,590 and RM29,500,000 respectively. Correspondingly, the difference between the Scheme Consideration and the proportionate share of Eligible Employees' equity interest in PIL of RM22,218,410 is recognised as an increase in retained profits.

Proforma III

Proforma III incorporates the effects of Proforma II and the effects of the Proposed Bonus Issue which entails the issuance of 11,725,386 Bonus Shares to be credited as fully paid-up on the basis of 2 Bonus Shares for every 25 existing PCB Shares held by the shareholders whose names appear in the Record of Depositors of the Company on the Entitlement Date ("Entitled Shareholders").

The Proposed Bonus Issue will give rise to an increase in the share capital by RM5,862,693 with the corresponding decrease in the share premium account. The number of PCB shares will therefore increase from 146,567,333 to 158,292,719.

Proforma IV

Proforma IV incorporates the effects of Proforma III and the effects of the Proposed Share Split which entails the subdivision of every 1 PCB Share held by the Entitled Shareholders after the Proposed Bonus Issue into 2 Subdivided Shares, together with the defrayment of estimated expenses arising from the Proposed Bonus Issue and Proposed Share Split, totalling RM120,000.

The Proposed Share Split will give rise to a reduction in cash and cash equivalents and retained profits by RM120,000. Upon completion of the Proposed Share Split, the number of PCB shares will increase from 158,292,719 to 316,585,438.

Proforma V

Proforma V incorporates the effects of Proforma IV and the effects of the adjustments arising from the Proposed Listing Exercise and listing expenses.

The Proposed Share Offer involves a public issue of 192,000,000 new PIL Shares ("New Shares") and offer for sale of 176,000,000 existing PIL Shares held by PCB ("Sale Shares").

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

The Proposed Share Offer will be based on the following two (2) scenarios:

	Minimum Scenario		**Maximum Scenario**	
	HKD	**RM**	**HKD**	**RM**
Indicative Offer Price	0.95	0.5135	1.05	0.5676
New Shares				
Gross proceeds raised	182,400,000	98,593,949	201,600,000	108,972,259
Sale Shares				
Gross proceeds raised	167,200,000	90,377,786	184,800,000	99,891,238

The Proposed Listing would result in the dilution of PCB's interest in PIL from 92.60% currently to 63.10% upon completion of the Proposed Listing.

The effects arising from the Proposed Share Offer on the proforma consolidated statements of financial position based on the 2 scenarios would be as follows:

(i) **Minimum Scenario**

The effects arising from the Proposed Share Offer, the dilution in equity interest and payment of estimated listing expenses is an increase in cash and cash equivalents, retained profits and non-controlling interests by RM172,275,625, RM121,725,211 and RM50,550,414 respectively.

(ii) **Maximum Scenario**

The effects arising from the Proposed Share Offer, the dilution in equity interest and payment of estimated listing expenses is an increase in cash and cash equivalents, retained profits and non-controlling interests by RM192,167,387, RM137,786,962 and RM54,380,425 respectively.

The total estimated listing expenses incurred by the Group for the Proposals is assumed to be RM16,696,110 and will result in the reduction in retained profits, non-controlling interests and cash and cash equivalents by RM12,567,287, RM4,128,823 and RM16,696,110 respectively.

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INFORMATION ON PIL

1. HISTORY AND BUSINESS

PIL was incorporated in the Cayman Islands on 12 June 2017 as an exempted company with limited liability under the Cayman Companies Law.

PIL is principally an investment holding company, while its subsidiaries are principally involved in the provision of automation technology and solutions to multinational manufacturers in the semiconductor, telecommunications, consumer electronics and automotive sectors spanning the Asia Pacific region, North America and Europe.

The PIL Group's broad range of integrated automation solutions entail innovating, designing, manufacturing and installing automated equipment and/or automated manufacturing solutions, and are broadly categorised into the following two (2) business segments:

	Automated Equipment	Automated Manufacturing Solutions
Key Features	▪ Standardised and customised standalone automated equipment for (i) semiconductor electronic components testing for smart sensors and integrated circuits; and (ii) end products testing for consumer electronics, telecommunications products and Light-Emitting Diode ("**LED**") ▪ Addresses its customers' functionality testing requirements during various stages of their manufacturing process ▪ Part of the back-end semiconductor automated test equipment market	▪ Customised integrated manufacturing system consisting of automated assembly and test modules, material handling equipment, robotics technology, auto inspection and manufacturing executive system ▪ Caters to specific manufacturing needs for automation ▪ Part of the factory automation solution market
Main products/ solutions	MEMS and smart sensor test handler solutions, automated vision inspection handler solutions, intelligent sortation system and end product testing solutions	AMS modules and i-ARMS solutions

The principal markets for the PIL Group's revenue for the FYE 31 December 2016 and 6-month FPE 30 June 2017 are as follows:

	FYE 31 December 2016		FPE 30 June 2017	
	RM'000	%	RM'000	%
Malaysia	82,906	58.46	14,946	15.47
PRC	14,491	10.22	3,957	4.09
Japan	1,418	1.00	860	0.89
Singapore	21,598	15.23	60,376	62.48
Republic of Ireland	5,552	3.91	5,470	5.66
US	8,006	5.65	2,411	2.50
Others [(1)]	7,849	5.53	8,611	8.91
	141,820	**100.00**	**96,631**	**100.00**

Note:

(1) Others include Philippines, Germany, United Kingdom and Hong Kong.

INFORMATION ON PIL *(CONT'D)*

The principal markets of the PIL Group's purchase of materials for the FYE 31 December 2016 and 6-month FPE 30 June 2017 are as follows:

	FYE 31 December 2016		FPE 30 June 2017	
	RM'000	%	RM'000	%
Local	62,041	79.77	85,516	58.87
Overseas [(1)]	15,734	20.23	59,735	41.13
	77,776	**100.00**	**145,251**	**100.00**

Note:

(1) Overseas include suppliers mainly from Europe, Japan, Singapore and US.

As the core of the PIL Group's business model is product innovation and customised design, its production capacity at any one time is defined by the number of in-house engineers, the complexity and size of the projects on hand as well as production floor space. As such, there is no meaningful measure to quantify its production capacity to demonstrate utilisation. For illustrative purposes, the details of the production floor space and production staff for the past three (3) FYE 31 December 2014 to FYE 31 December 2016 and the six (6) months ended 30 June 2017 are set out below:

	For the year ended/ as at 31 December			*For the six (6) months ended/ as at 30 June 2017*
	2014	2015	2016	
Production floor space (sq. ft.)	21,360	21,360	22,260	23,500
Production staff*	136	154	180	239
Overtime (hours)	51,565	58,554	73,870	58,252

Note:

* *Production staff represents engineers (including Directors and senior management) and technicians.*

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, the PIL Group introduced late night work shifts for the production staff as a temporary means to further raise the 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 the production floor area). As at the LPD, the PIL Group intends to raise the production headcount by 46 to 285 by end of 2018.

As at the LPD, the properties owned by the PIL Group are as follows:

Location	Type of ownership	Tenure of leasehold/ leasehold expiry date	Description/ usage	Approximate land floor area/ gross floor area (sq. ft.)	Audited Net Book Value as at 30.06.2017 (RM'000)
Plots 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Bayan Lepas, Penang, Malaysia	Leasehold	60 years / 1 July 2062 (Plot 18) and 21 July 2062 (Plot 19)	Production plant and offices (PIL Group's existing production plant)	175,690 / 90,310	37,104[(2)]
HS(D) 47991, PT 5917, Mukim of 13, District of Seberang Perai Selatan, Penang, Malaysia	Leasehold	60 years / 6 December 2075	Vacant industrial land pending for development/ production plant and offices (PIL Group's new production plant)	140,739 / -[(1)]	5,045[(3)]

Notes:

(1) *The gross floor area is not applicable as the building is pending for development currently. The new production plant is expected to commence operations in mid-2018.*

(2) *The appraised value by DTZ Cushman & Wakefield Limited as at 31 July 2017 is RM37.20 million.*

(3) *The appraised value by DTZ Cushman & Wakefield Limited as at 31 July 2017 is RM5.63 million.*

As at the LPD, the PIL Group also rented hostels in Malaysia, Singapore and PRC as accommodation for its staff. The PIL Group also rented the following offices in the PRC as customer liaison support:

Location	Purpose	Tenure	Monthly rent (Renminbi)
Jing An District, Shanghai, PRC	Office	1 August 2017 to 31 July 2018	1,100
Gao Xing District, Suzhou, PRC	Office	19 March 2016 to 24 March 2018	4,800

2. SHARE CAPITAL

The authorised share capital of PIL is HKD50,000,000 divided into 5,000,000,000 PIL Shares.

As at the LPD, the issued and paid-up share capital of PIL is HKD10 divided into 1,000 PIL Shares.

INFORMATION ON PIL *(CONT'D)*

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of PIL and their shareholdings are as follows:

Name	Country of incorporation/ Nationality	Direct		Indirect	
		No. of PIL Shares	%	No. of PIL Shares	%
PCB	Malaysia	926	92.60	-	-
GEMS	Singapore	74	7.40	-	-
Chuah Choon Bin	Malaysian	-	-	926	92.60[(1)]

Note:

(1) Deemed interested by virtue of his substantial shareholdings in PCB pursuant to Section 8 of the Act.

4. DIRECTORS AND THEIR SHAREHOLDINGS

As at the LPD, the Directors of PIL and their respective shareholdings in PIL are as follows:

Name	Nationality	Designation	Direct		Indirect	
			No. of PIL Shares	%	No. of PIL Shares	%
Chuah Choon Bin	Malaysian	Executive Director	-	-	926	92.60[(1)]
Gan Pei Joo	Malaysian	Executive Director	-	-	-	-
Leng Kean Yong	Malaysian	Non-Executive Director	-	-	-	-

Note:

(1) Deemed interested by virtue of his substantial shareholdings in PCB pursuant to Section 8 of the Act.

5. SUBSIDIARIES AND ASSOCIATED COMPANY

The details of PIL's subsidiaries are as follows:

Name	Date of incorporation	Country of incorporation	Share capital as at the LPD		Effective equity interest (%)	Principal activities
			(RM'000)	No. of ordinary shares ('000)		
PT	18.03.1995	Malaysia	2,400	2,400	100.00	Design, manufacturing and installation of computerised automation systems and equipment
PQ	02.10.2006	Malaysia	13,160	13,160	100.00	Equipment design and manufacturing services and manufacturing of high precision machine parts
PU	18.12.2003	Malaysia	300	300	100.00	Design and manufacturing of automated testing equipment and test and measurement system

The details of PT's associated company are as follows:

Name	Date of incorporation	Country of incorporation	Share capital as at the LPD (RM'000)	No. of ordinary shares ('000)	Effective equity interest (%)	Principal activities
PACSB	24.06.2016	Malaysia	3,000	3,000	35.00	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

6. HISTORICAL FINANCIAL INFORMATION

A summary of the financial information of the PIL Group based on the audited combined financial statements for the FYE 31 December 2014 to FYE 31 December 2016, the 6-month FPE 30 June 2016 and FPE 30 June 2017 is as follows:

	Audited			Unaudited	Audited
	FYE 31 December 2014 RM'000	FYE 31 December 2015 RM'000	FYE 31 December 2016 RM'000	FPE 30 June 2016 RM'000	FPE 30 June 2017 RM'000
Revenue	75,072	73,683	141,820	63,014	96,631
Gross profit	21,687	20,674	45,138	18,583	29,261
PBT	12,531	11,815	32,788	13,075	21,041
PAT	10,567	9,943	33,831	11,571	18,818
PAT attributable to the owners of PIL	9,056	9,606	31,275	10,757	17,768
Share capital	Nil(1)	Nil(1)	Nil(1)	Nil(1)	Nil(1)
No. of shares ('000)	Nil(1)	Nil(1)	Nil(1)	Nil(1)	Nil(1)
Shareholders' funds/ NA attributable to the owners PIL	42,426	52,032	82,707	65,424	105,502
NA per share (RM)	Not applicable(2)	Not applicable(2)	Not applicable(2)	Not applicable(2)	Not applicable(2)
Gross EPS (RM)	Not applicable(2)	Not applicable(2)	Not applicable(2)	Not applicable(2)	Not applicable(2)
Net EPS (RM)	Not applicable(2)	Not applicable(2)	Not applicable(2)	Not applicable(2)	Not applicable(2)
Current ratio (times)(3)	1.11	1.69	2.09	1.61	1.51
Total borrowings (interest bearing debts)	189	57	306	369	241
Gearing ratio (times)(4)	0.004	0.001	0.004	0.006	0.002

Notes:

(1) PIL was incorporated on 12 June 2017 whilst the PIL Group was formed on 21 July 2017. Therefore, there was no issued capital shown in the audited combined financial statements of PIL.

(2) Not applicable as there is no issued share capital.

(3) Computed based on current assets divided by current liabilities.

(4) Computed based on total borrowings (being finance lease liabilities) divided by NA attributable to the owners of PIL.

There were no exceptional and/or extraordinary items reported in the audited combined financial statements of the PIL Group for the financial years under review. There have been no peculiar accounting policies adopted by PIL and there have been no audit qualifications reported in the audited combined financial statements of the PIL Group during the financial years under review.

Commentary on past performance

FYE 31 December 2014 compared to FYE 31 December 2013

Revenue

The PIL Group recorded revenue of RM75.1 million in FYE 31 December 2014, representing an increase of RM8.0 million or 11.9% as compared to the revenue of RM67.1 million registered in FYE 31 December 2013.

The increase in revenue was mainly attributable to increase in revenue from the automated equipment segment due to (i) the increase in orders for its automated vision inspection handler solutions from customers in the semiconductor sector in 2014; and (ii) higher sales from its end product test solutions arising from the increase in demand for one of the solutions for the LED industry.

PBT

Despite the increase in revenue, the PIL Group's PBT for the FYE 31 December 2014 decreased marginally by approximately 2.3% or approximately RM0.3 million as compared to the PBT for the FYE 31 December 2013 of RM12.8 million. The decrease in PBT was primarily attributable to lower other income recorded in 2014 as compared to 2013 due to the reversal of impairment loss on receivables amounting to RM3.8 million in 2013.

FYE 31 December 2015 compared to FYE 31 December 2014

Revenue

The PIL Group recorded revenue amounted to approximately RM73.7 million in FYE 31 December 2015, representing a decrease of approximately 1.9% as compared to the FYE 31 December 2014. Such nominal decrease was primarily attributable to reduction of approximately 18.2% 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 the automated equipment segment was primarily attributable to (i) the reduction in sales of the 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 its end product test solutions mainly resulting from the fall in demand for one of the solutions for the LED industry, which was the subject of an intellectual property infringement case initiated by the PIL 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 its AMS modules and completion of a project with value of approximately RM5.5 million in the FYE 31 December 2015.

PBT

The PIL Group's PBT for the FYE 31 December 2015 was lower by approximately 5.7% partly due to the lower revenue recorded for the financial year as explained above. The reduction in PBT was also contributed by lower gross profit margin recorded during the year as the PIL Group continued to expand its headcount in preparation for business expansion despite the revenue fall experienced by the automated equipment segment in the FYE 31 December 2015 as mentioned above.

FYE 31 December 2016 compared to FYE 31 December 2015

Revenue

The PIL Group recorded significant revenue growth in the FYE 31 December 2016, representing an increase by approximately 92.5%, due to growth from both the automated equipment and automated manufacturing solutions segments.

The increase in revenue from the automated equipment segment by approximately 124.0% in the FYE 31 December 2016 was mainly due to strong demand for its MEMS and smart sensor test handler solutions as well as intelligent sortation system from the semiconductor and telecommunications sectors arising from its customer's operational expansion during the year. Moreover, the PIL Group's 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.

The increase in revenue from the automated manufacturing solutions segment by approximately 42.0% in the FYE 31 December 2016 compared to the FYE 31 December 2015 was primarily due to the introduction of the i-ARMS solutions during the year.

PBT

The PIL Group's PBT increased by more than 100% or approximately RM21.0 million for the FYE 31 December 2016 as compared to the FYE 31 December 2015, in line with the increase in revenue. The increase in PBT was also partly attributable to the significant improvement in the gross profit margin of its automated equipment segment. Such increase was mainly due to the PIL Group achieving economies of scale with revenue growth substantially outstripping the increase in fixed cost during the year.

FPE 30 June 2017 compared to FPE 30 June 2016

Revenue

The PIL Group's revenue continued to grow in the first half of the FPE 30 June 2017 compared to the corresponding period in the FPE 30 June 2016. The substantial revenue growth of approximately 53.3% was primarily driven by growth in revenue derived from the automated equipment segment. In particular, its MEMS and smart sensor test handler solutions recorded over 21 times growth from approximately RM2.6 million to RM55.4 million over the same period. This was mainly due to higher sales orders from one of its customers, which is a multinational corporation based in Singapore, principally engaged in the supply of micro-optics systems for smart mobile devices. The increase was partially offset by the reduction in revenue derived from its intelligent sortation system due to the slowdown in demand following the significant growth from 2015 to 2016.

INFORMATION ON PIL *(CONT'D)*

The slight increase in revenue derived from the 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 FPE 30 June 30 June 2017 compared to the corresponding period in the FPE 30 June 2016.

PBT

The PBT of the PIL Group for the FPE 30 June 2017 increased by approximately 60.9% or approximately RM8.0 million as compared to the PBT for the FPE 30 June 2016. The increase in PBT was in tandem with the increase in the revenue.

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INFORMATION ON PQ

1. HISTORY AND BUSINESS

PQ was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 2 October 2006.

The principal activities of PQ are equipment design and manufacturing services and manufacturing of high precision machine parts.

2. SHARE CAPITAL

As at the LPD, the issued share capital of PQ is RM13,160,000 comprising 13,160,000 ordinary shares.

3. SUBSTANTIAL SHAREHOLDER

As at the LPD, the substantial shareholder of PQ and its shareholding is as follows:

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
PIL	13,160,000	100.00	-	-
PCB	-	-	13,160,000	100.00[1]
Chuah Choon Bin	-	-	13,160,000	100.00[2]

Notes:

(1) Deemed interested by virtue of its substantial shareholdings in PIL pursuant to Section 8 of the Act.

(2) Deemed interested by virtue of his substantial shareholdings in PIL via PCB pursuant to Section 8 of the Act.

4. DIRECTORS AND THEIR SHAREHOLDINGS

As at the LPD, the Directors of PQ and their respective shareholdings in PQ are as follows:

Name	Designation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Chuah Choon Bin	Director	-	-	13,160,000	100.00[1]
Gan Pei Joo	Director	-	-	-	-

Note:

(1) Deemed interested by virtue of his substantial shareholdings in PIL via PCB pursuant to Section 8 of the Act.

5. SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, PQ does not have any subsidiary or associated company.

6. HISTORICAL FINANCIAL INFORMATION

A summary of the financial information of PQ for the past three (3) FYE 31 December 2014 to FYE 31 December 2016, the 6-month FPE 30 June 2016 and FPE 30 June 2017 are set out as follows:

	Audited			Unaudited	Audited
	FYE 31 December 2014 RM'000	FYE 31 December 2015 RM'000	FYE 31 December 2016 RM'000	FPE 30 June 2016 RM'000	FPE 30 June 2017 RM'000
Revenue	19,529	29,074	44,028	16,194	19,995
Gross profit	2,233	6,468	8,552	3,975	5,799
PBT	21,979	3,904	4,933	2,870	3,313
PAT	21,982	3,900	4,931	2,869	3,311
Share capital	13,160	13,160	13,160	13,160	13,160
No. of shares	13,160	13,160	13,160	13,160	13,160
Shareholders' funds/ NA	2,163	6,064	10,994	8,932	14,305
NA per share (RM)[(1)]	0.16	0.46	0.84	0.68	1.09
Gross EPS (RM)[(2)]	1.67	0.30	0.37	0.22	0.25
Net EPS (RM)[(3)]	1.67	0.30	0.37	0.22	0.25
Current ratio (times)[(4)]	1.21	1.96	3.15	1.68	2.78
Total borrowings (interest bearing debts)	-	-	-	-	-
Gearing ratio (times)	-	-	-	-	-

Notes:

(1) Computed based on NA divided by the number of shares in issue.

(2) Computed based on PBT divided by the number of shares in issue.

(3) Computed based on PAT divided by the number of shares in issue.

(4) Computed based on current assets divided by current liabilities.

There were no exceptional and/or extraordinary items reported in the audited financial statements of PQ for the financial years under review. There have been no peculiar accounting policies adopted by PQ and there have been no audit qualifications reported in the audited financial statements of PQ during the financial years under review.

<u>Commentary on past performance</u>

FYE 31 December 2014 compared to FYE 31 December 2013

<u>Revenue</u>

PQ's revenue for the FYE 31 December 2014 increased by approximately RM0.2 million or 1.0% as compared to the revenue for the FYE 31 December 2013. The nominal increase in revenue was mainly due to higher sales of its AMS modules under its automated manufacturing solutions segment.

PBT

PQ's PBT for the FYE 31 December 2014 increased by approximately RM22.3 million or more than 100% as compared to the loss before taxation of RM0.3 million incurred for the FYE 31 December 2013. The loss before taxation incurred in FYE 31 December 2013 was mainly due to higher subcontracting charges incurred during the year for a one-off project with one of its customers.

The significant increase in PBT in FYE 31 December 2014 was mainly due to the increase in other income arising from the one-off waiver of debts by a previous related company, namely Pentamaster Solutions Sdn. Bhd., which amounted to RM21.7 million in 2014. The said waiver of debts was fully eliminated at PIL Group level

FYE 31 December 2015 compared to FYE 31 December 2014

Revenue

PQ's revenue for the FYE 31 December 2015 increased by approximately RM9.5 million or 48.9% as compared to the revenue for the FYE 31 December 2014. The increase was mainly due to the increase in market's demand for its AMS modules and completion of a project with value of approximately RM5.5 million in the FYE 31 December 2015.

PBT

PQ's PBT for the FYE 31 December 2015 decreased by approximately RM18.1 million or 82.2% as compared to the PBT for the FYE 31 December 2014. The decrease in PBT was mainly due to lower other income recorded in 2015 as compared to 2014, which had the one-off waiver of debts by a previous related company, namely Pentamaster Solutions Sdn. Bhd. amounting to RM21.7 million. The decrease was partially offset by higher gross profit margin recorded resulting from better product mix secured during the year.

FYE 31 December 2016 compared to FYE 31 December 2015

Revenue

PQ's revenue for the FYE 31 December 2016 increased by approximately RM15.0 million or 51.4% as compared to the revenue for the FYE 31 December 2015. The increase in revenue was primarily due to the introduction of the i-ARMS solutions during the year.

PBT

PQ's PBT for the FYE 31 December 2016 increased by approximately RM1.0 million or 26.4% as compared to the PBT for the FYE 31 December 2015. The increase in PBT was mainly due to the higher revenue recorded for the financial year as explained above, The increase was partially offset by the decrease in gross profit margin recorded during the year, coinciding with the launch of i-ARMS solutions. As a newly launched product, i-ARMS solutions had necessitated incurrence of design and development costs, which affected its gross profit margin.

FPE 30 June 2017 compared to FPE 30 June 2016

Revenue

PQ's revenue for the FPE 30 June 2017 increased by approximately RM3.8 million or 23.5% as compared to the revenue for the FPE 30 June 2016. The increase in revenue was mainly due to the growth in i-ARMS solutions, of which was partially offset by the decrease in demand for AMS modules.

PBT

PQ's PBT for the FPE 30 June 2017 increased by approximately RM0.4 million or 15.4% as compared to the PBT for the FPE 30 June 2016. The increase in PBT was mainly due to the increase in the revenue, of which was partially offset by the loss on foreign exchange incurred during the financial period.

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INFORMATION ON PT

1. HISTORY AND BUSINESS

PT was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 18 March 1995.

The principal activities of PT are design, manufacturing and installation of computerised automation systems and equipment.

2. SHARE CAPITAL

As at the LPD, the issued share capital of PT is RM2,400,000 comprising 2,400,000 ordinary shares.

3. SUBSTANTIAL SHAREHOLDER

As at the LPD, the substantial shareholder of PT and its shareholding is as follows:

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
PIL	2,400,000	100.00	-	-
PCB	-	-	2,400,000	100.00[(1)]
Chuah Choon Bin	-	-	2,400,000	100.00[(2)]

Notes:

(1) Deemed interested by virtue of its substantial shareholdings in PIL pursuant to Section 8 of the Act.

(2) Deemed interested by virtue of his substantial shareholdings in PIL via PCB pursuant to Section 8 of the Act.

4. DIRECTORS AND THEIR SHAREHOLDINGS

As at the LPD, the Directors of PT and their respective shareholdings in PT are as follows:

		Direct		Indirect	
Name	Designation	No. of shares	%	No. of shares	%
Chuah Choon Bin	Director	-	-	2,400,000	100.00[(1)]
Hon Tuck Weng	Director	-	-	-	-
Gan Pei Joo	Director	-	-	-	-

Note:

(1) Deemed interested by virtue of his substantial shareholdings in PIL via PCB pursuant to Section 8 of the Act.

INFORMATION ON PT *(CONT'D)*

5. SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, PT does not have any subsidiary company.

The details of PT's associated company are as follows:

Name	Country of incorporation	Effective equity interest (%)	Principal activities
PACSB	Malaysia	35.00	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

6. HISTORICAL FINANCIAL INFORMATION

A summary of the financial information of PT for the past three (3) FYE 31 December 2014 to FYE 31 December 2016, the 6-month FPE 30 June 2016 and FPE 30 June 2017 are set out as follows:

	Audited			Unaudited	Audited
	FYE 31 December 2014 RM'000	FYE 31 December 2015 RM'000	FYE 31 December 2016 RM'000	FPE 30 June 2016 RM'000	FPE 30 June 2017 RM'000
Revenue	47,163	40,863	88,862	47,367	75,347
Gross profit	13,810	12,067	27,884	11,315	20,438
PBT	8,463	7,850	20,675	7,824	15,605
PAT	6,496	5,982	21,819	6,321	14,291
Share capital	2,400	2,400	2,400	2,400	4,300
No. of shares ('000)	2,400	2,400	2,400	2,400	2,400
Shareholders' funds/ NA	38,037	44,018	65,838	50,339	80,128
NA per share (RM)[(1)]	15.85	18.34	27.43	20.97	33.39
Gross EPS (RM)[(2)]	3.53	3.27	8.61	3.26	6.50
Net EPS (RM)[(3)]	2.71	2.49	9.09	2.63	5.95
Current ratio (times)[(4)]	0.93	1.28	1.72	1.32	1.32
Total borrowings (interest bearing debts)	188	57	306	369	241
Gearing ratio (times)[(5)]	0.005	0.001	0.005	0.007	0.003

Notes:

(1) Computed based on NA divided by the number of shares in issue.

(2) Computed based on PBT divided by the number of shares in issue.

(3) Computed based on PAT divided by the number of shares in issue.

(4) Computed based on current assets divided by current liabilities.

(5) Computed based on total borrowings divided by NA.

There were no exceptional and/or extraordinary items reported in the audited financial statements of PT for the financial years under review. There have been no peculiar accounting policies adopted by PT and there have been no audit qualifications reported in the audited financial statements of PT during the financial years under review.

Commentary on past performance

FYE 31 December 2014 compared to FYE 31 December 2013

Revenue

PT's revenue for the FYE 31 December 2014 increased by approximately RM5.1 million or 12.1% as compared to the revenue of RM42.1 million registered for the FYE 31 December 2013. The increase in revenue was mainly due to increase in orders from its customers in the semiconductor sector for its automated vision inspection handler solutions in 2014.

PBT

Despite the increase in revenue, PT's PBT for the FYE 31 December 2014 decreased by approximately RM3.5 million or 29.2% as compared to the PBT for the FYE 31 December 2013. The decrease in PBT was attributable due to higher other income recorded in 2013 due to the reversal of impairment loss on receivables amounting to RM3.85 million in 2013.

FYE 31 December 2015 compared to FYE 31 December 2014

Revenue

PT's revenue for the FYE 31 December 2015 decreased by approximately RM6.3 million or 13.4% as compared to the revenue for the FYE 31 December 2014. The decrease in revenue was mainly due to reduction in sales of the automated vision inspection handler solutions due to the fall in demand from a PRC customer in the semiconductor sector.

PBT

PT's PBT for the FYE 31 December 2015 decreased by approximately RM0.6 million or 7.2% as compared to the PBT for the FYE 31 December 2014. The decrease in PBT was mainly due to the decrease in revenue, which was partially offset by the gain from changes in fair value of foreign currency forward contracts entered into during the year.

FYE 31 December 2016 compared to FYE 31 December 2015

Revenue

PT's revenue for the FYE 31 December 2016 increased by approximately RM48.0 million or more than 100% as compared to the revenue for the FYE 31 December 2015. The increase in revenue was mainly due to strong demand for its MEMS and smart sensor test handler solutions as well as intelligent sortation system from the semiconductor and telecommunications sectors during the year. Moreover, its products and solutions in the FYE 31 December 2016 generally had more features embedded with complex and high-end technology, which in general were able to command higher sales value. The increase in revenue derived from our intelligent sortation system was mainly due to increased demand following an operational expansion of a customer's end user during the year.

PBT

PT's PBT for the FYE 31 December 2016 increased by approximately RM12.8 million or more than 100% as compared to the PBT for the FYE 31 December 2015. The increase in PBT was mainly due to improvement in the gross profit margin arising from economies of scale achieved during the year.

FPE 30 June 2017 compared to FPE 30 June 2016

Revenue

PT's revenue for the FPE 30 June 2017 increased by approximately RM28.0 million or 59.1% as compared to the PBT for the FPE 30 June 2016. The increase in revenue was mainly due to higher sales orders for its MEMS and smart sensor test handler solutions from one of its customers based in Singapore. The increase was partially offset by the reduction in revenue derived from its intelligent sortation system due to the slowdown in demand following the significant growth from 2015 to 2016.

PBT

PT's PBT for the FPE 30 June 2017 increased by approximately RM7.8 million or 99.5% as compared to the PBT for the FPE 30 June 2016. The increase in PBT was in tandem with the substantial increase in revenue and was also partly contributed by the higher gross profit margin recorded due to economies of scale achieved during the financial period.

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INFORMATION ON PU

1. HISTORY AND BUSINESS

PU was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 18 December 2003.

The principal activities of PU are design and manufacturing of automated testing equipment and test and measurement system.

2. SHARE CAPITAL

As at the LPD, the issued share capital of PU is RM300,000 comprising 300,000 ordinary shares.

3. SUBSTANTIAL SHAREHOLDER

As at the LPD, the substantial shareholder of PU and its shareholding is as follows:

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
PIL	300,000	100.00	-	-
PCB	-	-	300,000	100.00[1]
Chuah Choon Bin	-	-	300,000	100.00[2]

Notes:

(1) Deemed interested by virtue of its substantial shareholdings in PIL pursuant to Section 8 of the Act.

(2) Deemed interested by virtue of his substantial shareholdings in PIL via PCB pursuant to Section 8 of the Act.

4. DIRECTORS AND THEIR SHAREHOLDINGS

As at the LPD, the Directors of PU and their respective shareholdings in PU are as follows:

		Direct		Indirect	
Name	Designation	No. of shares	%	No. of shares	%
Chuah Choon Bin	Director	-	-	300,000	100.00[1]
Gan Pei Joo	Director	-	-	-	-

Note:

(1) Deemed interested by virtue of his substantial shareholdings in PIL via PCB pursuant to Section 8 of the Act.

5. SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, PU does not have any subsidiary or associated company.

INFORMATION ON PU *(CONT'D)*

6. HISTORICAL FINANCIAL INFORMATION

A summary of the financial information of PU for the past three (3) FYE 31 December 2014 to FYE 31 December 2016, the 6-month FPE 30 June 2016 and FPE 30 June 2017 are set out as follows:

	Audited			Unaudited	Audited
	FYE 31 December 2014 RM'000	FYE 31 December 2015 RM'000	FYE 31 December 2016 RM'000	FPE 30 June 2016 RM'000	FPE 30 June 2017 RM'000
Revenue	10,275	6,096	14,960	5,259	8,380
Gross profit	5,068	1,217	7,580	2,741	4,325
PBT	3,779	843	6,491	2,035	4,149
PAT	3,779	843	6,391	2,035	3,242
Share capital	300	300	300	300	300
No. of shares	300	300	300	300	300
Shareholders' funds/ NA	3,710	4,553	9,944	6,588	13,187
NA per share (RM)(1)	12.37	15.18	33.15	21.96	43.96
Gross EPS (RM)(2)	12.60	2.81	21.64	6.78	13.83
Net EPS (RM)(3)	12.60	2.81	21.30	6.78	10.81
Current ratio (times)(4)	4.07	5.22	4.45	5.15	4.21
Total borrowings (interest bearing debts)	-	-	-	-	-
Gearing ratio (times)	-	-	-	-	-

Notes:

(1) Computed based on NA divided by the number of shares in issue.

(2) Computed based on PBT divided by the number of shares in issue.

(3) Computed based on PAT divided by the number of shares in issue.

(4) Computed based on current assets divided by current liabilities.

There were no exceptional and/or extraordinary items reported in the audited financial statements of PU for the financial years under review. There have been no peculiar accounting policies adopted by PU and there have been no audit qualifications reported in the audited financial statements of PU during the financial years under review.

Commentary on past performance

FYE 31 December 2014 compared to FYE 31 December 2013

Revenue

PU's revenue for the FYE 31 December 2014 increased by approximately RM3.1 million or 43.1% as compared to the revenue of RM7.2 million registered for the FYE 31 December 2013. The increase in revenue was mainly due to higher sales from its end product test solutions arising from the increase in demand for one of the solutions for the LED industry.

PBT

PU's PBT for the FYE 31 December 2014 increased by approximately RM2.6 million or more than 100% as compared to the PBT of RM1.2 million registered for the FYE 31 December 2013. The increase in PBT was mainly due to the increase in revenue and improvement in gross profit margin arising from economies of scale achieved together with revenue growth outstripping the increase in fixed cost during the year.

FYE 31 December 2015 compared to FYE 31 December 2014

Revenue

PU's revenue for the FYE 31 December 2015 decreased by approximately RM4.2 million or 40.7% as compared to the revenue for the FYE 31 December 2014. The decrease was mainly due to decrease in revenue from its end product test solutions arising from the fall in demand for one of the solutions for the LED industry, which was the subject of an intellectual property infringement case initiated by the company which has since been settled.

PBT

PU's PBT for the FYE 31 December 2015 decreased by approximately RM2.9 million or 77.7% as compared to the PBT for the FYE 31 December 2014. The decrease in PBT was mainly due to the lower revenue recorded as a result of the intellectual property infringement case as mentioned above, which affected its PBT.

FYE 31 December 2016 compared to FYE 31 December 2015

Revenue

PU's revenue for the FYE 31 December 2016 increased by approximately RM8.9 million or more than 100% as compared to the revenue for the FYE 31 December 2015. Such increase was mainly due to increase in revenue from its end product test solutions arising from the increase in demand from a customer in the consumer electronics sector.

PBT

PU's PBT for the FYE 31 December 2016 increased by approximately RM5.6 million or more than 100% as compared to the PBT for the FYE 31 December 2015. The increase in PBT was in tandem with the increase in revenue and the improvement in gross profit margin due to economies of scale achieved during the year arising from improvement in resources allocation efficiency.

FPE 30 June 2017 compared to FPE 30 June 2016

Revenue

PU's revenue for the FPE 30 June 2017 increased by approximately RM3.1 million or 59.3% as compared to the revenue for the FPE 30 June 2016. The increase was mainly due to increase in revenue from its end product test solutions arising from the increase in demand from a customer in the consumer electronics sector.

PBT

PU's PBT for the FPE 30 June 2017 increased by approximately RM2.1 million or more than 100% as compared to the revenue for the FPE 30 June 2016. The increase in PBT was mainly contributed by the increase in revenue and better cost efficiencies during the financial year.

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this Circular, and they collectively and individually, accept full responsibility for the accuracy of the information given in this Circular. They confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT

Affin Hwang IB, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, and all references thereto in the form and context in which they appear in this Circular.

Grant Thornton, being the Reporting Accountants for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Reporting Accountants' letter on the proforma consolidated statements of financial position of PCB as at 31 December 2016 and the Accountant's Report on the historical combined financial information of the PIL Group, and all references thereto in the form and context in which they appear in this Circular.

McMillan Woods, being the independent valuer appointed by the Company to provide the valuation on the fair market value of the PIL Group to the Board, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Business Valuation Report and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT IN INTEREST

3.1 Affin Hwang IB

Affin Hwang IB hereby declares that there is no situation of conflict of interest that exists or likely to exist in relation to its role as the Principal Adviser to PCB for the Proposals.

Affin Holdings Berhad (the holding company of Affin Hwang IB) and its related and associated companies ("**Affin Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses. The Affin Group has engaged and may in the future, engage in transactions with and perform services for the Company and/or the Company's affiliates, in addition to the roles set out in this Circular. In addition, in the ordinary course of business, any member of the Affin Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of the PCB Group, the Company's shareholders, and/or the Company's affiliates and/or any other entity or person, hold long or short positions in securities issued by the Company and/or the Company's affiliates, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of any members of the PCB Group and/or the Company's affiliates.

Affin Group has in the ordinary course of its banking business, extended services and/or credit facilities to the PCB Group and/or certain directors of the Company.

Affin Hwang IB has considered the factors involved and believes objectivity and independence in carrying out its role are maintained at all times notwithstanding the aforementioned roles as these are mitigated by the following:

(i) the businesses of the Affin Group generally act independently of each other, and accordingly, there may be situations where parts of the Affin Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of the PCB Group. Nonetheless, the Affin Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese Walls between different business divisions;

(ii) the total outstanding amount in respect of the credit facilities provided to certain directors of the Company is not material when compared to the latest audited consolidated gross loans, advances and financing of the Affin Group as at 31 December 2016;

(iii) all credit facilities have been extended and/or will be extended by the Affin Group are in its ordinary course of business; and

(iv) the conduct of the Affin Group in its banking business is strictly regulated by the Financial Services Act, 2013, the Islamic Financial Services Act, 2013, the Capital Markets and Services Act, 2007 and the Affin Group's own internal controls and checks.

Accordingly, the Board has been fully informed and is aware of the roles of Affin Hwang IB mentioned above and is agreeable to the role of Affin Hwang IB as the Principal Adviser to the Company in relation to the Proposals.

3.2 Grant Thornton

Grant Thornton has confirmed that there is no situation of conflict of interest that exists or likely to exist in relation to its role as the Reporting Accountants to PCB for the Proposals.

3.3 McMillan Woods

McMillan Woods has confirmed that there is no situation of conflict of interest that exists or likely to exist in relation to its role as the independent valuer to PCB for the valuation on the fair market value of the PIL Group.

4. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, neither the PCB Group nor PIL Group have entered into any material contracts (not being contracts entered into in the ordinary course of business) for the past two (2) years preceding the date of this Circular:

- On 16 January 2017, PT entered into a joint venture shareholders' agreement with ViTrox Corporation Berhad ("**ViTrox**"), Walta Engineering Sdn. Bhd. ("**WESB**") and PACSB to establish a joint venture between PT, ViTrox and WESB for the purpose to build the local supply chain eco-system, to manage the supply chain eco-system and the funding of the development of the land known as Plot SV61, Batu Kawan Industrial Park ("**Property**") into a small medium industry cluster by PACSB (a joint venture company held by PT (35% shareholding), ViTrox (35% shareholding), WESB (30% shareholding)) for the sub-lease of the Property to the various tenants.

5. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

The Board and PIL Board, have confirmed that, as at the LPD, neither the PCB Group nor PIL Group are engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant.

Further, the Board and PIL Board have no knowledge of any proceedings, pending or threatened against the PCB Group and PIL Group, or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the PCB Group and PIL Group.

6. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the PCB Group (including the PIL Group), which upon becoming enforceable may have a material effect on the business or financial position of the PCB Group:

	Amount RM'000
Authorised but not contracted for:	
- Property, plant and equipment	37,610
Contracted but not provided for:	
- Property, plant and equipment	2,390

7. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the PCB Group (including the PIL Group), which upon becoming enforceable may have a material effect on the business or financial position of the PCB Group:

	Amount RM'000
Corporate guarantee given by the Company for banking facilities extended by financial institution to subsidiary:	
- Limit	44,000
- Amount utilised	424

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

(i) Constitutions of PCB, PQ, PT and PU (Memorandum and Articles of Association as adopted before the commencement of the Act);

(ii) Memorandum and Articles of Association of PIL;

(iii) Business Valuation Report prepared by McMillan Woods dated 1 September 2017 referred to in **Appendix II** of this Circular;

(iv) accountants' report on the historical combined financial information of the PIL Group referred to in **Appendix III**;

(v) proforma consolidated statements of financial position of PCB as at 31 December 2016 together with the notes and Reporting Accountants' letter thereto referred to in **Appendix IV**;

(vi) audited consolidated financial statements of PCB for the past 2 years for FYE 31 December 2015 and FYE 31 December 2016 and latest unaudited quarterly results for the 6-months FPE 30 June 2017;

(vii) audited financial statements of PQ, PT and PU for the past 2 years for FYE 31 December 2015 and FYE 31 December 2016 and latest management accounts for the 6-months FPE 30 June 2017;

(viii) letters of consent referred to in **Section 2** of Appendix IX; and

(ix) material contract referred to in **Section 4** of Appendix IX.

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PENTAMASTER

PENTAMASTER CORPORATION BERHAD
(Company No.: 572307-U)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Pentamaster Corporation Berhad ("**PCB**" or "**Company**") will be held at the Conference Room of PCB at Plot 18 & 19 Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang on Thursday, 16 November 2017 at 11.00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions, with or without any modifications:

ORDINARY RESOLUTION 1

PROPOSED ESTABLISHMENT OF A SHARE AWARD SCHEME FOR THE EMPLOYEES OF PENTAMASTER INTERNATIONAL LIMITED ("PIL") AND ITS SUBSIDIARIES ("PIL GROUP") ("PROPOSED SHARE AWARD SCHEME")

"**THAT**, subject to the passing of Ordinary Resolution 2, Ordinary Resolution 3 and all relevant approvals being obtained from the relevant authorities, approval be and is hereby given for PCB to establish and implement the Proposed Share Award Scheme for the eligible employees of the PIL Group who meet the criteria spelled out in the rules, terms and conditions that govern the Proposed Share Award Scheme (as may be modified varied and/or amended from time to time in accordance with the terms contained therein) ("**Scheme Rules**").

THAT subsequent to the establishment of the Proposed Share Award Scheme, approval be and is hereby given to the Board of Directors of PIL to administer the Proposed Share Award Scheme in accordance with the Scheme Rules.

THAT the Board of Directors of PIL be and is hereby empowered and authorised to amend and/or modify all or any part of the Scheme Rules from time to time as may be required/permitted by the authorities or deemed necessary provided that such modifications and/or amendments are effected and permitted in accordance with the provision of the Scheme Rules relating to modifications and/or amendments and to do all such acts, deeds and things and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to such modifications and/or amendments.

AND THAT the Board of Directors of PIL be and is hereby empowered and authorised to do all such acts, take such steps and execute all such documents in order to finalise, implement and/or give full effect to the Proposed Share Award Scheme, with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or as a consequence of any such requirement as may be deemed necessary or expedient in the best interest of the Company."

ORDINARY RESOLUTION 2

PROPOSED LISTING OF THE COMPANY'S AUTOMATION SOLUTION BUSINESS ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("SEHK") ("PROPOSED LISTING")

"**THAT** subject to the passing of Ordinary Resolution 1, Ordinary Resolution 3 and all relevant approvals being obtained from the relevant authorities and/or parties, approval be and is hereby given to the Company for the proposed listing of the Company's automation solution business via the listing of the entire enlarged issued and paid-up share capital of PIL, a subsidiary of PCB, on the Main Board of the SEHK.

AND THAT, the Board of Directors of the Company ("**Board**") be and is hereby authorised to do all such acts, take such steps and execute all such documents in order to finalise, implement and/or give full effect to the aforesaid Proposed Listing, with full power to amend and assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or as a consequence of any such requirement as may be deemed necessary or expedient in the best interest of the Company."

ORDINARY RESOLUTION 3

PROPOSED DILUTION OF PCB'S EQUITY INTEREST IN PIL PURSUANT TO THE PROPOSED LISTING ("PROPOSED DILUTION")

"**THAT**, subject to the passing of Ordinary Resolution 1, Ordinary Resolution 2, the approvals of relevant authorities being obtained and the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the material dilution of equity interest of PCB in PIL, a subsidiary of PCB, from 92.60% to approximately 63.10% pursuant to the Proposed Listing.

AND THAT the Board be and is hereby empowered and authorised to do all such acts, take such steps and execute all such documents in order to finalise, implement and/or give full effect to the Proposed Dilution, with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or as a consequence of any such requirement as may be deemed necessary or expedient in the best interest of the Company."

ORDINARY RESOLUTION 4

PROPOSED ALLOCATION OF ORDINARY SHARES OF HKD0.01 EACH IN PIL ("PIL SHARE(S)") TO CHUAH CHOON BIN PURSUANT TO THE PROPOSED SHARE AWARD SCHEME ("PROPOSED CCB ALLOCATION")

"**THAT**, subject to the passing of Ordinary Resolution 1, Ordinary Resolution 2 and Ordinary Resolution 3, and all relevant approvals being obtained from the relevant authorities and/or parties, the Directors of the Company be and are hereby authorised to allocate up to 3,000 PIL Shares to Chuah Choon Bin, a Director of PCB and PIL, pursuant to the Proposed Share Award Scheme, subject always to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the Scheme Rules.

AND THAT the Board of Directors of PIL be and are hereby empowered and authorised to do all such acts, take such steps and execute all such documents in order to finalise, implement and/or give full effect to and complete the Proposed CCB Allocation, with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or as a consequence of any such requirement as may be deemed necessary or expedient in the best interest of the Company."

ORDINARY RESOLUTION 5

PROPOSED ALLOCATION OF PIL SHARES TO GAN PEI JOO PURSUANT TO THE PROPOSED SHARE AWARD SCHEME ("PROPOSED GPJ ALLOCATION")

"**THAT**, subject to the passing of Ordinary Resolution 1, Ordinary Resolution 2 and Ordinary Resolution 3, and all relevant approvals being obtained from the relevant authorities and/or parties, the Directors of the Company be and are hereby authorised to allocate up to 860 PIL Shares to Gan Pei Joo, a Director of PCB and PIL, pursuant to the Proposed Share Award Scheme, subject always to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the Scheme Rules.

AND THAT the Board of Directors of PIL be and are hereby empowered and authorised to do all such acts, take such steps and execute all such documents in order to finalise, implement and/or give full effect to and complete the Proposed GPJ Allocation, with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or as a consequence of any such requirement as may be deemed necessary or expedient in the best interest of the Company."

ORDINARY RESOLUTION 6

PROPOSED ALLOCATION OF PIL SHARES TO CHUAH LAY KUAN, AN ELIGIBLE EMPLOYEE UNDER THE PROPOSED SHARE AWARD SCHEME AND A PERSON CONNECTED WITH CHUAH CHOON BIN ("PROPOSED CLK ALLOCATION")

"**THAT**, subject to the passing of Ordinary Resolution 1, Ordinary Resolution 2 and Ordinary Resolution 3, and all relevant approvals being obtained from the relevant authorities and/or parties, the Directors of the Company be and are hereby authorised to allocate up to 512 PIL Shares to Chuah Lay Kuan, an employee of the PIL Group who is also the sister of Chuah Choon Bin, pursuant to the Proposed Share Award Scheme, subject always to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the Scheme Rules.

AND THAT the Board of Directors of PIL be and are hereby empowered and authorised to do all such acts, take such steps and execute all such documents in order to finalise, implement and/or give full effect to and complete the Proposed CLK Allocation, with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or as a consequence of any such requirement as may be deemed necessary or expedient in the best interest of the Company."

ORDINARY RESOLUTION 7

PROPOSED BONUS ISSUE OF 11,725,386 NEW ORDINARY SHARES IN PCB ("PCB SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF 2 BONUS SHARES FOR EVERY 25 EXISTING PCB SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE")

"**THAT** subject to the passing of Special Resolution 1 and all relevant approvals being obtained from the relevant authorities and/or parties, the Board be and is hereby authorised to capitalise an amount of RM5,862,693 from the Company's share premium account, and to apply such capitalised sum to make payment in full for 11,725,386 Bonus Shares, to be credited as fully paid-up on the basis of 2 Bonus Shares for every 25 existing PCB Shares held by the shareholders whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later ("**Entitled Shareholders**").

THAT fractional entitlements arising from the Proposed Bonus Issue, if any, shall be disregarded and shall be dealt with in such manner as the Board shall in their absolute discretion deem fit or expedient, and in the best interest of the Company.

THAT the Bonus Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing PCB Shares, save and except that the Bonus Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to shareholders of the Company, the entitlement date of which precedes the date of allotment of the Bonus Shares.

AND THAT the Board be and is hereby authorised to give effect to the Proposed Bonus Issue with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue."

SPECIAL RESOLUTION 1

PROPOSED SHARE SPLIT INVOLVING THE SUBDIVISION OF EVERY 1 PCB SHARE HELD AFTER THE PROPOSED BONUS ISSUE INTO 2 PCB SHARES ("SUBDIVIDED SHARES") ("PROPOSED SHARE SPLIT")

"**THAT** subject to the passing of Ordinary Resolution 7 and all relevant approvals being obtained from the relevant authorities and/or parties, the Board be and is hereby authorised to subdivide each PCB Share held by the Entitled Shareholders after the Proposed Bonus Issue into 2 Subdivided Shares.

THAT the Subdivided Shares shall, upon allotment and issue, rank *pari passu* in all respects with each other.

AND THAT the Board be and is hereby authorised to give effect to the Proposed Share Split with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Share Split."

Further notice is hereby given that for the purpose of determining a member who shall be entitled to attend the extraordinary general meeting ("**EGM**"), the Company shall be requesting Bursa Depository, in accordance with Article 171(1) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Records of Depositors as at 9 November 2017. Only a depositor whose name appears in the Record of Depositors as at 9 November 2017 shall be entitled to attend the EGM or appoint proxies to attend, speak and/or vote on his/her behalf.

By order of the Board

Lim Kim Teck
(MAICSA 7010844)

Kong Sown Kaey
(MAICSA 7047655)
Secretaries

Penang
Date: 24 October 2017

Notes:

(a) Subject to Paragraph (c) below, a member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

(b) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.

(c) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

(e) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

PENTAMASTER

PENTAMASTER CORPORATION BERHAD (572307-U)
(Incorporated in Malaysia)

PROXY FORM
FOR THE EXTRAORDINARY GENERAL MEETING

CDS Account No.	
No. of shares held	

*I/We,______________________________________
(Full Name in Block Letters)
of ______________________________________
(Address)
being a member/members of the above Company appoint____________________
(Full Name in Block Letters)
of ______________________________________
(Address)
or failing him, ______________________________________
(Full Name in Block Letters)
of______________________________________
(Address)

or failing him, the Chairman of the Meeting as my/our proxy to vote in my/our name(s) on my/our behalf at the Extraordinary General Meeting of Company to be held at the Conference Room of PCB at Plot 18 & 19 Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang on Thursday, 16 November 2017 at 11.00 a.m. or at any adjournment thereof in the manner indicated below:

RESOLUTION		FOR	AGAINST
PROPOSED SHARE AWARD SCHEME	**ORDINARY RESOLUTION 1**		
PROPOSED LISTING	**ORDINARY RESOLUTION 2**		
PROPOSED DILUTION	**ORDINARY RESOLUTION 3**		
PROPOSED ALLOCATION OF PIL SHARES UNDER THE PROPOSED SHARE AWARD SCHEME TO CHUAH CHOON BIN	**ORDINARY RESOLUTION 4**		
PROPOSED ALLOCATION OF PIL SHARES UNDER THE PROPOSED SHARE AWARD SCHEME TO GAN PEI JOO	**ORDINARY RESOLUTION 5**		
PROPOSED ALLOCATION OF PIL SHARES UNDER THE PROPOSED SHARE AWARD SCHEME TO CHUAH LAY KUAN	**ORDINARY RESOLUTION 6**		
PROPOSED BONUS ISSUE	**ORDINARY RESOLUTION 7**		
PROPOSED SHARE SPLIT	**SPECIAL RESOLUTION 1**		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

Dated this ________________ day of ________________2017.

____
Signature of Shareholder or Common Seal

Notes:

(a) Only a Depositor whose name appears in the Record of Depositors as at 9 November 2017 shall be entitled to attend the Extraordinary General Meeting or appoint proxies to attend, speak and/or vote on his/her behalf.
(b) Subject to Paragraph (d) below, a member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.
(c) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.
(d) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
(e) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
(f) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

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AFFIX
STAMP

The Company Secretaries
PENTAMASTER CORPORATION BERHAD (572307-U)
35, 1st Floor, Jalan Kelisa Emas 1,
Taman Kelisa Emas,
13700 Seberang Jaya, Penang,
Malaysia

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